

INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 4

meeting date: 11 FEBRUARY 2014
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/15
& ILLUSTRATIVE SETTLEMENT FOR 2015/16
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1. PURPOSE

1.1 To report the details of the provisional finance settlement for 2014/15 and 2015/16.

2. BACKGROUND

2.1 The local government finance settlement is the annual determination of funding to local government and is approved by the House of Commons. The grant settlement for next year was issued on Wednesday 18 December 2013.

2.2 The Parliamentary Under Secretary of State for Communities and Local Government, Brandon Lewis, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2014/15 and 2015/16. The illustrative 2015/16 settlement provides early information ahead of the provisional 2015/16 settlement, which is expected to be announced in December 2014.

2.3 A consultation period on the proposals was launched and ended on 15 January 2014. It is expected the final 2014/2015 settlement will be laid before the House of Commons in mid-February.

3. KEY POINTS

3.1 This is the second year of a new style settlement incorporating the retention of business rates.

3.2 There is a reduction in net Aggregate External Finance of 9.4 per cent in 2014/15 and 13.2 per cent in 2015/16. Compared with the summer consultation, there is £123 million more in the Settlement Funding Assessment (SFA) for 2014/15 and £131 million more for 2015/16 which has been found by reducing holdbacks for New Homes Bonus (£100m in each year) and capitalisation (£50million). The balance is explained by the resources for Efficiency Support Grant and sparse authorities.

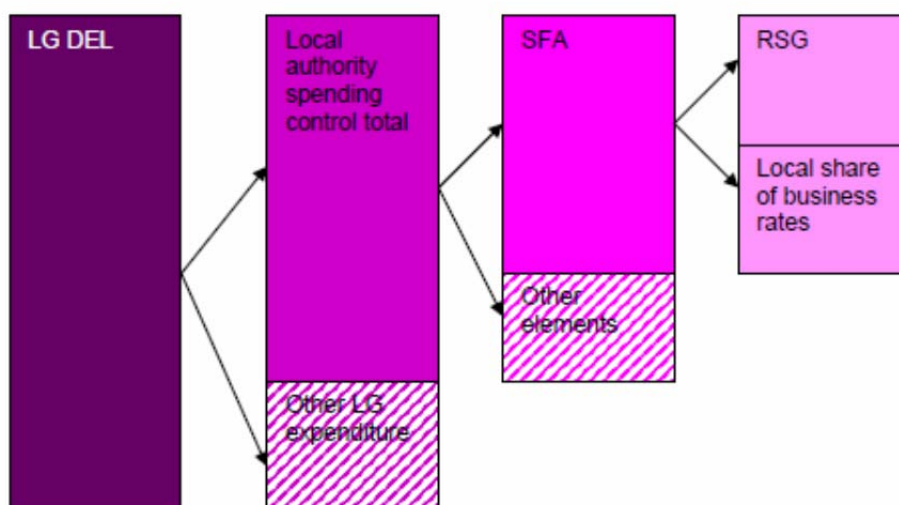
3.3 There is an overall reduction of revenue spending power of 2.9% in 2014/15 and 1.8% in 2015/16 (these figures exclude the Greater London Authority). This includes new resources for social care through the Better Care Fund. Excluding council tax income this is a reduction of 5.3% in 2014/15 and 3.5% in 2015/16, or 8.5% over the two years.

3.4 We have been given confirmation that the Government will pay in full for the business rates changes announced in the Autumn Statement. The Government is doing this by increasing revenue support to compensate for the lower increase in the local share by a section 31 grant.

3.5 **Referendum limits have still not been announced.** The Government said they will make a further announcement early in 2014.

3.6 The Government has announced an additional £2.35bn of basic needs funding for councils to plan and create new school places that will be needed by 2017.

4. LOCAL GOVERNMENT DEPARTMENTAL EXPENDITURE LIMIT (LG DEL)
- 4.1 LG DEL is the government budget agreed by Parliament that is allocated to and spent by the local government sector as a whole. The amount and how it is split is set at Spending Reviews. LG DEL includes funding for local authorities (the local authority spending control total) and certain other local government organisations such as the Valuation Office Agency.
- 4.2 Any changes to LG DEL may be spread equally between the local authority spending control total and the other organisations or changes may be applied in different ways. If they are applied differently, the percentage change to the overall amount of LG DEL will be different to the percentage change to the local authority spending control total



5. SETTLEMENT FUNDING ASSESSMENT (SFA)
- 5.1 The Settlement Funding Assessment consists of the local share of business rates, and Revenue Support Grant. The first Settlement Funding Assessment in 2013/14, which formed the starting point for setting Revenue Support Grant until 2020, was called the Start-Up Funding Assessment
- 5.2 This is broadly the equivalent of our former Formula Grant.

The effect of RPI on Settlement Funding Assessment

- 5.3 The local share of business rates was set at the outset of the scheme in 2013 as 50% of Estimated Business Rates Aggregate and is fixed until 2020. For the purposes of the Settlement Funding Assessment this figure is uprated year on year in line with the change in the small business multiplier (generally the September RPI). The overall Settlement Funding Assessment is set at the time of Spending Reviews. Because the actual September RPI is not known at that stage, the RPI forecast by the Office of Budgetary Responsibility at the time of the Spending Review for the third quarter (the period covering September) is used.
- 5.4 Subsequently, as the actual September RPI is known and the small business multiplier is set, any difference will be reflected in the local share of the Settlement Funding Assessment. If the actual small business rates multiplier is higher than the RPI forecast at the time of the Spending Review, the overall Settlement Funding Assessment will be higher than previously forecast. Conversely it will be lower if the Small Business multiplier is lower than forecast.

6. REVENUE SUPPORT GRANT

6.1 The amount of Revenue Support Grant provided to local government is just one part of the overall amount of funding determined during a Spending Review. However, for local authorities, since the introduction of the Business Rate Retention Scheme, Revenue Support Grant is the primary source of funding from central government.

7. BREAKDOWN OF START-UP FUNDING ASSESSMENT/SETTLEMENT FUNDING ASSESSMENT FOR RIBBLE VALLEY 2014/15 & 2015/16

	Adjusted 2013/14 Start-up Funding Assessment £m	Provisional 2014/15 Settlement Funding Assessment £m	Illustrative 2015/16 Settlement Funding Assessment £m
Lower Tier Funding	2.833000	2.428546	2.032365
2011/12 Council Tax Freeze Grant	0.078660	0.078308	0.078282
Homeless Prevention Funding	0.050000	0.049252	0.049235
Efficiency Support for Services in Rural Areas	0.009901	0.012657	0.012657
2013/14 Council Tax Freeze Grant	0.031472	0.031472	0.031472
Returned Holdback		0.003180	
SFA	3.003033	2.603415	2.204012
Consists of:			
Revenue Support Grant		1.397190	0.964494
Baseline Funding Level		1.206225	1.239518
SFA	3.003033	2.603415	2.204012

8. SPENDING POWER

8.1 The Government once again have produced tables showing what they say is the “spending power” of each authority.

8.2 The Government’s definition of revenue spending power is spending power from council tax, Government revenue grants including New Homes Bonus and National Health Service Funding for social care. The calculation of each local authority’s spending power is also used to calculate eligibility for Efficiency Support Grant.

How does our allocation compare with 2013/14

8.3 There are two ways of looking at this – the Government’s view and then the comparison in cash terms.

8.4 Using the Government's Spending Power comparison, the situation for Ribble Valley is set out below:

	Ribble Valley
	£m
2013-14 Council Tax Requirement excluding parish precepts	2.961947
Start-up Funding Assessment (adjusted) 2013-14	3.003033
minus Council Tax Support Funding to Parishes 2013-14	-0.023063
Efficiency Support Grant 2013-14	0.000000
Lead Local Flood Authorities 2013-14	0.000000
Community Right to Challenge 2013-14	0.008547
Community Right to Bid 2013-14	0.007855
New Homes Bonus 2013-14	0.367698
New Homes Bonus: Returned Funding 2013-14	0.010029
Housing Benefit Administration Subsidy 2013-14	0.213505
Council Tax Support New Burdens Funding 2013-14	0.027897
Estimated 2013-14 Revenue Spending Power	6.577447
Estimated 2014-15 Council Tax Requirement excluding parish precepts	2.962873
Settlement Funding Assessment 2014-15	2.603416
Settlement Funding Assessment: Adjustment 2014-15	0.012805
minus Council Tax Support Funding to Parishes 2013-14	-0.023063
Lead Local Flood Authorities 2014-15	0.000000
Community Right to Challenge 2014-15	0.008547
Community Right to Bid 2014-15	0.007855
Indicative CT Freeze 2014-15	0.031482
Provisional New Homes Bonus 2014-15	0.576563
New Homes Bonus: Returned Funding 2014-15	0.004180
Local Council Tax Support and Housing Benefit Admin Subsidy 2014-15	0.187884
Indicative Council Tax Support New Burdens Funding 2014-15	0.056553
Efficiency Support Grant 2014-15	0.000000
Estimated 2014-15 Revenue Spending Power	6.429095
Change in estimated 'revenue spending power' 2014-15	-2.25%

8.5 Our analysis of the change in cash terms however shows a different picture:

Analysis of change in grant funding on a like for like basis					
	2013/14 settlement £	2014/15 Provisional settlement £	% change	2015/16 Illustrative settlement £	% change
RSG	1,778,495	1,397,190		964,494	
Business Rates Baseline	1,183,184	1,206,225		1,239,518	
SFA	2,961,679	2,603,415	12.1%	2,204,012	15.3%

8.6 The main difference between the two comparisons is that the Government include in our Spending Power the income we get from the New Homes Bonus scheme. Clearly by doing this the Government are suggesting this forms part of our core Government funding.

9. NEW HOMES BONUS

9.1 The Government have announced the provisional amounts for the New Homes Bonus (NHB) for 2014/15 (£916m) and 2015/16 (£1,150m). As previously announced the Government will not be going ahead with the transfer of £330m of NHB to Local Enterprise Partnerships in 2015/16.

9.2 Our allocation for 2013/14 was £367,698 and for 2014/15 will be £594,807 (final). Members will recall under the scheme we will receive funding for new homes or empty properties brought back into use. The amount receivable is equivalent to the national average council tax for each property and is paid out every year for the following six years.

9.3 The table below shows the amounts we have already received and also an estimate projected forward based on current levels. You will see the amounts falling out after the sixth year and also monies used/committed to date.

Use of New Homes Bonus monies												
		<i>Received in year</i>										
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Relates to:	2011/12	62,046	62,046	62,046	62,046	62,046	62,046					
	2012/13		117,599	117,599	117,599	117,599	117,599	117,599				
	2013/14			188,053	188,053	188,053	188,053	188,053	188,053			
prov alloc	2014/15 in Dec 13				227,109	227,109	227,109	227,109	227,109	227,109		
						x	x	x	x	x	x	
							y	y	y	y	y	y
	Available	62,046	179,645	367,698	594,807	594,807	594,807	532,761	415,162	227,109	?	?
Allocated:												
Revenue	base budget	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capital	to fund econ dev	0	100,000	0	0	0	0	0	0	0	0	0
		60,000	160,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
	Spare ie unallocated	2,046	19,645	307,698	534,807	534,807	534,807	472,761	355,162	167,109	?	?

10. EFFICIENCY SUPPORT GRANT

- 10.1 The Government has decided to again offer more protection to councils against large reductions in spending power – no council will see a reduction of more than 6.9% in overall spending power through the Efficiency Support Grant (an increased level of protection on 2013-14's limit of 8.8%). The Government state *this will provide additional support to councils most affected by reductions in spending power to support long term changes to bring costs down whilst continuing to deliver the services that their local citizens expect.*
- 10.2 The grant is available to the seven local authorities who saw a reduction in revenue of more than 8.8% in 2013-14 however funding for 2014-15 will be dependent on performance achieved in 2013-14. Two additional local authorities who otherwise would have spending power falls in 2014-15 of great than 6.9% will also receive funding in 2014-15, their funding will also be conditional on performance.
- 10.3 Eligibility for the grant and final amounts are only illustrative at this time and will be subject to final calculations that will be made in autumn 2014 and on LA performance.

Local Authority	Provisional New Homes Bonus 2014-15 £m	Estimated 2013-14 Revenue Spending Power £m	Efficiency Support Grant 2014-15 ⁶ £m	Estimated 2014-15 Revenue Spending Power £m	Change in estimated 'revenue spending power' 2014-15 %
Great Yarmouth	0.949	15.878	1.864	14.827	-6.62%
Burnley	0.583	18.068	1.859	17.048	-5.65%
Hyndburn	0.347	14.436	1.272	13.544	-6.17%
Barrow-in-Furness	0.373	12.558	1.175	11.820	-5.88%
Bolsover	0.772	11.270	1.064	10.686	-5.18%
Pendle	0.714	16.443	1.026	15.549	-5.43%
Hastings	0.886	16.593	0.975	15.898	-4.19%
East Lindsey	1.321	20.270	0.114	18.871	-6.90%
Chesterfield	0.452	12.560	0.039	11.694	-6.90%

Efficiency Support Grant in 2014-15 is dependent on local authority's performance. It is capped so that no local authority should receive a spending power reduction of more than 6.9%. For local authorities that received Efficiency Support Grant in 2013-14 they will not get less than their 2013-14 amount in 2014-15.

11. EFFICIENCY SUPPORT FOR SERVICES IN SPARSE AREAS

11.1 Members will recall last year, following extensive lobbying from SPARSE and RSN the Government announced a small amount of extra funding for some authorities in rural areas. We received £9,901 as a separate grant. For 2014/15 and 2015/16 the Government have announced our amounts will be £12,657, however this will not be paid as a separate grant. Instead it has been 'rolled up' into our Revenue Support Grant.

12. COUNCIL TAX FREEZE GRANT

12.1 The Government have announced a Freeze Grant worth 1% for both 2014/15 and 2015/16 for those councils who decide to freeze their council tax. For Ribble Valley this would mean we would receive approximately £31,560.

12.2 The Government intend that the council tax freeze funding for 2014/15 and 2015/16 should be built into the baseline for subsequent years.

13. CONCLUSION

13.1 The Grant Settlement is virtually the same as was indicated as part of the technical consultation in summer 2013.

13.2 Our settlement as set out at 8.5 shows that we face a 12.1% reduction in grant next year with a further 15.3% reduction the year after. This is before taking into account other funding such as our New Homes Bonus allocation.

DIRECTOR OF RESOURCES

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