

**INFORMATION**

**RIBBLE VALLEY BOROUGH COUNCIL**  
**REPORT TO POLICY AND FINANCE COMMITTEE**

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Agenda Item No 4

meeting date: 10 FEBRUARY 2015  
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16  
submitted by: DIRECTOR OF RESOURCES  
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1. PURPOSE

1.1 To report the details of the provisional finance settlement for 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 Thursday 18 December 2014.

2.2 The Minister for Local Government, Kris Hopkins, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2015/16.

2.3 The consultation period ends on 15 January 2015. It is expected the final 2015/16 settlement will be laid before the House of Commons in mid-February.

3. KEY POINTS

3.1 There is a cut in net Aggregate External Finance of 13.9% in 2015-16 on a like for like basis when compared with 2014-15.

3.2 There is an overall reduction of revenue spending power of 1.8% in 2015-16. This includes the Better Care Fund in full. Excluding council tax income this is a cut of 3.7% in 2015-16. This is a greater reduction than the 3.5% reduction announced in December 2013's illustrative 2015-16 settlement.

3.3 Confirmation has been given that the Government will pay in full for the further business rates 2% freeze and other changes announced in the Autumn Statement through a section 31 grant.

3.4 The Government has announced that council tax increases of 2 per cent or over will be subject to a referendum.

4. THE SETTLEMENT IN DETAIL

4.1 This is a one year settlement covering 2015-16 only. It largely confirms the illustrative settlement announced last year. The Government have stated the following:

- Settlement Funding Assessment (SFA) figures for 2015-16. This is a cut of 13.9% in 2015-16, or 14.6% if the GLA is taken out of the figures.
- Revenue spending power (RSP) figures for 2015-16 for each council. These show an overall cut in RSP of 1.8% in 2015-16. These figures include council tax income. If you leave council tax out, this is a cut of 3.7% in 2015-16. After removing ringfenced and social care new burdens funding the reduction is 11.8%. The main difference between RSP and SFA is explained by:
- The RSP figures include the New Homes Bonus (NHB) grant which is top-sliced from the SFA.

- An estimate of the revenue impact of the BCF of £3.46billion in 2015-16 as well as Care Act new burdens funding of £285million in addition to a £11.2million grant for social care in prisons.
  - The effects of changes to business rates announced in the Autumn Statement, including the 2% cap.
- 4.2 The Government has confirmed that it will pay Efficiency Support Grant to councils which would otherwise have a RSP cut of more than 6.4%. The grant is worth £2.29 million and 19 councils are eligible in 2015-16.
- 4.3 They will also continue to pay a grant to the most sparsely populated authorities; this is estimated at £15.5million in 2015-16. This is incorporated into the SFA. They have published research into funding in rural areas
5. NEW HOMES BONUS
- 5.1 The provisional amounts of £1,167 million for the NHB 2015-16 have been announced by DCLG. This will continue to be funded through £250 million in specific grant with the rest in top-sliced funding.
- 5.2 £32.7 million of returned new homes bonus funding will be paid as a separate grant in proportion to the SFA – this is included in the RSP figures.
- 5.3 As previously announced £70 million will be transferred from London Boroughs and the City to the Greater London Authority in 2015-16.
- 5.4 The LGA View is that the NHB represents a considerable addition to funding for some authorities, mainly shire districts. However for many other authorities the effect of its being mainly funded through top-sliced funding is a net reduction in resources.
6. BUSINESS RATES
- 6.1 There are no changes to the business rates retention scheme which is now in its third year, other than an announcement on pooling. DCLG is consulting on 28 proposals for pools in 2015-16, 4 more than in 2014-15.
- 6.2 Income from business rates will be affected by the measures announced in the 2014 Autumn Statement. These are:
- The 2.3 per cent RPI increase for 2014-15 will be reduced to 2 per cent.
  - A £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 will be increased to £1,500 for 2015-16.
  - The doubling of Small Business Rate Relief will continue for a further year.
- 6.3 The Government will pay for this through a section 31 grant so that councils are fully compensated. Figures reflected in the settlement aggregate this grant into local business rates.
- 6.4 The multiplier will therefore be 49.3 pence, with the small business multiplier being 48.0 pence. Top-ups and tariffs will be uprated by 1.91 per cent; rather than the September Retail Price Index of 2.3 per cent.
- 6.5 The Government issued further consultations on business rates administration and business rates avoidance on 10th December. These close on 28th February 2015. More information on the review of the structure of business rates is expected early in 2015.

7. COUNCIL TAX

7.1 The Provisional Local Government Finance Settlement announces the following on council tax:

- The freeze grant will be extended for 2015-16. This grant is equivalent to a one per cent increase in council tax.
- The Government has announced that council tax increases of 2% or over will be subject to a referendum. The Government is asking for views on whether some parish and town councils should be subject to referendums.

8. LOCAL COUNCIL TAX SUPPORT

8.1 Funding for local council tax support schemes is now included in the SFA.

- As was the case in 2014-15, the funding for council tax support in 2015-16 is not separately identified. If councils decrease funding to their local council tax support schemes in line with the reduction in SFA over £1 billion will be taken out of external funding by the end of 2015-16.
- DCLG has also announced additional New Burdens funding for local council tax support of £12.47 million and this will go to billing authorities.

9. OUR PROVISIONAL SETTLEMENT IN DETAIL

	<b>Provisional 2015-16 Settlement Funding Assessment</b>		
Settlement Funding Assessment	2.240595		
of which:			
Revenue Support Grant	1.011321		
Baseline Funding Level	1.229274		
Tariff/Top-Up	-4.325447		
Levy Rate (p in £)	0.500000		
Safety Net Threshold	1.137079		
<b>Breakdown of 2015-16 Elements</b>			
	<b>Revenue Support Grant</b>	<b>Baseline Funding Level</b>	<b>Settlemen t Funding Level</b>
Upper-Tier Funding			
Lower-Tier Funding	0.853479	1.175872	2.029351
Fire and Rescue Funding			
Council Tax Freeze Compensation Part 1	0.045361	0.032649	0.078010
Early Intervention Funding			
GLA General Funding			
GLA Transport Funding			
London Bus Services Operators Grant			
Homelessness Prevention Funding	0.028309	0.020753	0.049062

Lead Local Flood Authority Funding			
Learning Disability and Health Reform Funding			
Rural Services Delivery Funding	0.020651		0.020651
Council Tax Freeze Compensation Part 2	0.063520		0.063520
Efficiency Support Funding			
Carbon Reduction Credits Energy Efficiency Scheme			
Local Welfare Provision			
<b>Total</b>	<b>1.011321</b>	<b>1.229274</b>	<b>2.240595</b>

10. SPENDING POWER

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

10.2 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 2014/15***

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

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

<b>PROVISIONAL 2015-16 SPENDING POWER</b>			
<b>Ribble Valley</b>			
<b>Spending Power Components</b>		<b>2014-15 adjusted</b>	<b>2015-16</b>
Council Tax Requirement excluding parish precepts	£m	3.009500	3.021194
Settlement Funding Assessment	£m	2.638482	2.240595
SFA: Adjustment to reflect Section 31 grants for business rates initiatives	£m	0.012805	0.017927
minus Council Tax Support Funding to Parishes	£m	-0.023063	-0.023063
Efficiency Support Grant	£m		0.000000
Commons Registration Authorities	£m	0.000000	0.000000
Inshore Fisheries Conservation Authorities	£m	0.000000	0.000000
Lead Local Flood Authorities	£m	0.000000	0.000000
Community Right to Challenge	£m	0.008547	
Community Right to Bid	£m	0.007855	
Fire Revenue Grant (FireLink and New Dimension elements)	£m	0.000000	0.000000
Council Tax Freeze Grant 2015-16	£m		0.032173
New Homes Bonus	£m	0.594806	0.962484
New Homes Bonus: returned funding	£m	0.004084	0.004043
Council Tax Support New Burdens Funding	£m	0.056553	0.011229
Local Council Tax Support and Housing Benefit Admin	£m	0.187884	0.165338

<b>PROVISIONAL 2015-16 SPENDING POWER</b>			
<b>Ribble Valley</b>			
<b>Spending Power Components</b>		<b>2014-15 adjusted</b>	<b>2015-16</b>
Subsidy			
Social Housing Fraud	£m	0.000000	
City of London Offset	£m	0.000000	0.000000
GLA Transport Revenue Grant	£m	0.000000	0.000000
Department of Health Revenue grant	£m	0.000000	0.000000
Public Health Grant (Ring-fenced)	£m	0.000000	0.000000
Adult Social Care New Burdens	£m	0.000000	0.000000
Better Care Fund	£m	0.000000	0.000000
Provisional Revenue Spending Power including Better Care Fund	£m	6.497453	6.431919
Change in Provisional Revenue Spending Power 2015-16	£m		-0.065534
<b>Change in Provisional Revenue Spending Power 2015-16</b>			<b>-0.010086</b>

10.5 According to the Government Ribble Valley's spending power is set to fall by 1% next year.

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

	<b>2014/15 settlement £</b>	<b>2015/16 Provisional settlement £</b>	<b>% change</b>
RSG	1,397,544	1,011,321	
Business Rates Baseline	1,206,225	1,229,274	
<b>SFA</b>	<b>2,603,769</b>	<b>2,240,595</b>	<b>-14%</b>

10.7 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.

11. NEW HOMES BONUS FOR RIBBLE VALLEY

11.1 Under the scheme we 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.

11.2 We have been notified that our provisional allocation for 2015/16 is £962,484.

11.3 We have made a claim to the Government for a further £7,666 in respect of the impact of downbandings on our taxbase. We have been successful in claiming for this in the last three years and are hopeful we will be this year. **If we are successful** our share of this amount would be £6,132 (80%). **This would result in total NHB of £968,616 for 2015/16** of which £333,780 is already committed to support the revenue budget. This would leave £634,836 'uncommitted' of next year's allocation

12. CONCLUSION

12.1 The Grant Settlement is virtually the same as was indicated as illustrative figures in December 2013.

12.2 Our settlement as set out at 10.6 shows that we face a 14% reduction in grant next year. This is before taking into account other funding such as our New Homes Bonus allocation.

DIRECTOR OF RESOURCES

PF15-15/JP/AC  
3 February 2015