

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR STRATEGIC, POLICY AND BUDGET

9 September 2014

Report of the Director of Finance

**LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16 TECHNICAL
CONSULTATION**

1 Purpose of the Report

To provide the Cabinet Member with details of the Local Government Finance Settlement 2015/16: Technical Consultation and to approve the Council's response.

2 Information and Analysis

The Government published the Local Government Finance 2015/16 Technical Consultation on 22 July 2014. It sets out the Government's proposed changes to the 2015/16 Settlement. The deadline for responses is 25 September 2014.

Compensation for the 2% cap on the small business rates multiplier

At the 2013 Autumn Statement the Government announced that the small business rates multiplier would be capped at 2% rather than increased in line with the September 2013 Retail Price Index. Under the Business Rates Retention Scheme the tariffs, top-ups and baseline funding levels are indexed each year by the change in the small business rates multiplier. The decision to cap the multiplier at 2% has resulted in a reduction in local authorities funding levels.

The 2014/15 Settlement compensated local authorities for the loss of business rates income through a Section 31 grant on the basis of the estimated reduction to retained business rates income. The Government intends to continue to pay compensation for the loss of income through a Section 31 grant.

Council Tax Freeze Grant

In order to ensure that the Council Tax Freeze Grant 2014/15 is protected in cash terms and only benefits authorities that froze Council Tax in 2014/15, the Government is proposing to roll the 2014/15 Council Tax Freeze Grant into

Revenue Support Grant (RSG). This is the same approach as that taken by Government for the 2013/14 grant.

Efficiency Support Grant 2014/15

The Efficiency Support Grant (ESG) was paid to seven local authorities in 2014/15 to ensure that no local authority had a reduction in their 2014/15 revenue spending power of more than 6.9%. The Government proposes to take decisions on whether to roll the 2014/15 ESG funding after consideration of the March progress report and the further progress reports due in the autumn. If satisfactory progress has been made by the individual authorities, the funding will be rolled in as a separate element paid to qualifying authorities.

Rural Services Delivery Grant 2014/15

The 2014/15 settlement included a £9.5m rural funding element within RSG (see above) and the £2m Rural Services Delivery Grant. Both were allocated to the top quartile of authorities on the basis of the super sparsity indicator, which ranks authorities by the proportion of the population which is scattered widely, using 2011 Census data and weighted towards the authorities with the sparsest populations. DCLG propose rolling in the 2014/15 Rural Services Delivery Grant into RSG and combining it with the existing rural funding element, distributed on the same basis.

Carbon Reduction Credits Energy Efficiency Scheme adjustment

The Government's decision to withdraw all state funded schools from the participation in Phase 2 of the Carbon Reduction Commitment Energy Efficiency Scheme has resulted in local authorities no longer being required to include emissions from schools under their control or academies in their area in their assessment of qualification for Phase 2.

Therefore, the Government is proposing to recoup the loss in tax revenue from local authorities who fall below the threshold for participation in the scheme. The Government proposes to reduce 2015/16 Settlement by the amount equal to the tax which would have been due on the total emissions for that authority. This will result in a reduction in Revenue Support Grant of £0.254m for the Council.

Whilst the Council welcomes the change to the scheme which will result in local authorities having reduced administrative costs, the Council does not agree with the reduction to the 2015/16 settlement to compensate the loss of the revenue to the Exchequer under the New Burdens Doctrine, because the introduction of the Carbon Reduction Commitment was not supported by additional funding from Government and in other instances new burdens have not been fully funded.

Exemplifications

The Government has provided exemplifications for all local authorities showing the financial impact of the above proposals. The proposal for Carbon Reduction Credits is the only proposal which will affect the Council.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4 Background Papers

Local Government Finance Settlement 2015/16 – Department for Communities and Local Government.

5 Key Decision

No

6 Is it necessary to waive the call-in period?

No

7 OFFICER'S RECOMMENDATION

That the Cabinet Member notes the details of the consultation and approves the response.

PETER HANDFORD

Director of Finance

4 August 2014

Andrew Lock
Department for Communities and Local Government
Second Floor
Fry Block
2 Marsham Street
London
SW1P 4DF

Dear Sir

Re. Local Government Finance 2015/16 Settlement Technical Consultation

The Council welcomes the opportunity to respond to the consultation. Please find below our response to the consultation questions.

Question 1: Do you agree that the compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups, as in 2014/15?

The Council agrees with the proposed approach. However, the Council would like the Government, in consultation with the Chartered Institute of Public Finance and Accountancy, to provide guidance regarding the accounting treatment of the grant. The Grant Determination notice (31/2385) issued on the 30th June in respect of the 2014/15 business rates compensation states that the allocation is an “interim payment” pending the final allocation which based on outturn costs which will not be known until summer 2015. Therefore, authorities will need to know whether they are expected to provide for this adjustment in their final accounts.

Question 2: Do you agree that the 2014/15 Council Tax Freeze Grant should be rolled into Revenue Support Grant and combined with the 2013/14 Council Tax Freeze funding element as a single element.

The Council agrees that this is a consistent and sensible approach.

Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014/15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?

The Council agrees with this approach.

Question 4: Do you agree that the 2014/15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?

The Council agrees with this approach.

Question 5: Do you agree with the proposed methodology for reducing funding to authorities which have fallen below the threshold for

participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Exchequer?

The Council would like to reiterate the point in made in the response to the 2014/15 Technical Consultation in that whilst the Council welcomes the change to the scheme which will result in local authorities having reduced administrative costs, the Council does not agree with the reduction to the 2015/16 settlement to compensate the loss of the revenue to the Exchequer. The introduction of the Carbon Reduction Commitment was not supported by additional funding from Government and in other instances new burdens have not been fully funded.

Further Comments

The Council welcomes the Government's decision to commission research on whether rural authorities face additional unavoidable costs in service delivery compared to urban authorities and we look forward to the outcomes which are expected to be published in the autumn.

The Council notes the comment in the consultation document regarding local welfare provision, in particular, the point that the Government is considering whether it might be possible to create a notional line in the settlement for local welfare funding as an indication on how councils are likely to spend their budget. The Council fails to see what value this would add to the funding settlement. Local authorities are best placed to make decisions about spending in respect of local welfare provision. The costs are demand led, so the inclusion of a notional amount would appear to be meaningless.

Yours faithfully

Director of Finance