

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**22 January 2013**

**Report of the Director of Finance**

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENTS  
2013/14 & 2014/15  
(FINANCE & MANAGEMENT)**

**1 Purpose of the Report**

To provide Members with details of the Provisional Local Government Finance Settlements 2013/14 and 2014/15.

**2 Information and Analysis**

On 19 December 2012, the Government published the 2013/14 and 2014/15 Provisional Local Government Finance Settlement, including details of the Rates Retention Scheme which will be implemented from 1 April 2013. The Government has consulted on various elements of the Business Rates Retention Scheme (BRRS) over the last 18 months.

The publication marked the start of a four week consultation which ended on the 15 January 2013. Given the short timescales, the Council's response was drafted in consultation with the Cabinet Member for Finance and Management. A copy of the Council's response is shown at Appendix One.

From April 2013/14, local authorities will be funded, in addition, through the Business Rates Retention scheme, which provides a direct link between business rates growth and the amount of money councils spend on services. Where a council's business rates income is higher than its current spending, it will make a tariff payment to Government. Similarly, where councils have greater needs than their business rates income generates, they will receive a top-up payment from Government. The levels of tariffs and top-ups will remain fixed each year, apart from an increase in line with the Retail Price Index. In addition, safety net payments will be made to local authorities if their business rates fall by a certain amount. The safety net will be funded by a levy paid by those councils whose business rates income increases by a disproportionate amount compared to their needs. In

addition to the Business Rates funding, the Council will receive general grant funding and Council Tax, details of which are set out below.

### **Central and Local Shares**

The expected business rates aggregate is divided between the central and local share - 50% for each. The central share will be used to pay Revenue Support Grant and fund Police Authorities.

The total size of the local share is 50% of £21.8bn i.e. £10.9bn, this being the national total. This is the total pot for business rates retention and also determines the split in the Start-Up Funding Allocation between Baseline Funding and Revenue Support Grant. The table below shows how the local share is calculated:

	<b>£bn</b>
Locally collected business rates income	26.297
Less deductions for reliefs and appeals	4.500
	21.797
Central Share (50%)	10.899
Local Share (50%)	10.899

### **Start-Up Funding Assessment**

Before calculating how much funding each local authority will receive, the Government has first determined how much overall funding will be allocated to local authorities. The amount of money allocated and distributed to local government through this process is known as the Local Government Spending Control Total. The last Comprehensive Spending Review took place in 2010 and covers the four years ending in 2014-15. The Government has based the calculation of the aggregate Start-Up Funding Assessment on the control totals for local government set out in the 2010 Spending Review as amended in the 2011 and 2012 Autumn Statements.

A number of adjustments have been made to determine the Adjusted Local Government Spending Control Total, which includes a number of grants transferred into the general funding resource rather than being administered as separate grants. Conversely, an adjustment has been made which transfers funding out of the control total for the Local Authority Central Spend Equivalent Grant (LACSEG) which will now be paid as a separate un-ringfenced grant to local authorities and academies.

The Start-up Funding allocations which include the 'local share' and 'central share' will be cut on a like for like basis by 3.9%, reflecting the CSR10 reduction. This is summarised in the table below:

	<b>2012/13 Unadjusted £bn</b>	<b>2012/13 Adjusted after grant transfers in/out £bn</b>	<b>2013/14 £bn</b>	<b>percentage change</b>
<b>Start-Up Funding Allocation</b>	23.596	27.169	26.101	-3.9%
<b>Of which:</b>				
<b>Local Share</b>			10.899	
<b>Revenue Support Grant</b>			15.202	
			<b>26.101</b>	

After calculating the Start-Up Funding Assessment at an aggregate level, the Government has then allocated this to individual local authorities. This makes up each local authority's individual Start-Up Funding Assessment and comprises Revenue Support Grant and the Baseline Funding level.

The aggregate Start-Up Funding assessment is allocated to local authorities in two parts:

- Formula funding
- Grants transferred in from April 2013

The formula funding amounts for each local authority have been allocated to local authorities by mathematical formulae. After wide consultation with local authorities, the Government has decided to base the calculation of formula funding on the 2012/13 Formula Grant methodology in order to provide stability. The Council's start-up funding allocation is shown below, which includes details of the grants transferred in and out of the allocation.

	<b>£m</b>
Formula Funding	168.709
Council Tax Freeze Funding 2011/12	6.961
Council Tax Support Funding (see below)	35.257
Early Intervention Funding (see below)	21.243
Lead Local Flood Authorities (see below)	0.169
Learning Disability and Health Reform Funding	14.489
	<b>246.828</b>

Each local authority's individual Start-Up Funding assessment has been split into two parts:

- Funding provided through Revenue Support Grant
- Funding provided through the Business Rates Retention Scheme

These two amounts are determined by applying the Local Share: Revenue Support Grant ratio to each local authority's individual start-up funding assessment. The local share has been reduced by the Local Authority Transport Funding and London Bus Service Operators Grant to give a ratio of £10.1bn:£15.2bn. Therefore, the Council's Start-Up Funding Assessment is split as follows:

	<b>£m</b>
Local Share (Funding Baseline)	98.607
Revenue Support Grant	148.221
	<b>246.828</b>

### **Business Rates Baseline**

Billing authorities Business Rates Baselines have been calculated by distributing the local share of the Estimated Business Rates Aggregate between all billing authorities on the basis of proportionate shares, which are based on a billing authority's historic business rate collection as a percentage of the total historic business rate yield. These have been calculated using the average of business rates collected for 2010/11 and 2011/12.

Where necessary, billing authority business rates baselines have been split between the billing authority and its major precepting authorities. These splits, known as major precepting authorities' shares, determine the individual authority business rates baselines.

The Government has confirmed the major precepting shares as set out below:

- 80% for two-tier district councils
- 20% for two-tier county councils that have responsibility for fire and rescue services
- 18% for two-tier county councils that do not have fire and rescue service responsibilities
- 2% for independent Fire and Rescue Authorities

Therefore, the calculation for the Council's Business Rates Baseline is calculated as follows:

		<b>£bn</b>
<b>(a)</b>	<b>Estimated Business Rates Aggregate</b>	21.797
<b>(b)</b>	Local Share Percentage	50%
<b>(c)</b>	Local Share (a x b)	10.899

	<b>Proportionate Share as a percentage of Net Local Share</b>	<b>Billing Authority Business Rates Baseline £m</b>
Amber Valley	0.13%	14.409
Bolsover	0.09%	9.906
Chesterfield	0.16%	16.977
Derbyshire Dales	0.08%	8.399
Erewash	0.11%	11.534
High Peak	0.10%	11.234
North East Derbyshire	0.06%	6.648
South Derbyshire	0.09%	10.216
<b>Total (d)</b>		<b>89.323</b>
<b>Business Rates Baseline i.e. Proportion of (d) paid to the Council</b>	<b>18%</b>	<b>16.078</b>

Derbyshire Fire Authority will receive 2% of the district totals outlined above (£89.323m) and 2% of Derby City's Business Rates Baseline.

### **Tariffs and Top-Ups**

Whether a local authority is a tariff or a top-up authority is determined by comparing each individual local authority's baseline funding level and its business rates baseline. Tariffs and Top-Ups will be fixed and like business rates, will be uprated each year by the year-on-year increase in RPI as at September each year.

The calculation of the Council's Top-Up is shown below:

		<b>£m</b>
(a)	Funding Baseline	98.607
(b)	Business Rates Baseline	16.078
	<b>Top-Up (a – b)</b>	<b>82.529</b>

To summarise, the Council's Start-Up Funding is made up of:

	<b>£m</b>
Business Rates Baseline	16.078
Top-Up	82.529
Revenue Support Grant	148.221
	<b>246.828</b>

### **Specific and General Grants**

Total grants outside of the Start-Up Funding allocation in 2013/14 will be £42.6bn, of which £39.9bn is for schools. The remaining £2.7bn, which does not include the grant for Public Health, represents a like for like cut of 12%, partly reflecting the number and size of the Academies in the County, as part of the LACSEG reduction .

Further details of the individual grants allocated to the Council are set out below.

### **Social Fund**

The Government is making changes to welfare reform which will see the current Community Care Grant and Crisis Loan schemes abolished in March 2013. The responsibility will transfer to local authorities who have been instructed to develop their own schemes. Funding has been allocated for administration and programme costs. The Council's general grant allocation is £1.855m.

### **Lead Local Flood Authority**

Following the floods in 2007, the Government commissioned a review which recommended that local authorities should lead on the management of local flood risk with the support of relevant organisations. The Council is designated as a Lead Local Flood Authority and as such is responsible for managing flooding from local sources, surface water and groundwater. In 2012/13 the Council received an allocation of £0.169m, the sum of which has been transferred into the BRRS (see above). However, a further £0.207m has been allocated for 2013/14 but will be paid as a general grant.

### **Local Reform and Community Voices Grant**

This grant is comprised of five funding streams:

- Additional funding for Deprivation of Liberty Safeguards
- Additional local Healthwatch funding
- Funding for the transfer of Independent Complaints Advocacy Service (ICAS) to local authorities
- Funding for the transfer of Independent Mental Health Advocacy (IMHA) to local authorities
- Funding for the veterans Guaranteed Income Payments (GIPs) social care charges exemption.

A total of £0.635m has been allocated to the Council.

### **Community Rights to Challenge**

The Localism Act gives voluntary and community groups the right to express an interest in taking over the running of a local authority service/facility. By law the local authority must consider and respond to this challenge, and where it accepts it, run a procurement exercise for

the service that the challenging organisation has bid. The allocation of £0.009m is to help authorities with the administration costs of a right to challenge.

### **Extended Rights to Free Travel**

In 2011/12 and 2012/13, the Government provided funding to support low-income families to choose schools for their children which are further from home than the statutory walking distances. The grant was paid as a general grant. In 2012/13, the Council received an allocation of £1.538m. The Settlement indicates that this grant will be paid again in 2013/14, however individual authority allocations are still to be confirmed.

### **New Homes Bonus**

The grant for New Homes Bonus was introduced in April 2011. The scheme is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. The Government has published the provisional allocations for 2013/14, which sets the Council's 20% share at £0.466m. This will be paid in addition to the 2011/12 and 2012/13 allocations, making the total grant £1.306m in 2013/14.

### **Public Health Grant**

From April 2013, the Council will assume responsibility for local Public Health expenditure, which will be funded from a ring-fenced grant. At the time of announcing the Finance Settlement, the Government confirmed that details of the Public Health funding allocations would be delayed until the New Year. Details of the Council's allocation for 2013/14 and 2014/15 were announced on 10 January 2013, the allocations being £34.680m and £35.651m respectively, representing an increase of 2.8% in each year.

### **Education Services Grant**

During the last 18 months, the Government has consulted on the details regarding the LACSEG transfer out of the Spending Control Total. The Government has confirmed that it will establish the Education Services Grant from 2013/14; this will be allocated on a per-pupil basis to local authorities and Academies according to the number of pupils for whom they are responsible. In response to the Summer 2012 consultation, the Government has reduced the amount transferred out of the spending control total by £180m in 2013/14 from the proposed £1.22bn. The new grant will be paid for all pupils aged 3 to 19 in state-funded schools, including Maintained Schools, Academies and Free Schools. In 2013/14, the single, National per-pupil rate will be £116. Multipliers will apply for pupil referral units and special schools of 3.75 and 4.25 respectively. Local authorities will also receive £15 for every pupil in the local authority area, for the statutory duties which do not transfer to Academies.

The publication of allocations for 2013/14 has been delayed and will be confirmed early in 2013, based on the number of pupils in maintained schools and Academies at that time.

### **Early Intervention Grant**

A number of centrally directed grants to support services for children, young people and families were replaced by the Early Intervention Grant (EIG) in 2011/12. The EIG provided a single new funding stream for early intervention and preventative services, bringing a significant extension of local flexibility and greater freedom at local level, to respond to local needs and drive reform. It included funding nursery provision for two-year olds. From April 2013, funding for the Early Intervention Grant will be transferred into the Business Rates Retention Scheme. However, in May 2012 the Government announced that from April 2013 all funding for the two-year olds entitlement will be transferred from the EIG to the ring-fenced Dedicated Schools Grant (DSG). Therefore, the amount transferred into the BRRS will exclude £534m in 2013/14 and £760m in 2014/15, which will be transferred to the DSG.

The total amount in the Spending Control Total for Early Intervention will also be cut by £150m which will be retained centrally by Government for future use in funding early intervention and children's services. The Government has indicated that this money will be made available for policies to be decided by the Government, and therefore, there is no guarantee that local authorities will receive this funding.

The Council's Early Intervention Grant in 2012/13 was £29.715m. The amount transferred into the Council's Start-Up Funding Assessment was £21.243m, effectively a reduction in the Council's mainstream funding of £8.5m. The amount transferred to the Council's DSG is £5.641m leaving an overall reduction of £2.8m.

### **Social Care**

The Government has confirmed the amount to be transferred from the NHS to local authorities to support adult social care services, which also benefit health, will be £859m. Previously these transfers have been £648m in 2011/12 and £622m in 2012/13. From April 2013 the funding will be transferred from the NHS Commissioning Board as Primary Care Trusts are being abolished.

As a condition of the transfer, local authorities and clinical commissioning groups must have regard to how the funding is used, to the Joint Strategic Needs Assessment for their local population and existing commissioning plans for both health and social care. In addition, local authorities must demonstrate how the funding transfer will make a positive difference to social care services and outcomes for



service users, compared to service plans in the absence of the funding transfer. The allocation for the Council is £12.983m, an increase of £3.522m compared to the 2012/13 allocation.

### **2013/14 Council Tax Freeze Grant**

A local authority will be eligible for the grant providing it does not increase the basic amount of council tax in 2013/14, compared to 2012/13. The grant will be equivalent to a 1% increase in the 2012/13 average Band D amount multiplied by the council tax base for 2013/14, which will not be reduced for the element of the tax base receiving Council Tax support. This will mean that the grant will be calculated in the same way as in previous years. The indicative allocation for the Council is £2.814m. Provided the 2013/14 council tax is frozen or reduced, the grant will be paid in each of the financial years 2013/14 and 2014/15.

### **Council Tax Referendum Principles**

The Government announced details of the proposed principles which will be used to determine whether a council tax increase in England for 2013/14 is excessive and therefore whether a referendum would be triggered. In 2012/13 the threshold for local authorities was 3.5% (4% for police and fire authorities). For 2013/14 the Government proposes to set the same threshold of a 2% increase in the relevant basic amount of council tax for the majority of local authorities. No referendum principle was set for parishes. However, the Government intends to revisit this issue next year.

However, a different threshold will be set for those Shire districts, Police and Crime Commissioners and Fire and Rescue Authorities whose 2012/13 council tax was in the lower quartile of their category of authority. For these authorities, a referendum will only be required to be held if the authority increases its relevant basic amount of council tax for 2013/14 by more than 2%, and there is a cash increase of more than £5 in the relevant basic amount. Authorities exceeding the relevant threshold will be required to hold a binding referendum for the local electorate to approve or veto the increase.

### **Council Tax Support Transition Grant**

In October, the Government announced details of a transitional grant scheme for localised council tax support. Billing and major precepting authorities will be eligible for the grant if they adopt schemes which comply with new criteria set out by the Government to limit the impact of the changes on low income households. As a precepting authority, the Council will receive funding from Government for each scheme in their area that complies with the terms of the grant. If all the billing authorities in the County were to meet the requirements of the grant, the Council would receive an allocation of £0.956m to offset the reduced income from Council Tax that would follow from following the

Government's limits for impact on individual benefit claimants. This funding will not be available in 2014/15.

### **Provisional 2014/15 Settlement**

Details of the Provisional allocations for 2014/15 have also been announced. The indicative allocations are based on an increase in the Estimated Business Rates Aggregate of 3.75% as per the Office of Budget Responsibilities estimate of RPI at September 2013 and also reflects a reduction in the Government's Spending Control 2010 and subsequent announcements. Details of the indicative allocations are set out below:

	<b>2014/15 £bn</b>
<b>Start-Up Funding Allocation</b>	23.883
<b>Of which:</b>	
<b>Local Share</b>	11.233
<b>Revenue Support Grant</b>	12.650
	<b>23.883</b>

This allocation is then distributed to local authorities to give the Start-Up Funding Assessment for individual local authorities. For Derbyshire, the allocation is shown below:

	<b>£m</b>
Formula Funding	184.462
Council Tax Freeze Funding 2011/12	6.961
Early Intervention Funding (see below)	19.889
Lead Local Flood Authorities (see below)	0.169
Learning Disability and Health Reform Funding	14.850
	<b>226.331</b>

The Business Rates Baseline is calculated as follows:

		<b>£bn</b>
<b>(a)</b>	<b>Estimated Business Rates Aggregate</b>	22.466
<b>(b)</b>	Local Share Percentage	50%
<b>(c)</b>	Local Share (a x b)	11.233

	<b>Proportionate Share as a percentage of Local Share</b>	<b>Billing Authority Business Rates Baseline £m</b>
Amber Valley	0.13%	14.851
Bolsover	0.09%	10.210
Chesterfield	0.16%	17.498
Derbyshire Dales	0.08%	8.656
Erewash	0.11%	11.888
High Peak	0.10%	11.579
North East Derbyshire	0.06%	6.852
South Derbyshire	0.09%	10.529
<b>Total (d)</b>		<b>92.063</b>
<b>Business Rates Baseline i.e. Proportion of (d) paid to the Council</b>	<b>18%</b>	<b>16.571</b>

The calculation of the Council's top-up is shown below:

		<b>£m</b>
(a)	Funding Baseline	101.631
(b)	Business Rates Baseline	16.571
	<b>Top-Up (a – b)</b>	<b>85.060</b>

To summarise, the Council's Start-Up Funding is made up of:

	<b>2013/14 £m</b>	<b>2014/15 £m</b>
Business Rates Baseline	16.078	16.571
Top-Up	82.529	85.060
Revenue Support Grant	148.221	124.700
	<b>246.828</b>	<b>226.331</b>

### **General & Specific Grant Allocations 2014/15**

The Government has published details of the 2014/15 general grant allocations, which are shown below. However this list is not comprehensive as the allocations for the Education Services Grant, New Homes Bonus, Public Health and Social Care funding will not be finalised until December 2013.

	£m
Community Right to Challenge	0.009
Council Tax Freeze Grant 2013/14	2.815
Lead Local Flood Authority	0.208
Local Reform and Community Voices	0.655
Social Fund	1.828

### **Revenue Budget 2013/14**

A summary of the above allocations will be reported to Cabinet on 29 January 2013 as part of the Revenue Budget 2013/14 report.

## **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 Key Decision**

No

## **5 Call-in**

Is it required that call-in be waived in respect of the decisions proposed in the report? No

## **6 Background Papers**

Draft Local Government Finance Report 2013/14 – Department for Communities and Local Government  
Paper held in Technical Section, Corporate Finance

## **7 OFFICER'S RECOMMENDATION**

That Cabinet notes:

- i. The details of the Provisional Local Government Finance Settlement 2013/14 & 2014/15.
- ii. The Council's consultation response to the 2013/14 Provisional Settlement.

**PETER HANDFORD**  
**Director of Finance**

11 January 2013

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2013/14 and has welcomed the opportunity to respond to the Government's consultations during the last 18 months regarding proposals for the Business Rates Retention Scheme.

The Settlement confirmed that the Government will allow local authorities to freeze Council Tax by allocating funding equivalent to a 1% increase in the 2012/13 Band D amount. The Council welcomes this decision as the Council has the opportunity to help local people with their Council Tax demands.

We are disappointed that the details of the Settlement were not published until 19 December 2012.

It is disappointing that as at 7 January, the Council was still awaiting publication of allocations in respect of the following:

- Education Services Grant
- Public Health Grant
- Residual amounts for New Homes Bonus, Safety Net and Capitalisation top-slices.

The disappointment over this is shared by many local authorities and is being represented vigorously by both the Local Government Association and County Councils Network.

The Council in its response to previous consultations has also expressed its disappointment at the Government's decision to top-slice the Early Intervention Grant. The Council urges the Government to make a decision sooner rather than later, regarding the £150m top-slice from the control total, in order to provide local authorities with some certainty and enable them to plan effectively in the event that this funding is re-allocated to local authorities.