



## **Report to Cabinet**

**Subject:** Provisional Local Government Finance Settlement 2015/16

**Date:** 8 January 2015

**Author:** Corporate Director and Chief Financial Officer

### **Wards Affected**

Borough-wide

### **Purpose**

The report provides details of the Provisional Local Government Finance Settlement and New Homes Bonus income for 2015/16. The report also seeks approval to passport the original full notional amount of Council Tax Reduction Scheme grant on to Parish Councils and that an increase in Fees and Charges of 3% to be applied in 2015/16.

Once expenditure estimates have been set the Council will then need to determine its Council Tax increase, if any, at the Budget Council meeting on 2 March 2015.

### **Key Decision**

This is not a key decision.

### **Background**

- 1.1 The Local Government Finance Settlement determines how much grant funding Central Government provides to each local authority in England.
- 1.2 The Chancellor of the Exchequer presented his annual Autumn Statement to Parliament on 3 December 2014. It provided an update on the Government's projections for the economy based on the latest forecasts from the Office for Budget Responsibility. Further details of the Autumn Statement as provided by the Local Government Association are attached at Appendix A.

- 1.3 Public spending control is central to the Government's commitment to reducing the deficit. The Chancellor confirmed that local services will not receive additional cuts to those previously announced for 2015/16, however, the Government's fiscal assumption is that Totally Managed Expenditure (TME) for 2016/17 and 2017/18 will fall in real terms at the same rate as between 2010/11 and 2014/15 which for Gedling equates to 34%. TME will then stay flat in real terms in 2018/19 and 2019/20.
- 1.4 The Chancellor announced that business rates rises will be capped at 2%. Otherwise it would have risen by 2.3% in line with the increase in the September 2014 Retail Prices Index. The temporary extension of small business rate relief which was due to expire on 31 March 2015 will be extended until April 2016 and will be fully funded by Government and will not impact upon resources available to local government.

## **Proposal**

### **2.1 Local Government Finance Settlement Announcement 2015/16**

#### **2.1.1 2015/16 Settlement**

The annual local government finance settlement is concerned with the distribution of revenue raised from business rates and other funding streams through Revenue Support Grant and Business Rates Retention.

The 2015/16 Settlement determines how much Revenue Support Grant Central Government will give to each local authority in England in 2015/16. A full analysis of the Settlement has been completed by the Local Government Association and is attached at **Appendix A** for information.

For Gedling Borough Council the provisional settlement figure for 2015/16, known as the **Settlement Funding Assessment**, totals £4,938,471. This represents the aggregate of Revenue Support Grant of £2,146,229 and estimated retained Business Rates of £2,792,242 (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base in accordance with the business rates retention scheme). The Settlement Funding Assessment of £4,938,471 which includes non-ringfenced specific grants, represents a cash reduction of £865,594 or 14.93% from the comparative 2014/15 figure.

Non-ringfenced specific grants are detailed below:

- the Council Tax Freeze grant of £137,753 was to be received for a period of 4 years to finance the Council Tax freeze implemented in 2011/12, this now continues in baseline funding along with £60,621 in

respect of the 2014/15 Council Tax Freeze grant;

- Homelessness grant of £76,564 (a small reduction of 0.4% compared to 2014/15);

The consultation period on the Settlement closes on 15 January 2015.

#### 2.1.2 Future Spending Review Period

As detailed in paragraph 1.3 Settlement grant reductions equating to 34% in cash terms are anticipated over 2016/17-2017/18. Inflationary increases in Settlement grant of 2% in cash terms are projected for 2018/19-2019/20 resulting a neutral budget position in real terms.

#### 2.1.3 Council Tax Freeze Grant

The Government have announced that funding will be available to local authorities which freeze council tax for 2015/16, which will be built into the baseline for subsequent years. Councils that do so will get a grant equivalent to raising their council tax by 1% in each year.

#### 2.1.4 Council Tax Reduction Scheme Grant

The Council Tax Benefit system was replaced on 1 April 2013 with the Council Tax Reduction Scheme (CTRS) which provides a discount on the council tax bill for eligible applicants. Gedling's initial scheme, which was approved by Council on 19 December 2012, was devised to ensure the most vulnerable are protected by making the discount receivable equivalent to the benefit which would have been payable under the previous system. The basis of the original scheme is proposed to continue for the 2015/16 financial year.

The CTRS is funded partly by Government Grant, initially set at a rate 10% less than previously available as benefit subsidy, and the remainder by introducing new tax charges for empty properties. The Council Tax Reduction Scheme non-ringfenced grant, was previously specified at £706,325 for 2013/14, but this has now been incorporated into the base Settlement funding assessment and specific grant figures for CTRS are no longer identifiable.

The non-ringfenced CTRS grant includes an amount to fund the impact of taxbase reductions on local parish precepts, initially predicted at £47,500. The impact of the initial scheme on 2013/14 taxbase figures, when adjusted for Gedling's own technical changes, resulted in a precept reduction of £28,400 for Parish Councils as a whole and grant of this amount was paid to Parish Councils to ensure no financial loss was suffered from the implementation of CTRS. The remainder of the grant was used to part

establish a hardship fund for vulnerable claimants. Demand on that fund is lower than anticipated and despite the Council facing a further cut of 15.8% in its funding for 2015/16, it is now proposed to make an additional grant payment to the Parish Councils of £19,100 in recognition of the work they do in their communities.

Total grant support to Parish Councils is therefore proposed to be £47,500 for 2015/16.

As the CTRS grant is not protected from future funding reductions the amount of grant to be paid to Parish Councils will need to be determined on an annual basis.

#### **2.1.5 Council Tax Increase Referendum Trigger**

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise.

The referendum limit for 2015/16 has been set at 2%. In previous years it has also been set at 2.0%. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via the referendum will have to revert to a council tax level that is compliant.

### **2.2 New Homes Bonus**

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is now a significant and permanent feature of future local government funding. The Government have committed to funding NHB from the centrally retained share Business Rates income which will continue to be paid as a separate non-ringfenced grant.

The principles of the grant are to reward local authorities for each new property completed within their boundary. The value of the reward is linked to the average council tax band D property and each individual award will be for a six year period.

Gedling has provisionally been awarded £467,744 for 2015/16 which is in addition to the £1,563,784 awarded for 2011/12-2014/15, giving a total cumulative New Homes bonus of £2,031,528. The Council's Medium Term Financial Plan assumes a further increase in grant of £350,000 in 2016/17, reaching a cumulative total of £2,381,528 by 2016/17 which is the end of the six year period after which it is expected to stabilise at this level.

The receipt of the New Homes Bonus has enabled the Council to protect core services and to respond to local priorities by investing in its Economic Development activities through the introduction of free town centre car

parking, investment in Arnold leisure centre and theatre facilities and the establishment of an increased and permanent staffing resource for general economic development work.

## 2.3 Income Inflation

The Medium Term Financial Plan currently being developed includes income inflation at 3% on discretionary income, (excluding leisure DNA and Trade Waste, Building Control), which equates to £88,800, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £29,600.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Corporate Director, with discretion to vary the percentage increase, as long as the overall cash amount for that Portfolio is raised.

Portfolio	Discretionary Income £	1% increase £	3% increase £
Community Development	(81,300)	(800)	<b>(2,400)</b>
Health and Housing	(0)	(0)	<b>(0)</b>
Public Protection & Communication	(504,100)	(5,000)	<b>(15,000)</b>
Environment	(495,500)	(5,000)	<b>(15,000)</b>
Leisure & Development	(1,569,200)	(15,700)	<b>(47,100)</b>
Finance & Performance	(311,100)	(3,100)	<b>(9,300)</b>
<b>Total</b>	<b>(2,961,200)</b>	<b>(29,600)</b>	<b>(88,800)</b>

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA or; being operated on a commercial basis and therefore required to breakeven e.g. Trade Waste Services and Building Control. The levels of fees which are set in these areas are considered separately and the base budget amended to ensure appropriate fees are set.

## 2.4 Consultation with Business Ratepayers

As major providers of the resources which fund Local Government services

there is a statutory duty to consult Business Ratepayers. To fulfil that requirement it is proposed that the draft letter attached at Appendix B be sent on behalf of the Leader to a broad selection of local business ratepayers. Any feedback received will be reported to Budget Cabinet on 19 February 2015.

### **Alternative Options**

- 3 Members could choose a different percentage increase in fees and charges. However, 3% is considered to be the optimum figure in terms of producing a balanced medium term financial plan. The financial impact of alternative fee increases is detailed at paragraph 2.3.

### **Financial Implications**

- 4 As detailed in the report.

### **Appendices**

- 5 Appendix A – Local Government Association, Local Government Finance Settlement Briefing  
  
Appendix B – Draft Letter Business Ratepayer Consultation

### **Background Papers**

- 6 None identified.

### **Recommendation(s)**

**THAT** Cabinet:

- (a) Notes the Provisional Local Government Finance Settlement;
- (b) Approves in principle the payment of £47,500 grant funding to the Parish Councils as detailed in paragraph 2.1.4;
- (c) Approves a 3% income inflation increase for the individual portfolios shown in the table at paragraph 2.3;
- (d) Approves the draft letter attached at Appendix B for circulation to a selection of Business Ratepayers.

### **Reasons for Recommendations**

- 7 To contribute to the delivery of a balanced budget both in 2015/16 and in the medium term and to satisfy statutory requirements.