

Provisional Local Government Finance Settlement

Introduction

1. The provisional local government finance settlement was announced on 19 December 2012, setting out a consultation on the revenue support grant and start-up funding assessment for local authorities. The closing date for responses was 15 January 2013. The final settlement is expected in late January/early February 2013.
2. The provisional settlement has been much more complicated this year with the introduction of the new business rates retention scheme. This sees the formula grant system replaced by one where local authorities receive funding from both general government grants and a local share of business rates.

Start-up Funding Assessment

3. The start-up funding assessment is a measure of the general funding requirement of a local authority and is the key baseline figure for the new system. The assessment is built up from an analysis of need, using the same methodology previously used for formula grant, adjusted for specific grants rolled in/out of the starting position.
4. Various technical changes have been introduced to the analysis of need methodology as part of the calculations of the start-up funding assessment. For the County Council favourable effects of changes for concessionary fares and the cost of providing services in rural areas have been outweighed by changes to resource equalisation¹. Funding for the analysis of need (formula grant) element of the start-up position has been reduced by 8.7% compared to the adjusted position for 2012/13. This compares to the average reduction of 3.6% for England as a whole.
5. The start-up funding assessment set out in the provisional finance settlement has been calculated as set out overleaf:

¹ Resource equalisation is an element of the formula intended to take account of the fact that councils that can raise more income locally require less support from government to provide services.

2013/14	£m
Formula grant element	101.3
Grants removed: LACSEG ²	-12.0
Existing specific grants transferred in:	
2011/12 council tax freeze grant	7.1
Early intervention grant	17.3
Learning disability & health reform grant	20.2
Lead local flood authorities grant	0.2
Total existing grants transferred in	44.8
New grant added: Council tax support grant	23.2
Start-up funding assessment	157.3

6. The LACSEG removed from the start-up funding assessment has been replaced by the education service specific grant. The allocations of this grant have yet to be announced, however the estimate for the County Council (based on the per pupil figures) is £9.1m in 2013/14 – giving a reduction in funding of £2.9m.
7. The existing MTFP includes £23.4m of early intervention grant, of which £1.2m relates to education provision for 2 year olds and will be funded from dedicated schools grant in the future. This leaves £22.2m of expenditure funded by the specific grant transferred into the start-up funding position – giving a reduction in funding of £4.9m.
8. These funding reductions are partially offset by a small increase on the learning disability & health reform grant and estimates for the return of centrally held funding. Taken together there is an overall reduction in funding compared to the MTFP of £5m in 2013/14. The existing MTFP already included a £13m funding reduction so overall funding for 2013/14 has reduced by £18m. Over the four years to 2016/17 it is anticipated that the reduction in funding compared to the MTFP will be £9m.

Funding streams

9. Instead of receiving formula grant the County Council will receive three funding streams – revenue support grant, business rates top-up and a local share of business rates. For the start-up funding assessment the business rates baseline is used as the measure of the local share of business rates. The figures announced in the provisional finance settlement are as follows:

2013/14	£m
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² Local Authorities Central Services Equivalent Grant represents an amount within formula grant for central services received by local authority maintained schools

Revenue support grant	94.4
Business rates top-up	35.7
Business rates baseline	27.2
Total	157.3

10. In setting the budget the County Council will use the forecasts for the local share of business rates notified by the District Councils, rather than the business rates baseline amount. The District Councils are required to notify the County Council of its share of the forecast business rates by 31 January 2013.

Capital

11. The capital grant allocations for transport have been confirmed for 2013/14 and 2014/15, unchanged from previous announcements. The allocations for 2013/14 are £12.8m for maintenance and £4.4m for integrated transport, and £12.1m and £6.3m respectively for 2014/15. In addition £3.6m extra funding over 2013/14 and 2014/15 for highways maintenance has been announced, which is required to complement rather than replace existing planned expenditure.
12. The Department of Health has confirmed capital allocations of £1.2m for 2013/14 and £1.3m for 2014/15 and the Department for Communities and Local Government has announced Fire Capital Grant of £0.8m for each of the next two years. In total this is £2.2m more funding than anticipated in the capital programme.
13. The allocation for Education Capital Grant has yet to be announced and is expected later in January 2013.