

## Provisional Local Government Finance Settlement

### Introduction

1. The provisional local government finance settlement was announced on 18 December 2013, setting out a consultation on the revenue support grant and settlement funding assessment for local authorities. The closing date for responses was 15 January 2014. The final settlement is expected in late January/early February 2014.
2. The government consulted on technical proposals relating to the 2014/15 and 2015/16 finance settlements in July 2013. The 2014/15 provisional settlement reflects the outcome of that consultation as well as other government announcements during 2013, namely the 1% reduction in the local government resources announced in the 2013 Budget, and the capping of the business rate multiplier at 2% announced in the Autumn Statement.
3. The government published illustrative 2015/16 allocations alongside those for 2014/15. These are subject to further change and the government will consult on the provisional 2015/16 settlement in autumn 2014. The illustrative figures take account of the reductions to local government resources announced in the 2013 Spending Round and the outcome of the summer technical consultation. The latter includes the decision to transfer out funding to cover the loss in government revenue from local authorities falling out of the Carbon Reduction Commitment Scheme.

### General Funding

4. Revenue support grant and business rates top-up allocations announced in the provisional finance settlement, with a comparison to the figures in the published Medium Term Financial Plan (MTFP), are as follows:

	2014/15 £m	2015/16 £m
<u>Provisional Settlement</u>		
Revenue support grant	80.6	61.7
Business rates top-up	36.4	37.4
Total provisional settlement	117.0	99.1
<u>Published MTFP</u>		
Revenue support grant	81.5	69.2
Business rates top-up	36.8	37.8
Total published MTFP	118.3	107.0
<b>Difference</b>	<b>-1.3</b>	<b>-7.9</b>

5. A loss of £7.9m funding by 2015/16 had been anticipated in the pressures reported to Cabinet in September 2013, so this does not impact on the level of savings required and gives a small improvement to the cash flow position. The business rates top-up settlement is £0.4m lower than it otherwise would have been due to the cap on the business rates multiplier. The Council is expecting this to be compensated through a specific grant. This is offset by a £0.1m worsening of the general grants estimates for future years, based on projecting forward the

illustrative settlement for 2015/16. Overall the provisional settlement suggests that the Council will get £0.3m additional general funding over the medium term compared to the forecast position in the reports to Cabinet in September and December 2013.

### **Specific Grant Funding**

6. In the Autumn Statement the government announced that the New Homes Bonus grant for local authorities outside of London would not be pooled into the Single Local Growth Fund from 2015/16 and this was confirmed in the provisional settlement. It had been assumed that the grant would be lost in full, and therefore this is a £3.0m betterment compared to the forecast position in September.
7. Of the specific grant allocations published as part of the settlement information, the main change relates to the removal of the £0.9m Local Welfare Grant in 2015/16. A £0.2m favourable variation arises from changes to other specific grants. The forecast position reported to Cabinet in September assumed that specific grants would reduce by £1m in 2015/16.
8. Allocations for some specific grants, including revenue funding for the universal provision of free school meals for infants, have yet to be confirmed. £50m of Adoption Reform Grant for 2014/15 was announced on 24 December, however it is unclear whether this will be ring-fenced funding. There is £1.2m on unringfenced Adoption Reform Grant built into the MTFP, based on the Council's share of £100m nationally in 2013/14. There will be a funding pressure for all or part of this in 2014/15, depending on the size of the Council's allocation and the conditions attached to the grant.

### **Council Tax increases**

9. In the Spending Round 2013 the government announced plans to set the council tax referendum threshold in 2014/15 and 2015/16 at 2%. However, the threshold principles were not included in the provisional settlement and will not be announced until the New Year. The government has indicated that it would be open to representations suggesting that some lower threshold be applied to all or some categories of authorities, opening up the possibility of the threshold being set at a different figure than previously announced.

### **Capital**

10. Two announcements on Education capital grants were made at the time of the settlement. For Universal Infant Free School Meals Capital, the Council will receive £1.1m in 2014/15. The Basic Need allocation for 2014/15 has been confirmed as £8.5m and the allocations for 2015/16 and 2016/17 are £1.5m and £1.6m respectively. Compared to the funding assumptions in the capital programme for 2015/16 to 2017/18, this results in a pressure of £19.3m.
11. The capital grant allocations for transport for 2014/15 were confirmed on 27 December 2013, unchanged from previous notifications. The allocations are £12.1m for maintenance and £6.3m for integrated transport.

12. The Council was notified of the £1.3m 2014/15 Adult Social Care capital allocation in February 2013. The same allocation for 2015/16 was included as part of the Better Care Fund announced on 20 December 2013. The Council will also receive £2.4m Disabled Facilities Grant to pass on to the District Councils.
13. The allocation for Education Maintenance has yet to be notified. Until all of the capital settlement allocations are confirmed it is not possible to determine the overall impact on the capital programme.