

## Government consultations and announcements

### *Finance settlement technical issues*

1. On 22 July 2014 the Government initiated a consultation on a limited number of issues concerning the 2015/16 Local Government Finance Settlement. The closing date of the consultation is 24 September 2014.
2. There are five areas on which the Government is consulting:
  - Compensation for the 2% cap on the small business rates multiplier
  - Rolling the 2014/15 Council Tax Freeze Grant into the Settlement
  - Rolling the 2014/15 Efficiency Support Grant into the Settlement
  - Rolling the 2014/15 Rural Services Delivery Grant into the Settlement
  - Adjustments to funding for those local authorities who are no longer in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

Only the first and last proposals directly affect the Council.

#### Compensation for the cap on the business rates multiplier

3. The 2013 Autumn Statement announced that the 2014/15 small business rates multiplier would be capped at 2%, rather than increase with the September 2013 Retail Price Index (3.2%).
4. Under the Business Rates Retention Scheme, the business rates top-up and baseline funding level are indexed each year by the change in the small business rates multiplier. The cap on the multiplier reduced the baseline funding level, business rates top-up and the amount of locally retained business rates.
5. The 2014/15 settlement compensated local authorities for this loss in business rates income through a section 31 grant on the basis of the estimated reduction to retained business rates income adjusted to account for lower tariffs and top-ups, based on business rates forecasts submitted by billing authorities in February 2013. Adjustments may be made to the grant based on actual retained income from data due to be supplied in May 2015. The Department for Communities and Local Government (DCLG) propose to pay compensation for the loss of income in 2015/16 on the same basis as for 2014/15.
6. The Council's estimated compensation in 2014/15 for the cap on the business rates multiplier and additional business rate reliefs announced in the 2013 Autumn Statement is £1.5m. The MTFP assumes that this funding will continue.

#### CRC Scheme adjustments to funding

7. As part of the Government's simplification of the Carbon Reduction Commitment Energy Efficiency Scheme all state funded English schools have been withdrawn from participating in Phase 2 of the Scheme. Some local authorities (including the Council) have become too small to participate in the Scheme.

8. HM Treasury wish to recoup the loss in tax revenue due to local authorities falling below the threshold for participation in the scheme. It is proposed to adjust the DCLG and Department for Education departmental expenditure limits to compensate for this loss in relation to non-schools and schools emissions respectively. DCLG intend to make a negative allocation in the 2015/16 settlement equal to the tax which would have been due on the total emissions (excluding schools) for that authority. The Council's settlement funding assessment would be reduced by £0.143m as a result of this adjustment.

#### Other matters

9. The consultation document confirms that other aspects of the proposed 2015/16 settlement remain as set out in the consultation on the provisional 2014/15 settlement:
  - A £1bn hold back to fund the New Homes Bonus
  - A £50m holdback for the rates retention safety net
  - Protection for grant rolled in to the start-up funding assessment in April 2013 from the full 10% reduction announced in the 2013 Spending Round by extending the trajectories set in the 2010 spending review (this means that certain grants rolled in will remain unchanged in cash terms from their original amounts and a lower than 10% reduction will be applied to others)
10. It also gives a number of updates to other areas of local government funding, including:
  - The Department for Health will be formally consulting over the coming months on the development of the formula for funding deferred payments for adult social care and assessment for the cap on payment for care, following the Care Act 2014 (see paragraph 21 below)
  - The Government has commissioned research on whether rural authorities face additional unavoidable costs in service delivery compared to urban authorities. The research will involve the Local Government Association and the Rural Services Network as well as a range of rural and urban authorities and is expected to report in the autumn

#### ***Business rate pooling***

11. The Government has published a revised Business Rates Retention Pooling Prospectus. This updates and replaces the existing Prospectus and provides a timetable for the 2015/16 process.
12. Under the Business Rate Retention Scheme, authorities whose local share of business rates is more than their assessed need pay a 'tariff' and those whose local share of business rates is less than their assessed need receive a 'top-up'. Tariff authorities also pay a levy (up to a maximum of 50%) on their growth in business rates income above the baseline. This levy goes towards meeting safety net payments to authorities experiencing a significant decline in business rates income.

13. As part of the Scheme, authorities can formally seek designation as a pool. This allows the pool members to be treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments.
14. The County Council is part of the North Oxfordshire Business Rates Pool, along with Cherwell District Council and West Oxfordshire District Council. Cherwell District Council is the lead authority in this arrangement. The levy rate for the pool as a whole is zero (the zero levy rate for the County Council more than offsets the 50% levy rates for the two district councils) and means that the pool members will keep the levy on business rates income from growth above the baseline that would have otherwise been payable to DCLG. The County Council gets a 7.5% share of any retained levies (after allowing for administrative costs) estimated to be £0.133m for 2014/15.
15. Any proposals for new pools (including expansions or reductions to existing pools) must be made to DCLG by 31 October 2014. Existing pools do not need to re-confirm their intention to pool for 2015/16. Each of the pools that were designated for 2014/15 will continue to exist for 2015/16, unless one, or more, of the pool authorities notify DCLG that they wish to withdraw from the pool. The Government would then dissolve the pool by revoking the designation by which it was set up. Local authorities can withdraw from a designated pool before the pool comes into effect, if after seeing the draft Local Government Finance Report, they no longer believe pooling is beneficial. To exercise this option a local authority must write to DCLG within 28 days of the publication of the draft Report and before the final Report is laid before the House of Commons.

### ***Administration of business rates***

16. In April 2014 the Government published a discussion paper seeking ideas and potential solutions to reform the administration of business rates in England. The paper asked for views on the following areas:
  - How is property valued
  - How often property is valued
  - How rates bills are set
  - How business rates are collected
  - How information about ratepayers and business rates is used
17. The consultation closed in June 2014. A joint team from HM Treasury, DCLG and the Valuation Office Agency will consider the written submissions and research provided by respondents over the coming months.
18. As local authorities now receive part of their funding directly from their local rate payers under the Business Rates Retention Scheme, any changes to the administration of business rates could have an impact on the predictability and stability of this source of funding.

## ***Independent Commission on Local Government Finance***

19. The Local Government Association and the Chartered Institute of Public Finance have set up the Independent Commission on Local Government Finance to impartially examine:

- The current position of the local government finance system
- A potential new system that enables better public services and encourages economic growth
- Practical options for changing the system that could be implemented by an incoming government

20. The Commission put out a call for written evidence at the beginning of July 2014 with a closing date of mid-August 2014. Interim findings will be published in the Autumn with the final report expected to be published in early 2015.

## ***Adult Social Care Funding***

### Care Act

21. On 31 July 2014 the Department of Health (DoH) published a consultation on the funding formulae for implementation of the Care Act in 2015/16. This covers the allocations for additional assessments for the cap on care costs, universal deferred payment agreements and social care in prisons. The closing date for responses is 9 October 2014.

22. Additional assessments towards the care cap will be funded by a revenue grant from the Department of Communities and Local Government (DCLG). £175m will be provided nationally for this new duty. The consultation models two options for allocating the funding based on survey, census and local authority data and the indicative amounts for the Council are £2.228m or £2.313m.

23. Universal deferred payments will be funded by a DCLG revenue grant, £108.5m nationally. Using indicators of future use of deferred payments, modelling indicates the Council would be allocated £1.174m. However, the DoH are consulting on two options as to how existing deferred payment agreement activity is taken into account (nationally or locally) which could result in a different allocation.

24. Allocations for social care in prisons will only be paid to the 58 local authorities that contain prisons. This will be funded by DoH revenue grant, £11.2m nationally for 2015/16. A formula has been developed based on a limited pilot survey and the Council's indicative allocation is £0.183m.

25. The DoH has set aside £470m in total to fund local authorities' Care Act costs in 2015/16, with funding for the remaining new local authority duties coming through the Better Care Fund. Longer-term funding will not be determined until the next spending review.

26. The DoH has also announced that it will be asking each upper-tier local authority to estimate the cost it faces implementing Care Act reforms amid growing concern the measures will prove unaffordable. This will focus on the cost of early assessments towards the cap for self-funders, and the cost of assessments and support to carers.

#### Better Care Fund

27. The Government announced the £3.8bn Better Care Fund (formerly the Integration Transformation Fund) in the 2013 Spending Round. This set out that £1bn of the £3.8bn would be linked to achieving outcomes, with half of the pay-for-performance element contingent on the local health and wellbeing board adopting a plan that meets the national conditions by April 2014 and on the basis of 2014/15 performance, and the remainder on the basis of performance during 2015/16.
28. Following submission of Better Care Fund Plans in April 2014, updated guidance has now been issued by the Local Government Association and NHS England. This replaces and supersedes the guidance that was issued in December 2013. Some changes to the policy framework underpinning the Better Care Fund have been made. The previous £1bn pay-for-performance framework has been revised so that the proportion that is now linked to performance is dependent solely on an area's scale of ambition in setting a planned level of reduction in total emergency admissions. If the assumed (3.5%) reduction is achieved, it would equate to a national payment of circa £300m. The remaining £700m would be available up front in 2015/16 to be invested in NHS commissioned out-of-hospital services. Due to the additional work that may be required in some areas to revise and develop their plans, an extended planning timetable has been agreed, with plans to be resubmitted by 19 September 2014. The revised planning process also requires greater engagement with local acute providers.

#### Deprivation of Liberty Safeguards

29. The Deprivation of Liberty Safeguards (DoLS) form part of the Mental Capacity Act 2005. They aim to make sure that people in care homes, hospitals and supported living are looked after in a way that does not inappropriately restrict their freedom. The safeguards apply to vulnerable adults who have a mental condition and who do not have the mental capacity to make decisions about their care or treatment.
30. A Supreme Court ruling earlier this year means that if a person is subject to both continuous supervision and control and not free to leave they are considered to be deprived of their liberty. This is likely to result in a significant increase in the number of DoLS assessments required to be made by local authorities for people in care home placements and applications to the Court of Protection for those in supported living. Initial work undertaken by the Association of Directors of Adult Social Services suggests that referrals for assessments/applications will increase ten-fold, costing an additional £88m nationally. A separate report on the resource implications for the Council is elsewhere on this agenda.

## ***Education and Schools Funding***

### Fairer Schools Funding 2015/16

31. In the 2013 Spending Round, the government said it would consult on the introduction of a national funding formula for schools in 2015/16, intended to address the unfair differences in funding between schools in different local authorities. However in March 2014 the Department for Education published a consultation on fairer schools funding in 2015/16, which fell somewhat short of a national funding formula, limited to the allocation of an additional £350m in 2015/16 to increase the per-pupil budgets for the least fairly funded local areas.
32. The consultation proposed funding local authorities at no lower than the same cash level per pupil as in 2014/15, with national minimum funding levels for five pupil characteristics and two school characteristics used to determine a minimum per-pupil funding threshold for each local authority. If the local authority's original 2015/16 Dedicated Schools Grant (DSG) allocation is below the threshold the authority will be topped-up from the £350m being made available nationally, otherwise their allocation will stay the same. Based on indicative data and 2014/15 pupil numbers Oxfordshire would receive £0.5m of the £350m.
33. The consultation also confirmed that the DfE do not propose making changes to the factors local authorities are allowed to use in their local formula in 2015/16 except minor changes to the sparsity factor. Also, the minimum funding guarantee will be retained at -1.5% meaning funding per-pupil cannot drop by more than that percentage.
34. In response to the consultation the DfE has increased the 'top-up' funding to £390m and used the methodology as proposed to calculate minimum thresholds. The additional indicative amount expected for Oxfordshire schools has been increased to £3.5m, increasing the basic per pupil amounts by 1.1% from £4,274 to £4,320, before the carbon reduction commitment top-slice of £7.51 per pupil.
35. The DfE have said they need to do more work to understand how the need for high needs and early years funding varies between different areas before they reform the rest of DSG funding. They will be starting a substantial research project in the Autumn looking at potential formulae for distributing high needs funding and hope to have conclusions by Spring 2015. In the meantime no significant changes are proposed to high needs funding arrangements for 2015/16.

### Early Years Pupil Premium and additional Funding for Two Year Olds

36. The Department for Education (DfE) published a consultation on 25 June 2014 seeking views on the introduction of an Early Years Pupil Premium for all disadvantaged three and four year olds from April 2015, and on moving to participation funding for the early education entitlement for two year olds from 2015/16. The consultation closed on 22 August 2014.
37. Three and four year olds are currently entitled to 15 hours of free early education. This applies for 38 weeks of the year (570 hours in total). Pupil Premium funding

is currently only paid for eligible school-age children who have claimed Free School Meals (low income families), looked after children and service children. This consultation proposes the introduction of a new Early Years Pupil Premium (EYPP) for three and four year olds of £300 a year for every eligible child who takes up the full 570 hours of free education entitlement (equating to an hourly rate of 53p per child per hour). The funding will follow the child and go to all providers that are delivering the funded early education entitlement.

38. The Government has allocated £50m in 2015/16 to fund the EYPP, of which Oxfordshire's indicative allocation is £0.404m. The DfE does not have individual child level data on the number of eligible children in each local authority. For 2015/16 initial allocations to local authorities will be based on an estimate of the number of disadvantaged three and four year olds in each area who meet the eligibility for the EYPP. These indicative allocations will be updated in autumn 2015 following a survey of local authorities in October 2015 regarding take-up and eligibility. From January 2016 the data will be collected in the Early Years and Schools censuses.
39. From September 2013 20% of the least advantaged two year olds will be entitled to free early education, this figure will increase to 40% in September 2014. These children will include those whose families are on a low income, who have special educational needs, disabilities or who have been adopted from care. Currently local authorities are funded according to the estimated number of eligible two year olds. The DfE intends that from 2015/16 this funding will be distributed according to actual number of hours funded. The move to participation based funding will mirror the way that the three and four year old entitlements are funded. For 2015/16 there will be two data collection exercises (the second voluntary) to allow for take up levels increasing after the normal January 2015 census count.

#### Education Services Grant

40. The Education Services Grant is an un-ringfenced grant for centrally provided schools' services introduced in 2013/14 to provide funding to both local authority maintained schools and academies on the same basis, with transitional protection arrangements for academies. There are two elements to the grant: a retained duties rate (paid to local authorities for every pupil, both at maintained schools and academies) which was set at £15 per pupil for both 2013/14 and 2014/15, and a general funding rate (paid to local authorities for pupils in maintained schools and to academies for their pupils) set at £116 per pupil for 2013/14 and reduced to £113 per pupil for 2014/15. The academy transitional top-up rate was £34 per pupil in 2013/14 and £27 per pupil in 2014/15.
41. In the 2013 Spending Round, the Government announced that the national total for Education Services Grant (ESG) will be reduced by 20% (around £200m) from 2015/16. On 27 March 2014 the DfE published a consultation on savings to the ESG, which closed in June 2014. The consultation explored local authorities' planned spend on ESG relevant services/costs in 2013/14 and scope for making savings in the eight areas which relate to ESG: school improvement, statutory and regulatory duties, education welfare services, central support services, asset

management, premature retirement costs/redundancy costs, therapies and other health-related services and monitoring national curriculum assessment.

42. On 22 July 2014 the DfE published a response to the consultation and a statement of final arrangements for 2015/16. The retained duties rate will remain at £15 per pupil and the general funding rate will reduce to £87 per pupil in 2015/16 (a 23% reduction). There will be no top-up rate for academies in the 2015/16 academic year, however there will be revised tapered protection arrangements for academies against large budget reductions. The Council's current MTFP assumes a £1.4m reduction in ESG in 2015/16. Based on the consultation response the estimated reduction is £1.6m.

### ***Children's Social Care***

43. Between 17 April and 30 May 2014 the Government consulted on a set of draft regulations that would extend the range of children's social care functions that local authorities can delegate to third party providers. The majority of responses raised concerns with the proposals and the most common theme was an objection to "privatisation" or "profit making" in children's services. The Government response acknowledges this and has amended the draft regulations so that the extended range of functions can only be delegated to non-profit making organisations. The Government intends to lay the amended regulations before Parliament in the summer of 2014.

### ***Environment***

44. Surface water flooding is a serious problem and 55,000 properties were damaged in the summer of 2007, with two-thirds flooded by surface runoff overloading the drainage systems. A sustainable drainage system (SuDS) approach uses different techniques to help manage the rainwater at source, storing and then releasing water slowly reducing the flood risk and improving water quality.
45. The Government is consulting on implementation of the sustainable drainage systems (SuDS) provisions of the Flood and Water Management Act 2010. The Act establishes SuDS Approving Bodies (SABs) at county or unitary level, with responsibility for approving proposed drainage systems in new developments and redevelopments before construction can commence. The County Council will be the SAB for Oxfordshire. The cost of administering the approval process is likely to be funded through fee generation.
46. SABs will take on a new requirement for adopting and maintaining all SuDS which serve more than one property, whether on public or private land, with highways authorities continuing to be responsible for SuDS maintenance in public roads. The funding of the maintenance programme forms part of the consultation and there is still an element of uncertainty as to how maintenance costs will be funded in the short-term, however in the longer term will be fee based attached to the property owner.



## ***Public Health***

47. From 1 October 2015, the Government intends local authorities take over responsibility from NHS England for commissioning (i.e. planning and paying for) public health services for children aged 0-5. This includes health visiting and Family Nurse Partnership targeted services for teenage mothers, but not Child Health Information Systems or the 6-8 week GP check. Only the commissioning responsibility is being transferred. Health visitors will continue to be employed by their current provider – in most cases this is the NHS. Local authorities already have responsibility for commissioning public health services for children and young people aged 5-19, so this transfer will enable joined up commissioning from 0-19 years old. Certain universal elements of the Healthy Child Programme will be mandatory. Work is already on-going with local authorities and NHS England area teams to develop plans for a smooth transfer of commissioning. This will continue until the transfer happens in October 2015.
48. The Department of Health has stated that it does not intend to place unfunded new burdens on local government as a result of this transfer. For 2015/16, the transfer of commissioning responsibilities will be a 'lift and shift' arrangement – the amount transferred to local authorities should be what NHS England area teams are expecting to contract and spend on 0-5 services at the point of transfer. From 2016/17 onwards, the 0-5 baseline will be added to existing public health grant allocations and the public health grant allocation formula will be amended to take account of the 0-5 transfer.