

## Government consultations, announcements and other initiatives

### *Finance settlement technical issues*

1. On 25 July 2013 the Government initiated a consultation on a range of detailed and technical issues concerning the 2014/15 and 2015/16 Local Government Finance Settlements. The closing date of the consultation is 2 October 2013.
2. Since publishing illustrative 2014/15 figures alongside the 2013/14 settlement in February 2013, the Government announced in the 2013 Budget that a reduction of 1% would be made from the local government spending control total. This equates to a further £218.9m reduction in the national total for 2014/15. The consultation covers changes to the illustrative 2014/15 figures as a result of the announcement.
3. Under the Business Rates Retention Scheme, the element of the spending control total that comes from the local share of business rates is fixed until 2020, so the full reduction will need to be applied to the element of funding that is provided through Revenue Support Grant. The Council Tax Freeze Compensation element of Revenue Support Grant will not be reduced, resulting in a 1.78% reduction in the 2014/15 control total for each of the remaining elements compared to the illustrative totals previously announced.
4. The consultation proposes an increase in the amount needed to be held back to ensure sufficient funding for safety net payments to local authorities. Safety net payments protect local authorities from significant reductions in their income from business rates. Based on estimates from local authority returns, in addition to the £25m already planned to be held back in 2014/15, the Government considers that it will need to hold back an additional £95m (i.e. £120m in total). It proposes to reduce the funding available for capitalisation in 2014/15 from £100m to £50m, using the £50m released to fund safety net payments to reduce the size of the safety net hold back.
5. The Spending Round set out the control total for local government resources for 2015/16. The consultation covers the 2015/16 control total for Revenue Support Grant, together with the methodology the Government intends to use to calculate Revenue Support Grant at an individual local authority level for 2015/16. The Government intends to publish illustrative 2015/16 allocations alongside the 2014/15 settlement later this year.
6. As for 2014/15, the full reduction in resources for 2015/16 will need to be applied to Revenue Support Grant. At a national level, Revenue Support Grant will be 24.2% less in 2015/16 than in 2014/15. From this total the Government intends to take out £1.1bn to fund the New Homes Bonus. Any unused element of the topslice will be returned to local authorities in proportion to their 2013/14 Start-Up Funding Assessments during the 2015/16 financial year. Provisional allocations of the New Homes Bonus will be provided at the time of the provisional 2015/16 Local Government Finance Settlement. In addition to the New Homes Bonus topslice, the Government intends to hold back £50m to meet safety net payments in 2015/16.

7. The Government proposes not to apply the reduction in 2015/16 Revenue Support Grant equally to all elements of the Revenue Support Grant. For grants rolled in to the Start-Up Funding Assessment in 2013/14, control totals will be set in line with the changes over the 2010 Spending Review period. This means that 2011/12 Council Tax Freeze Compensation, Homelessness Prevention Funding, Lead Local Flood Authority Funding and Learning Disability and Health Reform Funding will remain unchanged in cash terms from their original amounts and Early Intervention Funding will be reduced by 8.5%. The Government also proposes to keep the total level of the localised council tax support funding unchanged in cash terms from its 2014/15 total level. As in the 2014/15 Settlement, there is no separately identifiable amount for localised council tax support at a local authority level since this has been subsumed within the various tier/sector funding elements. The 2013/14 Council Tax Freeze Grant will be rolled into Revenue Support grant from 2015/16 and the amount protected in cash terms. Council Tax Freeze Compensation for 2013/14 will be distributed so that authorities that accepted the freeze will receive the compensation but those that did not accept the freeze (including this Council) will not. All of these proposals will affect the distribution of the 2015/16 Revenue Support Grant and hence the amount of grant received by each authority.
8. As part of Government's simplification of the Carbon Reduction Commitment Energy Efficiency Scheme all state funded English schools will be withdrawn from participating in Phase 2 of the Scheme. Some local authorities (including the County Council) will become too small to participate in the Scheme and it is proposed that their 2015/16 Local Government Finance Settlements will be adjusted to compensate the loss of tax revenue to the Exchequer. The Council would lose Revenue Support Grant if this proposal goes ahead, the extent to which depends on the methodology adopted.
9. Although not obvious from the figures provided in the consultation document, it has been suggested by local authority networks that the 2015/16 Revenue Support Grant control total is much worse than indicated by the headline figures in the 2013 Spending Round because the grant has been cut in order to provide the "new" funding for initiatives such as the local government transformation fund and introducing the reforms to social care funding.

### ***New Homes Bonus***

10. New Homes Bonus grant is paid to local authorities to provide an incentive to build houses. In two-tier areas such as Oxfordshire the grant is split 80:20 between district councils and the county council.
11. New Homes Bonus is funded by a topslice from local government's general funding. This topslice is expected to increase from year to year and is expected to be around £1.1bn nationally in 2015/16. As county councils receive only 20% of the New Homes Bonus allocation for their area, it is estimated that for 2015/16 the Council would be better off by almost £3m if there was no New Homes Bonus system.

12. New Homes Bonus is a non-ringfenced grant and the Council has included its forecast allocations as part of its funding of the current MTFP and Capital Programme.
13. In the report 'Investing in Britain's future' published the day after the Spending Round announcement, the Government set out its plans for £400m of New Homes Bonus funding (approximately 40%) to transfer to the Single Local Growth Fund to be made available to Local Enterprise Partnerships. The Government said it would consult on a mechanism that will require that a proportion of the New Homes Bonus is pooled by local authorities and becomes part of the Single Local Growth Fund.
14. The consultation on the mechanism was launched on 25 July 2013, with a closing date of 18 September 2013. The Government is consulting on a number of principles relating to the proposal and on two options for the pooling mechanism. With regard to the latter, the first option is that an equal percentage of all New Homes Bonus allocations be pooled to the lead authority of the Local Enterprise Partnership; the second is that in two-tier areas the upper tier authorities (i.e. county councils) would surrender all of their New Homes Bonus, with the balance coming from the lower tier.
15. The Government proposes that where local authorities can demonstrate that they have committed contractually to use future bonus allocations on local growth priorities, Local Enterprise Partnerships should take this into account when determining their local growth plan and their priorities for using pooled funding. It is not clear whether LEPs will be required to have due regard to local authorities' wider spending plans.
16. The proposal raises concerns about democratic input into the spending of New Homes Bonus (and other funds being diverted to Local Enterprise Partnerships) and the potential loss of all of the Council's incentive to support new housing development. It appears contradictory to the Government's approach in recent years of removing ring-fencing from local government funding to support the localisation agenda.

### ***Use of capital receipts for revenue purposes***

17. On 25 July 2013 the Government published a consultation document on proposals to allow capital receipts from new asset sales to be used for one-off revenue purposes to stimulate organisational change. The Government is consulting on the principle of the proposal to gauge whether there is support for the policy, how it could work in practice and the possible level of interest. The closing date for the consultation is 24 September 2013.
18. Currently the capital finance system restricts the ways in which local authorities can spend their capital receipts. Broadly, the rule is that capital receipts may only be used for capital spending or to repay borrowing, but not revenue spending.
19. The two main aims of the proposal are to encourage good asset management planning and incentivise the appropriate sale of local authority assets so that

they are put into productive use and support growth; and to enable additional resources, from local authority asset sales, to give a capital receipt flexibility for the one-off cost of reforming, integrating or restructuring services.

20. The Government considers that a bid based competitive process would be the best mechanism to achieve best value for money from proposals and to maintain control over the level of expenditure. The consultation sets out proposed evaluation criteria for the bids.

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

21. The Government has published a revised Business Rates Retention Pooling Prospectus. This updates and replaces the existing Prospectus and provides a timetable for the 2014/15 process.
22. 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 start-up baseline. This levy goes towards meeting safety net payments to authorities experiencing a significant decline in business rates income.
23. 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.
24. For Oxfordshire, modelling suggests that it would be financially beneficial for the County Council to form a pool with the district councils that have business rate growth above the baseline. This is currently being explored with the District Councils.
25. The deadline for agreeing a pool and informing the Department for Communities and Local Government is 31 October 2013. However, having formed a pool, any authority in the pool could end it within 28 days of the publication of the provisional Local Government Finance Report.

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

#### Social Care Funding Reform

26. On 18 July 2013 the Government published 'Caring for our future: Consultation on reforming what and how people pay for their care and support'. The closing date for the consultation is 25 October 2013.
27. The consultation follows on from the work of the Dilnot Commission. The Government accepted the Commission's principles upon which the future funding of care and support should be based. From April 2016 a cap will be introduced on the costs that people have to pay to meet their eligible needs (£72,000 for people of state pension age and over). Financial support will be

provided to more people to help them with care costs (the threshold for assets will increase from £23,250 to £118,000). People in care homes will remain responsible for their living costs if they can afford to pay for them. A universal deferred payment scheme will be introduced from April 2015 – this will mean that people will not have to sell their home in their lifetime to pay for residential care.

28. The consultation covers a range of topics, including:

- How the Government will help people make more informed choices over care through information and advice and assessments and help local authorities meet the demands for these.
- How the capped cost system should work with assessments, personal budgets, charging, and care and support planning.
- The design of the new charging framework for care and support and the choices around how the capped cost system should work for working age adults.
- How deferred payment agreements should be managed and administered.
- The process for providing redress and resolving complaints.

29. The consultation acknowledges that local authorities have a specific and important role to play because they will be accountable for delivering these reforms on the ground. As set out in the Spending Round, the Government will provide £335m in 2015/16 to cover the costs of preparing for funding reform and the requirement to offer deferred payments for residential care. This includes funding to enable local authorities to begin assessing people's needs for care and support around six months before the introduction of the cap.

30. The Council already offers a deferred payment scheme for residential care costs, however it is possible that uptake may increase with the wider publicity under the Government's proposals.

#### Care and support Spending Round settlement

31. The Government has written to local authorities to clarify the settlement for care and support announced as part of the Spending Round.

32. The letter confirms that the £3.8bn Integration Transformation Fund for 2015/16 consists of a combination of new and existing funding streams - £1.9bn of existing funding already allocated across the health and social care system to support integration in 2014/15 (£1.5bn revenue and £0.4bn capital) and £1.9bn additional NHS funding. Local plans for how the money will be used across health and social care will be required to access the Fund. £1bn of the funding will be linked to outcomes achieved, based on a combination of locally and nationally set outcome measures.

33. Clarification is provided for the £335m for the implementation of the social care funding reforms. The Department for Communities and Local Government will provide £285m revenue grant funding and £50m capital funding will come from the Integration Transformation Fund.
34. Other costs arising from the Care Bill currently going through Parliament - new duties for the assessment and support of carers, better provision of information and advice, and a national minimum eligibility threshold - are said to be provided for in full for 2015/16 through the local government settlement and the Integration Transformation Fund.
35. From April 2015 the Independent Living Fund will close and local authorities will take on responsibility for meeting the needs of current ILF users. The Government will pay £188m grant to local authorities in 2015/16 to provide the resources to do this. The size of the grant is based on projections of what the Fund would have spent if it had remained open.

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

### Education Services Grant

36. From April 2013 the Department for Education (DfE) introduced a new non ring-fenced Education Services Grant which has replaced the previous Local Authority Central Services Equivalent Grant (LACSEG) allocations to academies. Some £12m was deducted from the County Council's Start-up Funding Assessment to contribute to the national totals of Education Services Grant.
37. Education Services Grant is provided on a per pupil basis to academies and local authorities. The grant to local authorities has two distinct components.
38. An amount of Education Services Grant is paid to the local authority in respect of residual statutory duties for pupils in academies as well as in maintained schools, amounting to some £1.3m. This is intended to provide resources for the local authority's on-going statutory and regulatory duties for the education system, for example to employ a Director of Children's Services, plan and procure school places, manage school assets owned by the local authority, administer top-up funding allocations for Special Educational Needs (SEN) in schools, academies and further education colleges, intervene in persistent absenteeism etc.
39. For 2013/14 the local authority also receives £116 per pupil enrolled in maintained schools. This element will be amended during the year to reflect actual academy conversions. It is intended to fund school improvement services, school based redundancies, music and outdoor learning services, and all other costs involved in the strategic and operational management of education provision in maintained schools. These costs include property and facilities management, corporate planning, school funding and financial management, HR and legal services, and ICT services.

40. For the same responsibilities academies will receive £150 per pupil in academic year 2013/14 and £140 per pupil in academic year 2014/15. These are significant reductions from the Local Authority Central Services Equivalent Grant received by academies in previous academic years.
41. The total amount of Education Services Grant forecast to be received by the Council for 2013/14 is now £8m compared to £9.1m that was assumed in the MTFP.
42. Initial estimates are that the allocation to the Council for 2014/15 will reduce to £7m in total, depending on academy conversions through the remainder of 2013/14 and in 2014/15. This is a reduction of £2.1m compared to the current MTFP. Budgets for School Improvement and education related services such as Music, Outdoor Learning and Governorship already have savings plans in place totalling £1.3m for 2014/15. Further reductions may need to be made in these areas. There may also need to be reductions in overhead budgets across the authority, most significantly in amounts recharged by premises, ICT, and the corporate core.
43. As part of the Spending Round, DfE has announced that national aggregate Education Services Grant allocations will be reduced by 20% from 2015/16. It is not yet clear whether this will be achieved by reducing the academy funding rate, the local authority funding rate, or both. For planning purposes a £1.4m reduction in funding to the Council has been assumed.

#### National School Funding Formula

44. Following the implementation of substantial changes to school funding formulae for 2013/14, DfE is proposing some changes to the constraints for formulae for 2014/15. Most of these are consequential to other changes in education arrangements, for example the definition of under-attainment for 4 year olds has changed.
45. The most significant change to Oxfordshire schools' funding allocations is likely to arise from a DfE change to the way that attainment at the transfer of pupils from primary to secondary education will be used in the formula. This change will spread funding more widely in secondary schools because more pupils will "qualify" for the allocation. The larger secondary schools can gain or lose up to £0.060m as a result of this national change, however in many secondary schools this tends to act in the opposite direction to the attainment related formula change made by DfE last year.
46. Schools Forum is yet to consider the newly introduced potential to implement a sparsity factor in the school funding formulae, however current modelling indicates that it would affect few Oxfordshire schools. Due to there being no new resources to fund the factor, all that could arise would be a redistribution of resources between schools.
47. The key issue for schools in 2014/15 is therefore turbulence in school budget shares. Whilst the government's Minimum Funding Guarantee will keep year-on-

year reductions to no more than 1.5% of previous budget per pupil, that limit on the degree of change also means that a small number of schools could see year-on-year funding reductions for a decade or more before the new formula is fully implemented.

48. The government has still not taken any action to address the significant underfunding of Oxfordshire schools compared to others with similar needs nationally. In the Spending Round, the government said it will 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. This consultation has yet to commence.