

Cherwell District Council
Budget Planning Committee

19 January 2015

Provisional Local Government Finance Settlement 2015-16
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Report of the Head of Finance & Procurement

This report is public

Purpose of report

The report informs the Committee of how the recent provisional local government finance settlement impacts on the Council and the 2015-16 budget.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the report and the impact of the provisional local government finance settlement.
- 1.2 To note that the final settlement is expected to be announced towards the end of January 2015.
- 1.3 To note the impact upon the council in consideration of its budget preparation for 2015-16 and beyond.

2.0 Introduction

- 2.1 On the 18 December 2014, Minister for Local Government Minister Kris Hopkins MP, announced the provisional local government finance settlement for 2015-16. This statement is still provisional and the final settlement will be announced towards the end of January 2015.
- 2.2 The local government settlement followed on from the Chancellor of the Exchequer's Autumn Statement which was announced on 3 December 2014. Whilst this is a much broader document covering the governments wider expenditure plans, parts of this also have had an impact on local government and where this is known this is also set out in this report.

2.3 This report sets out the key impact on the council from the provisional settlement and compares this to the financial forecasts that officers have been calculating to date.

3.0 Report Details

3.1 The provisional local government finance settlement announced on 18 December sets out the financial plans for 2015-16. The settlement continues to be set within the governments stated aim of reducing the deficit and includes previous announcements of local government funding from the 2014 budget.

3.2 The local government minister announced that local authorities will face an overall reduction in spending power of 1.8% (2.1% excluding the Greater London Authority, both figures are 0.2 percentage points lower if transformation funding is excluded). However, as in previous years, the government focuses on comparative figures concerning a local authority's "revenue spending power" which also incorporates a council's New Homes Bonus and several specific grants.

3.3 The settlement sets out some key national issues as follows:

- Local authorities freezing or lowering Council Tax level in 2015-16 will receive a Council Tax Freeze Grant equivalent to a 1% increase in Council Tax. Local authorities increasing Council Tax by 2% or above will be required to hold a local referendum. This applies to local authorities, fire authorities and police authorities.
- Council Tax Freeze Grant for 2014-15 is now included within the Settlement Funding Assessment for 2015-16.
- Rural funding has increased to £15.5m (previously £11.5m). This funding is now all within Revenue Support Grant (RSG) – previously, £9.5m was in RSG and £2.0m was paid as Rural Services Delivery Grant.
- A deduction of £23.4m has been made from RSG to fund the Improvement and Development Agency.
- The £9.4m in Efficiency Support Grant payments for 2014-15 will be rolled into the Settlement Funding Assessment for 2015-16.
- Revenue Support Grant was identified as including £129.6m for Local Welfare Provision. It is important to note that this funding is not new funding. The DCLG have decided to split out an element of RSG to reflect what it believes should reflect Local Welfare Provision. However, this amount was previously paid as a Specific Grant in 2014-15, with no funding added to RSG for 2015-16.
- The loss in funding as a result of the 2% cap on the 2015-16 Business Rates Multiplier (announced at Autumn Statement 2014) will be refunded to local authorities through a S31 grant payment (in the same way as the 2014-15 2% cap).

3.4 Whilst the government's assessment of spending power indicates a reduction for Cherwell of 2.1% in 2015-16, the Chartered Institute of Public Finance and Accountancy (CIPFA) uses a method which excludes ring-fenced grants (Public Health) and pooled funding outside authorities' control (better Care Fund). Using this measure the reduction is 6.1%.

- 3.6 The Revenue Support Grant loss for the council is more significant and is shown in the table below. Last year's settlement included a forecast for 2015-16 but the provisional figure from this year's settlement is 3.2% higher than originally expected. This is due to technical changes in the funding methodology.

	2014-15 Settlement £000	2015-16 Forecast £000	2015-16 Provisional £000
Funding	3,864	2,629	2,712
% change		-32.0%	-29.8%

- 3.7 The settlement indicated that there will be no relaxation of the referendum threshold of 2% council tax increase for councils. Council Tax compensation grant will be paid at 1% if Council Tax frozen for 2015-16. The current financial position for Cherwell assumes a 0% increase in council tax levels and therefore is not affected by the referendum threshold. There has been no announcement as to whether a form of capping will be introduced for Town or Parish councils.
- 3.10 As part of the settlement, the 2015-16 allocations for New Homes Bonus were also announced. For Cherwell this totalled £2,712,329 for the five year period. The amount for year five only was £686,016. This reflects for 2015-16 a total of 530 additions to the housing stock and empty homes being brought back into use.
- 3.11 The deadline for written responses to the settlement is 15 January 2015 with the final settlement expected towards the end of January. It is not expected that there will be any further major impacts of the final settlement, however there will be a number of points of detail which will need to be considered. These will be built into the final budget as these are identified.
- 3.12 In terms of preparation of the 2015-16 budget, the issues identified above have been addressed as part of bridging the previously identified gap. Additional work has been completed to identify further savings and at this point it is expected to produce a balanced budget for 2015-16.
- 3.13 The Provisional Settlement covered 2015-16. Further work will be undertaken to review the position for 2016-17 onwards and will be incorporated into the Medium Term Revenue Plan.

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report is an update on the provisional local government finance settlement and as such Executive is asked to note the contents of the report and the impact upon the Council.

5.0 Consultation

- 5.1 Councillor Atack has been consulted.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report is to inform the Committee of the impact of the recent Provisional Local Government Settlement announced by the Department for Communities and Local Government. As such there are no alternative recommendations associated with this report.

7.0 Implications

Financial and Resource Implications

- 7.1 These are contained within the body of the report. Where there is an impact, these will be reflected appropriately within the setting of the 2015-16 budget and in the refresh of the Council's Medium Term Revenue Plan.

Comments checked by:

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Legal Implications

- 7.2 None directly arising from this report.

Comments checked by:

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8.0 Decision Information

Wards Affected Not applicable

Links to Corporate Plan and Policy Framework All

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
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