

# Response to Consultation - Local Government Finance Settlement 2014/15 and 2015/16

## Report of the Chief Fire Officer

For further information about this report please contact John Redmond, Chief Fire Officer, on 01743 260201 or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

This report sets out the Fire Authority's proposed response to the Government's consultation on future grant settlements.

### 2 Recommendations

The Fire Authority is asked to note the response to the Government's consultation on future grant settlements.

### 3 Background

On 25 July 2013, the Department for Communities and Local Government (DCLG) released a consultation document relating to changes to the 2014/15 Local Government Finance Settlement, and the 2015/16 Local Government Finance Settlement. Local authorities are asked to review the consultation document and submit responses to DCLG by 2 October 2013.

Officers have reviewed the consultation, and the proposed response is laid out in the report, for the Fire Authority's information.

### 4 Consultation Response

Government published the illustrative 2014/15 Local Government Finance Settlement on 4 February 2013. Since its publication the Government announced in the 2013 Budget that a reduction of 1% would be made from the local government spending total.

Section 2 of the consultation covers changes to the illustrative 2014/15 Local Government Finance Settlement as a result of this announcement. It also proposes an increase in the amount needed to be held back to ensure sufficient funding for safety net payments to local authorities.

Section 3 covers the control total for the 2015/16 Local Government Finance Settlement, and the methodology that the Government intends to use to calculate Revenue Support Grant in 2015/16.

- **Effect of the 2013 Budget announcement**

An overall reduction to Departmental Expenditure Limit (DEL) of 1% was announced. The local share of business rates (contained within DEL) cannot be reduced as it is fixed until 2020, so to provide a strong incentive to local authorities to promote growth, the reduction will be made to Revenue Support Grant. Also, Council Tax Freeze Grant payable for 2011/12 will not be reduced in cash terms, in line with commitment made to local authorities prior to take up. This means that the total reduction of 1% will be taken from the remaining elements of Revenue Support Grant.

**Consultation Question 1**

**Do you agree with the Government's proposal on how to implement the 1% reduction to the Local Government Expenditure Limit (LG DEL) ?**

**Fire Authority Response**

The Fire Authority agrees with the proposal to protect council tax freeze grant, but is disappointed in further funding cuts.

- **Increasing safety net hold back**

The Business Rates retention system includes a safety net to protect local authorities from reducing levels of business rates. This is funded by a levy on those authorities with disproportionately high levels of business rates income.

The Business Rates Retention: Technical Consultation July 2012 suggested that there was a risk that the money raised by the levy would not be sufficient to cover safety net payments, and held back £25m in 2013/14 and £25m in 2014/15.

Forecasts of income expected from rates retention scheme now indicate that the £25m held back in 2013/14 will not be sufficient to pay safety net payments. It is now likely that £120m will be required, needing a further £95m to be held back.

The 2013/14 settlement included an amount of £100m held back for capitalisation of costs such as redundancy and restructuring costs. Government are now proposing that this year, only £50m is held back for capitalisation, and £70m held back for safety net payments.

(£118m local authorities, £2m fire and rescue authorities).

Any surplus will be returned to local authorities in proportion to their 2012/13 settlement.

### **Consultation Question 2**

**Do you agree with the proposal for reducing the funding available for capitalisation for 2014/15 by £50m and using this revenue to reduce the amount required to be held back from Revenue Support Grant to fund the safety net?**

### **Fire Authority Response**

The authority agrees with this proposal.

- **The 2015/16 Local Government Finance Settlement**

In the 2013 Budget speech, the Government announced that public spending had to reduce by a further £11.5 billion.

A reduction in local government Departmental Expenditure Limit of 10%, was offset by a range of measures including £30m revenue to drive transformational change in the Fire and Rescue Service, and council tax freeze grants for 2014/15 and 2015/16.

Settlement Funding Assessment (Revenue Support Grant and business rates) – under the Business Rates Retention Scheme, local share of business rates is set at 50% until 2020, so this element cannot be reduced. Therefore all of the reduction will fall on the Revenue Support Grant element.

Also, adjustments have to be made to the control total for New Homes Bonus and safety net payments.

Fire - £1m will be held back from Revenue Support Grant, with any surplus being returned to local authorities.

### **Consultation Question 3**

**Do you agree with the way the Government proposes to hold back the funding that is necessary for New Homes Bonus and safety net support, and to return any surplus to authorities?**

### **Fire Authority Response**

The Fire Authority would not expect the holding back of funding for New Homes Bonus to impact fire and rescue services.

- **Distribution of Revenue Support Grant in 2015/16**

The Settlement Funding Assessment control total has been set at £21,669m in 2015/16.

As the local share of the estimated business rates aggregate is increased by RPI, this element cannot absorb the reduction in funding.

The reduction of 8.4% for combined fire authorities (10% in real terms) of the control total therefore has to be taken from the Revenue Support Grant element.

All grants rolled into the control total from 2013/14 will remain unchanged in cash terms from their original amounts – these include 2011/12 Council Tax Freeze Grant.

The Government also proposes to keep the total level of localised council tax support funding unchanged in cash terms from its 2014/15 total level. Therefore reductions will fall on all other elements within Revenue Support Grant.

#### **Consultation Question 4**

**Do you agree with the proposed methodology for calculating control totals for each of the elements within the Settlement Funding Assessment?**

#### **Fire Authority Response**

The Authority agrees with the proposal to protect elements of the Revenue Support Grant in cash terms, however greater clarity around the elements of Revenue Support Grant would be welcomed.

- **2013/14 Council Tax Freeze Grant**

This is to be baselined into local authority DEL and it will continue to be paid beyond the 2010 Spending Review period. It will be rolled into Revenue Support Grant from 2015/16, and protected in cash terms.

2014/15 – Revenue Support Grant will be notionally adjusted to reflect this by adding 2013/14 freeze grant.

2015/16 – combined with 2011/12 freeze grant to form single element.

Those authorities who accepted 2013/14 freeze grant will be paid it going forward – those who did not accept the freeze grant will not.

#### **Consultation Question 5**

**Do you agree with the proposed methodology for transferring in the 2013/14 Council Tax Freeze Compensation?**

#### **Fire Authority Response**

The Authority agrees with the methodology of transferring the grant into revenue support grant. However the 2013/14 Council Tax Freeze Grant was offered to local authorities as a one off grant, and authorities that did not accept the grant took the decision based on a long term planning assumption.

## **5 Exemplifications of the proposed changes**

The settlement within the consultation document for 2014/15 is in line with planning assumptions currently used by officers.

The settlement indicated for 2015/16 is around £100,000 more than planning assumptions currently used – these will be reviewed and incorporated into the Authority's strategic planning model.

## **6 Financial Implications**

There are no financial implications other than those outlined in the report.

## **7 Legal Comment**

There are no direct legal implications arising from this report.

## **8 Appendices**

There are no appendices attached to this report.

## **9 Background Papers**

There are no background papers associated with this report.