

Local Government Finance Settlement 2015/16 – Consultation December 2014

Response on behalf of Forest Heath District Council and St Edmundsbury Borough Council

Introduction

The councils welcome the opportunity to comment on this consultation. We note from the consultation documentation that you will carefully consider responses on any aspect of the proposals set out in the consultation, the draft Local Government Finance report and the supporting information.

Consequently, this response covers the Provisional Local Government Finance Settlement in general and the specific questions identified in the Consultation.

Local Government Finance Settlement Timing and Process

The councils remain concerned with the timing of the Statement announcement. Although it is recognised that the Provisional Settlement is essentially an update of the illustrative 2015/16 settlement published with the 2014/15 settlement, there are invariably some issues and variables where the Settlement itself is awaited in order to provide both clarity and the definitive information required for budget setting and financial planning.

It would be preferable for the Provisional Settlement to be issued earlier in December rather than the week before Christmas, perhaps immediately following the Autumn Statement. The timing of the Settlement in recent years has created genuine problems in assimilating, querying, and responding to, information.

Regarding the settlement process, local authorities have welcomed the move in recent years towards multi-year settlements and the increased degree of certainty that they bring to financial planning. The councils urge any incoming government to commit to multi-year settlements as we are no longer in the realms of making annual savings, but rather implementing long term strategies to meet the financial future of continued austerity. To do this with little or no knowledge of the long term settlement is extremely difficult.

Overall, increased transparency and availability of information in the Settlement, combined with timeliness, would enable local government to both plan more prudently and effectively, and communicate more appropriately with local stakeholders. The publication of spending power figures is unhelpful and time is then spent understanding and explaining these figures to members and the local press.

Business Rates

The councils note that there are currently separate consultations on business rates administration and business rates avoidance and look forward to the review of the

future structure of business rates announced in the Autumn Statement. However, we also have a number of comments at this stage regarding business rates in the Settlement.

The councils welcome the fact that authorities will be fully compensated by way of Section 31 grants for the various measures announced in the Autumn Statement. However, we are concerned that these measures:

- Represent late Central Government interventions into an ostensibly localised system
- Reduce the longer-term buoyancy of the business rates tax base
- Further complicate an already complex and difficult to comprehend system.

The councils consider that the Government should set all appeals up to 31st March 2013 against the old national business rates pool, thus reducing the need for a safety net top-slice, and rectifying a basic flaw in the system when it was set up, whereby authorities bear significant risks locally that have arisen from a previous national system.

Council Tax

The councils have some comments regarding the proposals for Council Tax in the Settlement and the announcement.

We are opposed to the continued Central Government imposition of artificial referendum limits on Council Tax, and believe that Council Tax levels are a matter for local electors and their elected representatives. The availability of Council Tax Freeze Grant notwithstanding, the effective imposition of a freeze in perpetuity has seriously suppressed one of the few income streams that local authorities have potential to influence. Relatively modest council tax increases in recent years could have made a significant contribution to protecting and investing in local services.

The councils welcome the availability of Council Tax Freeze Grant funding for those authorities that choose to take this course of action. In West Suffolk we have a long track record of prudent budgeting and have frozen council tax for the last 5 years.

Finally, regarding Council Tax, we are extremely frustrated that, as was the case in 2014/15, the funding for council tax support in 2015/16 is not separately identified. It is consequently not clear how much of a local scheme is being externally funded, and we would welcome considerably more transparency about the level of external funding.

Specific Consultation Questions

Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15?

No specific view

Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16?

No specific view

Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m?

Yes

Question 4: Do you agree with the Government's proposal to increase the rural funding element from £11.5m, as previously proposed, to £15.5m?

Yes

However, we feel that the amount of RSDG remains inadequate when set in the context of the gap in SFA funding between urban and rural authorities. We would make the following points:

- At £15.5m RSDG is worth an average £1.20 per head to people living in rural areas. This is still less than 1% of the gap between the difference in SFA between urban and rural areas which, in 2015/16, will see **£130 per head more funding for urban authorities**.
- The Government's own figures confirm that the average rural resident will pay more than £80 more per head in Council Tax in 2015/16. Average wages in rural areas are lower than in urban areas.
- In 2013/14, the Government made positive changes to sparsity weightings within the formula but significant damping and subsequent freezing of the system has seen the majority of these gains locked away.
- In 2013/14 (and in successive years due to the system being frozen until 2020), London authorities gained £180m from damping. This is 13 times more than the RSDG grant being offered. The majority of this was funded by damping losses in Shire Areas, most of which are rural.
- We are pleased that the Government has acknowledged the existence of 'several drivers for additional rural costs' but we do not feel that an additional £4m across some 94 authorities adequately reflects this conclusion.

The councils welcome the publication of the report commissioned by DCLG and Defra on the drivers of service costs in rural areas. If Government recognises that rural local authorities face additional spending pressures, funding these should be adequately reflected in the next spending review settlement. A full review of the funding formula in time for the 2020 reset should be completed, to ensure the costs of delivering services in rural areas are recognised.

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority?

No specific view

Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15?

The councils agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015/16, calculated on the same basis as in 2014/15, through a Section 31 grant. However, as noted above, we do have some concerns about ad hoc Central Government amendments to the Business Rates system.

Question 7: Do you have any comments on the impact of the 2015-16 settlement on persons who share a protected characteristic, and on the draft Equality Statement?

No specific view