

<b>Committee(s):</b> Finance Committee – For information	<b>Date(s):</b> 22 January 2019
<b>Subject:</b> Provisional Local Government Finance and Police Finance Settlements	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Chamberlain's Department	

### Summary

The provisional Local Government Finance and Police Finance settlements for 2019/20 were announced by Government on 13 December 2018 following the Budget. The settlements document the funding allocations for 2019/20 which will benefit City Fund.

### Recommendation(s)

Members are asked to:

- Note the report.

### Main Report

#### Background

1. The provisional Local Government Finance and Police Finance settlements for 2019/20 were announced by Government on 13 December 2018 following the Budget. The settlements document the funding allocations for 2019/20 which will benefit City Fund.

#### Current Position

#### City Fund

2. The impact of the Local Government Settlement for the City Corporation is set out in the following paragraphs.
3. 2019/20 will be the final year of the multi-year agreement where Government agreed to a 4 year funding deal in return for publishing a corresponding efficiency plan. There remains a great deal of uncertainty regarding Local Government funding after March 2020.
4. The London 75% business rates retention pilot has been confirmed alongside 15 new 75% business rates retention pilots for 2019-20, and the 5 existing pilots will continue in devolution deal areas. The City Corporation will act as Lead Authority

for the London business rates retention pilot which includes all London boroughs and the Greater London Authority.

5. The estimated benefit in 2019/20 for the City Corporation of the business rates retention pilot is £8.4m, albeit based on 75% rates retention rather than 100% in 2018/19 where the estimated benefit is £11.6m.
6. The Council Tax referendum threshold remains 3%. A 3% increase in Council Tax would raise c£200k for the City Corporation.
7. The Adult Social Care (ASC) precept is limited to 2% in 2019/20. A 2% ASC precept would raise c£135k for the City Corporation.
8. Baseline funding (including Revenue Support Grant) is £22.6m in 2019/20 (£23.6m in 2018/19, a 4.2% reduction in comparison to a 6.5% decrease for London Boroughs and nationally). RSG included in the Baseline Funding is £6.2m in 2019/20 (£7.5m in 2018/19, a 17.3% reduction)
9. In addition there are some small changes to other grants:
  - A reduction of £0.4m in New Homes Bonus funding.
  - An increase of £0.3m in Levy Account Surplus grant (a one-off adjustment).
  - An increase of £0.1m in Adult Social Care/Winter Pressures grants.
10. There is currently a consultation from MHCLG on the Fair Funding Review and we expect a consultation of Business Rates Retention changes in summer 2019. The 2019 Spending Review will be critical to set out the future direction of travel for local government funding.

## **Police**

11. The Home Office has announced the police funding settlement for 2019/20. The outcome for City of London Police (CoLP) was better than had been previously assumed when the Police Force MTFP was updated in December, with:
  - a) the core (HO and ex-DCLG) grant increasing by £1m, to £52.3m;
  - b) National & International Capital City Grant increasing from £4.5m to £4.8m;
  - c) Precept Grant increasing to £2.7m;
  - d) Additional pensions grant of £0.8m, which is aimed to fully offset the increase in pension deficit contributions in 2018/19;
12. This will go some way to improving the forecast deficits across the planning period but will not close the gap. The medium-term financial projection has been modified to take account of the improved funding settlement for 2019/20. We still await the outcome of the allocation of the additional CT monies, to see if CoLP will benefit from this.

## **Conclusion**

13. The provisional settlements for City Fund and CoLP have been announced. The City Fund settlement is broadly in line with expectations as part of the 4 year funding deal. The CoLP grant funding has increased though there still remains a significant funding deficit.

## **Appendices**

- None

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