

Committee:	Date:
Finance Committee	13 January 2015
Subject: Local Government Finance Settlement; Police Settlement; and Mayoral Precept 2015/16	Public
Report of: The Chamberlain	For Information

Summary

The core grants recently announced in the Local Government and Police Finance Settlements 2015/16 are summarised below.

2014/15		2015/16		
Final Settlement £000		Forecast	Settlement £000	Increase/ (Decrease) £000
57,674	Police	55,907	55,247	(660)
32,196	Non-Police	27,106	27,117	11

For the City Police, the 2015/16 position is £660,000 worse than forecast, this is due to a greater than anticipated reduction in core Home Office and DCLG funding. We had assumed the reduction would be 3.2% from 2014/15 funding levels, but the reduction is 5.1%.

In addition to the main Police grant, the City Police receives many specific grants. The Capital City funding has been confirmed and is included in the analysis above. The Dedicated Security Posts is anticipated to be £5.5m in 2015/16, but this is yet to be confirmed.

For Non-Police Services, the settlement level for 2015/16 equates to a cut of £5.1m, but is close to the revised forecasts made in July. In addition, last year we entered the safety net under the business rates retention scheme which reduces our 2015/16 funding by a further £1.3m. Grant reductions on this scale emphasise the importance of delivering the savings proposals identified by the Service Based Review in order to balance the budget over the medium term.

The Local Government Settlement marks the third year of business rates retention. The principal architecture remains broadly the same. The safety net has been confirmed at 7.5% of the baseline funding level, which at least limits the City's share of future losses to £1.1m p.a.

The proposals for the Greater London Authority precepts have been published. For most of London there is a £4 (1.3%) decrease in Council Tax. However, as the precept on the City of London does not include the Metropolitan Police, the figures are still to be confirmed.

Overall, there are no issues that are so unique and/or disadvantageous relative to other councils/forces which would require representations to be made.

Recommendation

Members are asked to note the report.

Main Report

Background

1. On the 17 December 2014, the Policing Minister published, for Police, details of revenue allocations for 2015/16 and on the 18 December 2014, the Secretary of State for Communities and Local Government announced the 2015/16 settlement for local government. Consultation on the proposals ends on 23 January 2015 for Police and 15 January 2015 for Local Government.

Police Settlement

2. As in previous years the City of London Police has received formula funding from two sources - Home Office Police Grant and DCLG formula funding.
3. The City Police will receive £52.4m for 2015/16. This is a reduction of £2.8m compared to 2014/15. This reduction, equates to 5.1% and is the same for all Police Forces. Our 2015/16 forecast assumed the 3.2% cash reduction the Home Office announced in relation to the 2014/15 grant, but the reduction in funding is some £1m worse than anticipated.
4. In addition to the main Police grant, the City Police receives many specific grants. The Capital City funding has been confirmed at £2.8m and is included in the analysis in the table in the summary. This is £390,000 better than anticipated and brings the funding reduction down to £660,000 worse than anticipated. The grant for Dedicated Security Posts is anticipated to be £5.5m in 2015/16, but this is yet to be confirmed.

Non-Police Grant Settlement

5. This year's settlement is the last under the current parliament. As indicated in the table in the summary, the City's Settlement Funding Assessment (SFA) for 2015/16 is £27.1m. This comprises Revenue Support Grant (RSG) funding of £12m and Baseline Funding Level (BFL) of £15.1m. This is close to our assumption and represents a drop of £5.1m or 16% from 2014/15 levels. In addition, last year we entered the safety net under the business rates

retention scheme which reduces our 2015/16 funding by a further £1.3m. In total, government funding has therefore reduced by £6.4m or 20% from 2014/15 levels.

6. In addition to the SFA, the City receives an offset from its contribution to Central Government. The City has not yet received a formal notification, but we expect DCLG to set the amount at £11.1m for 2015/16, which is a £0.3m increase on 2014/15.
7. It has been a key government policy since 2010 to encourage local authorities to limit council tax increases. Government has made available grant funding to incentivise authorities to freeze their council tax each year in a slightly different format. The Government has extended its council tax freeze grant scheme to cover 2015/16. This means the City will receive a grant worth 1% of its council tax – approximately £50,000 a year. The threshold that will trigger a referendum on council tax remains at 2%.

Business Rates Retention Scheme

8. The Settlement marks the third year of business rates retention. If the City can increase non domestic rate revenue above its baseline funding level, it can retain a proportion of that growth. The way in which the scheme works means that any growth is split between central Government 50%, the GLA 20% and the City 30%. This 30% is then subject to a 50% levy payable to central Government. There is very little change to the overall architecture of the business rates scheme. The business rates multiplier will increase by 1.9% as a result of the 2% cap on business rates outlined in the 2014 Autumn Statement. The tariff paid by the City of London will consequently increase by 1.9%.
9. The size and extent of safety net payments for 2015-16 are not yet known-these will be determined by local forecasts in the NNDR1 returns in January 2015. The retrospective levy payments due from tariff authorities for 2014/15 will be calculated after the current financial year. The assumptions in setting the starting point mean it is unlikely that the City will be able to share in business rate growth; rather the impact of future appeals means we are more likely to be concerned by the safety net which at 7.5% of the baseline funding level at least limits the City's share of future losses to £1.1m p.a.
10. As we progress through 2015, it is likely that there will be more appeals against the 2010 List and there are still appeals outstanding against the 2005 List. As at December 2014, there were approximately 3,300 appeals outstanding against the 2010 List representing some £1,250million rateable value. As at 30th September 2014, there were approximately 80 appeals still outstanding on the 2005 List. The Government has committed to settling 95% of appeals outstanding at September 2013 before July 2015.
11. There are significant new buildings being developed, but even if these are completed and let, the combined effect of all reductions is likely to negate any growth achieved. The rateable value in the 2010 Rating List has declined since April 2014 by £5million overall and in the 2005 List by £1million. So

whilst there has been considerable growth, it is outweighed by the loss from the reduction in RV.

12. The Government has indicated that the increase over the previous year's non-domestic rating multiplier (poundage) will be capped at 2.0% rather than fully increased by inflation. Therefore for 2015/16 the provisional small business multiplier will increase by 0.9p to 48p. This is the multiplier applied to small hereditaments (in London those with rateable values below £25,500); the uplift on larger premises is 1.3p to 49.3p an increase of 2.3%, the same as the rate of inflation and more than the headline 2.0%. The uplift has been increasing gradually over a number of years. These multipliers are before the addition of the City's premium of 0.4p and the Mayor for London's Crossrail Supplement of 2.0p.
13. The Government has announced that the small business rate relief will continue to 31st March 2016 and the increased retail relief will continue. As rateable values in the City are comparatively very high, more than half the retail premises will not qualify for the £1,500 relief. Both these reliefs are funded fully by central government.

Mayoral precept

14. The Mayor of London has published his 2015-16 draft revenue budget and capital spending plan for consultation. This includes the budget proposals for the GLA (Mayor and Assembly), the Mayor's Office for Policing and Crime (MOPAC), the London Fire and Emergency Planning Authority (LFEPA), Transport for London (TfL) and the London Legacy Development Corporation (LLDC). The budget proposes a reduction in the Mayor's Band D council tax precept of £4.00 (1.3%) from £299.00 to £295.00 in 2015-16 for most London Boroughs. The proposals also indicate a decrease of £4.00 to £80.48, for council tax payers in the City of London (which does not include the Metropolitan Police). However, as in previous years, the figure for the City will almost certainly change when the Mayor's final draft budget is issued in February. This is because the detailed implications of the different precept on the City have yet to be assessed.

Conclusion

15. Police funding is £660k worse than forecast for 2015/16. For other services, the 2015/16 funding position is as expected. However grant reductions on this scale emphasise the importance of delivering the savings proposals identified by the Service Based Review in order to balance the budget over the medium term.
16. Overall, there are no issues that are so unique and/or disadvantageous relative to other councils/forces which would require representations to be made.

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