

Committee: Finance Committee	Date: 19 January 2016
Subject: Provisional Settlements for Local Government and Police 2016/17 and Mayoral Precept 2016/17	Public
Report of: The Chamberlain	For Information

Summary

The provisional settlement is better than expected for local government. We are currently working through the impact of these changes on the medium term financial forecast, but it looks positive and will allow us, for example, to start tackling some of the key cost pressure areas, such as improved security and the 'bow wave' of maintenance costs on the operational property estate.

For Police, the provisional settlement confirmed the surprise announcement of 'no cuts' to Police funding from the Autumn Statement. The settlement indicates a reduction of only £300k, £2.3m better than forecast for 2016/17.

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

Medium term financial forecasts for all four funds will be reported to Finance Committee in February.

Recommendation

Members are asked to note the report.

Main Report

Background

1. On 17 December, the Secretary of State for Communities and Local Government (DCLG) announced the provisional 2016/17 Local Government Finance Settlement. The Settlement outlines provisional core funding allocations for local authorities for the four year period 2016/17 to 2019/20. On the same day the Home Secretary issued the settlement for Police.

Provisional Local Government Finance Settlement 2016-17

2. For our non-Police services, the settlement is better than expected. Our June forecast, based on the Treasury request to non-protected government departments to identify real terms savings of 25-40% by 2019/20, assumed a £3m (11%) cash reduction in revenue support grant (RSG) and rates retention funding between 2015/16 and 2016/17. However, the cash reduction in funding is £1.3m (5%).

3. Unlike previous years the provisional settlement includes figures for four years (2016-17 to 2019-20). The Government presented this as an 'offer' to local government with the proviso in the consultation being that any council accepting the offer will have to publish an efficiency plan. This is a very helpful move and one local government has been campaigning for, as it provides more certainty and ability to plan changes over the medium-term. The four year horizon suggests a far less steep rate of reduction in RSG. Our earlier forecast had assumed that RSG would be reduced from £12m in 2015/16 to zero by 2019/20 whereas the provisional settlement indicates that we should still receive £6m in 2019/20. There are no details about what an efficiency plan will need to include or when we would have to submit these.
4. We are currently working through the impact of these changes on the medium term financial forecast, but it looks positive and will allow us, for example, to start tackling some of the key cost pressure areas, such as improved security and the 'bow wave' of maintenance costs on the operational property estate.
5. The council tax referendum threshold will remain at 2%, and as announced in the Spending Review, upper tier authorities will be allowed to raise a further 2% to spend on social care (the effective threshold is therefore 4% for the City). Local authorities are invited to offer their views on its operation and requested to indicate whether their authority is minded to take up the 2% flexibility by 5pm on 15 January 2016. For the City, an additional 2% on council tax would only generate £100,000 and given the improved financial position for 2016/17, it is proposed that the City will not take up the additional flexibility- this is however subject to discussion and decision at the joint meeting of the Resource Allocation Sub and Efficiency and Performance Sub Committees with Committee Chairmen on the 14 January 2016.
6. Other key highlights of the provisional local government settlement are as expected from the Autumn Statement:
 - There will be no Council Tax Freeze Grant in 2016-17. Funding for previous years' grants will continue – but rolled in to core grant.
 - There is little change to the overall architecture of the business rates retention scheme. Although the Government will consult on business rate devolution in 2016, taking into account the wider resources available to councils including council tax, and consider the transfer of funding for the administration for housing benefits for pensioners, TfL capital funding and public health.
 - In 2016-17, £1.5bn of New Homes Bonus will be awarded nationally. London's share is £308m (21%).
 - Introduction of an apprenticeship levy of 0.5% on salary bill from April 2017; this will equate to £750,000 for the City Corporation but there will potentially be scope to count the cost of apprenticeship training against the levy.

7. A detailed analysis on the impact of the provisional settlement on London is contained in the London Council's briefing, circulated to members of this Committee on the 18 December 2015.

Police settlement

8. Overall police funding, including funding for Counter Terrorism, has been cut by 1.3% in real terms over four years. In a letter to PCCs and Chief Constables the Home Secretary and Policing Minister say that "taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole."
9. For Police, the settlement accords with the figures in the Autumn Statement. In our September forecast we had assumed the cash reduction to Core grant would be £2.6m (5%), but the settlement indicates a reduction of only £0.3m (0.5%) - £2.3m better than forecast for 2016/17. In addition, Capital City funding has increased from £2.8m in 2015/16 to £4.5m in 2016/17. Details of a number of ring-fenced grants are not expected until January- March 2016 but there is a risk that some might be reduced.

Mayoral precept

10. The Mayor of London has published his draft 2016/17 revenue budget and capital spending plan for consultation. For the current financial year, 2015/16, the City's Council tax is £857.31, expressed at band D and excluding the GLA precept of £86.31. The budget proposes a reduction in the Mayor's Band D council tax of £17.10. As in previous years, the GLA have indicated that this figure is likely to change.

Next steps

11. Overall there are no issues that are so unique and/or disadvantageous relative to other councils/ forces which would require representations to be made.
12. The medium term financial forecasts for all four funds will be reported to Finance Committee in February. Your Chairman and the Chairman of Police are also holding a Member breakfast session on 12 January to discuss the implications of the settlements on the City Fund Police and non-Police services.

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