CITY OF YORK COUNCIL

Cabinet **8 January 2013**

Report of the Cabinet Member for Corporate Services

Local Government Finance Settlement Update

Purpose of Report

1. This report provides a high level analysis of the Local Government Finance Settlement, announced on 19 December 2012. It also provides an update on the status of Leeds City Region (LCR) pool.

Local Government Finance Settlement

2. The provisional Local Government Finance settlement for 2013/14 was announced on 19 December 2012. This is the first settlement that reflects the changes enacted in the 2011 Localism Bill including the localisation of business rates and Council Tax support.

3. The new funding system is predicated on a number of key themes:
   - i) The majority of the Local Government national expenditure control total comprises a **business rates aggregate** which equates to the anticipated amount of rates collected for a given year, and a smaller portion of other funding such as the Early Intervention Grant and Council Tax Support.
   - ii) The business rates aggregate is split in half, with 50% funding the localised rate retention scheme and the other 50% being combined with the other funding to fund a new Revenue Support Grant (RSG).
   - iii) In order to transfer to the new system, each council is given a **start up funding assessment**, the equivalent of what they would have received under the old needs based Formula Grant system.
   - iv) This is split between a **baseline funding** level and an RSG allocation directly proportionate to the national split determined in ii).
   - v) An **individual business rates baseline** is also provided which equates to the council's proportionate share of the national total rates collected, after Government have taken their 50% share.

vi) Where a council's individual business rates baseline is less than their baseline funding, they will receive a **top up** payment to ensure they are not unfairly penalised.

vii) Where a council's individual business rates baseline is higher than their baseline funding level, they need to pay a **tariff**.

viii) The Government wants to ensure that no local authority makes disproportionate gains so for any growth, Government keep 50% and the remaining amount will be subject to a **levy** which will be paid into a central pot.

ix) Equally, the Government doesn't want any local authority to lose too much money should a local major economic shock occur, so the central pot collected from levies will fund **safety net** payments.

x) All business rates figures will be uplifted annually by RPI.

4. Taking this into account, the provisional settlement provided the council with a series of key figures for 2013/14.

   i) A start up funding assessment of £58.1m. This corresponds to a loss of £4.0m compared to the Formula Grant funding received in 2012/13 (10.3%).

   ii) The start up funding assessment comprises of a £23.2m baseline funding level and a £34.9m Revenue Support Grant (RSG), a 40:60 split.

   iii) An individual business rates baseline of £45.1m.

   iv) This results in the council having to pay a tariff to Central Government of £21.9m.

   v) As York is a tariff authority, a levy rate of 49% has been allocated on any new growth. This means that for every £1 of growth in the city, only 25.5p will be retained locally.

5. Initial figures released for 2014/15 suggest that the RSG allocation will reduce in between £5m and £6m, or a loss of 14-16%. Whilst no details were announced for any financial settlements beyond 2014/15, the clear indications are that the grant support to local authorities will continue to be reduced in coming years.

6. The figures announced for York are broadly in line with the forecasts made within the council's financial strategy and will require some £20m of cost savings to be delivered over the next 2 years due to both Government funding reductions and a range of cost pressures being faced by council services.

7. The settlement is due to be finalised at the end of January. Further detail and any changes to the settlement will be reflected in the budget report to Cabinet in February.

Leeds City Region Pool

8. Members are reminded that they approved the council's participation in the designated Leeds City Region business rates pool at the November 2012 Cabinet meeting.

9. As part of the settlement announcement, the Department for Communities and Local Government (DCLG) approved the designated pool. Each council now has to make a decision on whether it is in their interests to proceed with entering their designated pool. Each council has to notify DCLG of their intentions by 15 January 2013.

10. At the time of publication of this report, data relating to the pool is still being released by Government and analysed by officers. This is compounded by the fact that each council's draft projected business rates yield is not due to be submitted to DCLG until 7 January 2013. It is therefore difficult to recommend a suitable course of action to Members in this report.

11. In light of this, it is recommended that Members agree that the Leader, on the advice of the Director of Customer and Business Support Services, makes this decision when the full information is available. The decision will be reported back to Cabinet as part of the February budget report.

12. Members are also asked to approve that responsibility for approving the annual NNDR1 form, which projects the council's annual business rates yield, is delegated to the Director of Customer and Business Support Services. This is in line with existing arrangements for the Council Tax taxbase.

Analysis

13. The financial analysis is included in the body of the report.

Consultation

14. None specific to this report, however the overall budget process involves consultation with a variety of groups and organisations.

Council Plan

15. The information and issues included in this report demonstrate progress on achieving the priorities set out in the Council Plan (2011-15).

Implications

16. The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - the impact of delivering savings is having considerable implications in terms of managing the HR issues. The Council is seeking to manage the process of reducing staffing numbers as effectively as possible, through use of Voluntary Redundancy and working with the Trade Unions.
- Equalities - there are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.

Risk Management

17. The risk management processes embedded across the council continue to contribute to managing the risk issues associated with major projects and key areas of service delivery.

Recommendations

18. Members are asked to:

a. Note the provisional Local Government Finance Settlement figures;

Reason: To inform financial planning decisions for the 2013/14 and 2014/15 budgets.

b. Approve that the Leader, on the advice of the Director of Customer & Business Support Services, decides on how to proceed with the council's involvement in the LCR business rates pool.

Reason: So that the council's income from the business rates retention scheme is maximised.

c. Delegate approval of the annual NNDR1 form to the Director of Customer & Business Support Services.

Reason: So that process for Council Tax and business rates are aligned and so that the council can submit business rates figures to Central Government as and when requested.

<table>
<tr><td>Authors:</td><td colspan="4">Cabinet Member & Chief Officer Responsible for the report:</td></tr>
<tr><td rowspan="3">Ian Floyd, Director for Customer & Business Support Services, Ext 1100

Tracey Carter, Assistant Director for Customer & Business Support Services, Ext 3479

Debbie Mitchell, Corporate Finance Manager, Ext 4161

Andrew Crookham, Principal Accountant, Ext 2912</td><td colspan="4">Councillor Julie Gunnell, Cabinet Member for Corporate Services

Ian Floyd, Director for Customer & Business Support Services</td></tr>
<tr><td>Report Approved</td><td>√</td><td>Date</td><td>27 Dec 2012</td></tr>
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<tr><td colspan="3">Wards Affected: All</td><td colspan="2"></td></tr>
<tr><td colspan="5">For further information please contact the authors of the report</td></tr>
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Annexes - None