

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

**Report Reference: FPM-006-2013/14
Date of meeting: 19 September 2013**

Portfolio: Finance and Technology

Subject: Government Consultations on Financial Issues

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Recommendations/Decisions Required:

To consider and amend where necessary the proposed responses to the Government consultations.

Executive Summary:

At the end of July the Government issued three financial consultation papers, a guidance note on capitalisation procedures and a prospectus for business rates pooling. Two of the consultations run for eight weeks to 24 September and one runs for ten weeks to 2 October.

A brief summary of each consultation paper is provided in the report below, with the draft responses attached as separate appendices. Some exemplifications have been provided to support the various proposals but it is not clear in many instances if this Council will benefit from a given change or alternative. Where it is unclear what the effect of a proposal will be or the case for it has not been well made in the consultation the suggested response is "No Comment".

Reasons for Proposed Decisions:

To determine the responses to be made to the consultations.

Other Options for Action:

Members could decide to not respond, to respond in part or to respond in full to each of the three consultations.

Report:

Technical Consultation – Local Government Finance Settlement 2014/15 and 2015/16

1. This consultation seeks views on a range of detailed and technical issues concerning the 2014/15 and 2015/16 Local Government Finance Settlements. Illustrative figures for the 2014/15 Settlement were published on 4 February 2013. These figures already showed a significant reduction in funding but the 2013 Budget removed a further 1% from the local government spending control totals. The potential changes to the illustrative figures are covered by the consultation. An increase in the amount of funding held back to cover safety net payments, as part of the local retention of business rates, is also proposed.

2. The Spending Review earlier this year had shown a headline reduction in local government funding in 2015/16 of 10%. This consultation shows that for individual district councils the reductions will exceed 15%. The updated Medium Term Financial Strategy (MTFS) that

accompanies the Financial Issues Paper later on the agenda has been adjusted for the greater funding reductions in 2014/15 and 2015/16.

Technical Consultation – New Homes Bonus and the Local Growth Fund

3. This consultation seeks views on the suggested mechanism for the pooling of £400 million of New Homes Bonus (NHB) through Local Enterprise Partnerships to support strategic housing and other local economic growth priorities.

4. The Heseltine review (No Stone Unturned in Pursuit of Growth) made 89 recommendations to boost growth. Heseltine sees Local Enterprise Partnerships as key to driving forward locally-led growth and enterprise and recommended a Local Growth Fund of £80 billion over 4 years. The Government claims to be fully supportive of the report's recommendations, although the funding that has been compiled is only £2 billion per year. None of the funding is new money as £1.12 billion has come from transport schemes, £500 million from education and £400 million from the NHB.

5. The key issue in the consultation is how much individual authorities will lose to fund the £400 million. Question 2 proposes a method that applies the same percentage reduction to the NHB of all authorities. To achieve the required top slice of £400 million this would be approximately 35%, which in monetary terms for this council would be close to £800,000 in 2015/16 and approaching £1 million in subsequent years (when the scheme will have been in place for a full six years). Question 3 proposes an alternative for two tier areas that would see county councils lose all their NHB and districts making up the additional amount to reach £400 million overall. This proposal would reduce the loss from 35% to 19%, in monetary terms £425,000 in 2015/16 rising above £500,000 in later years.

6. The Local Government Association has criticised the top slicing of NHB but, given the conflict that questions 2 and 3 inspire between Counties and Districts, has not expressed a view on the method. It is likely that Counties will respond in favour of question 2 and so it is important that Districts respond in favour of question 3. The MTFS has been prepared on the prudent basis that we will lose 35% of our NHB from 2015/16.

A Consultation Document – Proposals for the use of capital receipts from asset sales to invest in reforming services

7. This consultation aims to gauge the level of interest from local government for the use of capital receipts to pay for the revenue costs of reforming, integrating or restructuring services.

8. This is something of a sham which appears to be doing something useful but will be of little real use. Bitter past experience has shown that meeting published criteria is no guarantee of obtaining a capitalisation direction. The consultation includes an unrealistic timetable and states that any approvals will be restricted by a national cap. This requires authorities to draw up detailed business cases and disposal plans that could be aborted if they are unlucky in the lottery of the application process.

Resource Implications:

As the consultations set out different options the resource implications are unclear but in constructing the MTFS a prudent view has been taken on each issue.

Whatever the outcome of the consultations it is clear that local authorities will suffer a further substantial reduction in their funding.

Legal and Governance Implications:

Changes following the consultations will be included in subsequent Local Government Finance Bills and whilst some will come into effect from 1 April 2014 the most significant will be from 1 April 2015.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

The response on the New Homes Bonus consultation is based on a draft response from the Society of District Council Treasurers.

Background Papers:

DCLG Consultation documents –

- a) Local Government Finance Settlement 2014/15 and 2015/16
- b) New Homes Bonus and the Local Growth Fund
- c) Proposals for the use of capital receipts from asset sales to invest in reforming services

Other DCLG documents –

- a) Business Rates Retention Pooling Prospectus
- b) Capitalisation Directions 2013/14 Policy and Procedures

Copies of all the above documents are available on the DCLG website or can be obtained from the Director of Finance & ICT.

Impact Assessments:

Risk Management

There is a risk that if insufficient responses are made to consultations the Government will either stop consulting or will not act on the responses they receive.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A