

Report for Resolution

Report to Cabinet
5 January 2011

Report of Deputy Chief Executive

Subject Local Government Financial Settlement and
Decentralisation and Localism Bill

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Purpose

To update Cabinet on the local government financial settlement and its implications for the council's medium term financial strategy.

To also update Cabinet on the new Decentralisation and Localism Bill.

Recommendation

- To note the local government financial settlement and its implications for the council's medium term financial strategy.
- To note the new Decentralisation and Localism Bill.

Financial Consequences

None directly from this report.

Risk Assessment

None

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners"

Cabinet Member: Councillor Waters – Resources, Shared Services and Performance

Ward: All Wards

Contact Officers

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Report

Local Government Financial Settlement

1. On the 13 December 2010 the government published the financial settlement for local government for 2011/12 and 2012/13. This settlement is a two year settlement as the government have indicated that they plan to fundamentally review the finance system for local government for 2013/14 onwards.
2. The government has introduced a new definition for measuring grant changes. The figures now quoted relate to an authorities revenue spending power not the formula grant on its own. The new definition for this authority is the sum of the Council Tax Requirement, Formula Grant and Specific Grants. The table below shows both the new and the old methods for reviewing the changes in grant. The table also includes the transition grant, payable in Norwich's case for one year only, this grant being used to keep reductions in the revenue spending power down to 8.9%

Changes to grant position

A	Formula Grant	2010/11 £' millions	2011/12 £' millions	2012/13 £' millions
	Formula Grant	15.914	12.200	11.260
	Concessionary fares adjustment	-1.747		
	other adjustments	-0.055		
	Comparative grant	14.112	12.200	11.260
	% reduction		13.5%	7.7%
	Transition grant		0.850	0
	% reduction after transition grant		7.5%	
	Reduction in formula grant after transition grant		1.062	
B	Revenue Spending Power			
	Council Tax requirement	9.083	9.083	
	Formula Grant	14.112	12.200	
	Specific Grants	3.389	2.085	
	Comparative revenue spending power	26.584	23.368	
	% reduction		12.1%	
	Transition grant		0.850	
	% reduction after transition grant		8.9%	
	Reduction in grant after transition grant		2.366	

3. The Council's Head of Finance has now assessed the impact of this reduction on the council's medium term financial position alongside other budget pressures including inflation and unavoidable expenditure requirements.
4. As such, Annex A sets out a revised medium term financial position for the council for the next 4 financial years.
5. This shows a requirement to reduce the budgetary requirement by £8.3 million over the next four years with a further £2.35 million reduction needed in 2011/12 to address the impact of the front-end loading of the government reductions over and above the £3.0 million savings already identified by the Cabinet on 27 October 2010, a down grading of the Council's income estimates and other budget adjustments identified during December 2010.

Decentralisation and Localism Bill

6. Also on the 13 December 2010 the government introduced into parliament the new Decentralisation and Localism Bill.
8. The Bill introduces a number of potentially significant changes to local government powers and responsibilities. This report, therefore, summarises the main potential changes for local government, identified so far, within each of the sections of the Bill and outlines the next steps for monitoring the progress of the Bill and assessing the detailed impact on the City Council.

Decentralisation and strengthening local democracy

9. The main changes within this section of the Bill are:
 - Introducing a general power of competence for local authorities. This will mean that every local authority will have the ability to undertake any activity or business, or enter into any transaction without the fear that it is ultra vires as long as it does not conflict with other legislation in doing so.
 - Scrapping national powers like council tax capping and removing regional institutions and structures such as regional development agencies.
 - Allowing councils the option to return to the committee system.
 - Abolishing standards boards.
 - Providing powers for the secretary of state to trigger a referendum on a directly elected mayor for a certain area. Norwich is not one of the 12 cities that have been identified for a referendum.
 - Ending the previous rules in regards to councilors and predetermination.
 - Requiring councils to prepare and publish a senior pay policy statement annually from 2012-2013 onwards.
 - Repealing of the duty to promote democracy and the ability for local authorities to charge for waste collection using the Climate Change Act

(2008).

Community Empowerment

10. The main changes within this section of the Bill are:

- Requiring local authorities to carry out a public referendum if they propose a council tax rise about a limit set by the secretary of state. The result of this referendum would be binding on the local authority. This process would essentially replace the current council tax capping system.
- Allowing local people and councils to instigate local referendum on local issues under certain conditions. The results of the referendum would not be binding on the local authority.
- Allowing community or voluntary sector groups, parish councils and council employees delivering a service the right to express an interest to take over the running of the local service. Local authorities can then accept, accept with modifications or reject expressions of interest. If an expression of interest is accepted, a procurement exercise must then take place.
- Requiring local authorities to maintain a list of public or private land or assets of community value in its area with the aim to make it easier for communities to exercise the right to buy land or assets of community value.

Reform of the Planning system

11. The main changes within this section of the Bill are:

- Abolishing regional planning strategies and targets.
- Establishing the community infrastructure levy. This is a new levy that local authorities can charge on new developments to give back to the community or use to fund new development.
- Allowing forums of local people to get together and develop a neighbourhood plan for where new development should go in their area and if local people then vote in favour through a referendum, local authorities will have to adopt them. It is understood that these neighbourhood plans will not be able to further restrict development which is set out in the overall joint core strategy for the area but they will be able to allow further development in that specific area.
- Enabling local people through a referendum to agree specific developments or types of development which will have automatic planning permission without the need for any application to the local authority.

Social Housing Reform

12. The main changes within this section of the Bill are:

- Allowing local authorities to determine who should qualify to join a housing waiting list, meaning that they will no longer be automatically open to all potential applicants.
- Giving local authorities the powers to end the local authority homelessness duty with an offer of private rented accommodation without the applicants permission.
- Enabling local authority landlords to grant tenancies for a fixed length (the minimum length being two years).
- Replacing the current centralized council housing subsidy system with a new system allowing councils to keep their rental income in return for taking on a proportion of housing debt.
- Abolishing the Tenant Services Authority with its regulatory powers being transferred to the Homes and Communities Agency.

Next Steps

13. It is expected that the Bill will take approximately 12 months to complete the parliamentary process and as part of that process different elements of the Bill will be subject to amendments. It is also likely that the final clauses that are in the Act that receives royal assent will be subject to different implementation timescales which are not yet known.
14. Officers will be monitoring the progress of the Bill through parliament and assessing the potential impact of these different changes on the City Council and what action the council may need to take to prepare for them and further reports will be brought forward as necessary.

ANNEX A

Expected position (General Fund)

	2010/11 £'000'	2011/12 £'000'	2012/13 £'000'	2013/14 £'000'	2014/15 £'000'
1. Employees	21,887.2	20,303.0	20,912.1	21,539.5	22,185.7
2. Premises	9,955.3	8,453.8	8,876.5	9,320.4	9,786.4
3. Transport	381.5	301.0	420.6	441.6	463.7
4. Supplies & Services	19,997.1	19,177.8	20,136.7	21,143.6	22,200.7
5. Third Party Payments	3,673.4	438.8	438.8	438.8	438.8
6. Transfer Payments	1,485.6	73,448.6	73,448.6	73,448.6	73,448.6
7. Finance costs	2,931.0	3,249.8	3,249.8	3,249.8	3,249.8
11. Receipts	25,852.1	-21,866.0	-22,522.0	-23,197.7	-23,893.6
12. Government Grants	-5,372.8	-76,819.2	-77,669.4	-77,669.4	-77,669.4
Centrally managed		1,447.9	1,447.9	1,447.9	1,447.9
21. Recharge Expenditure	26,341.1	26,432.0	27,224.9	28,041.7	28,882.9
22. Recharge Income	30,730.4	-30,736.5	-31,658.6	-32,608.3	-33,586.6
unavoidable continuing expenditure		0.0	500.0	500.0	500.0
accumulative impact		0.0	0.0	500.0	1,000.0
unavoidable one off costs		0.0	500.0	300.0	400.0
Savings new * see note below	0.0	-2,350.0	-2,500.0	-1,550.0	-1,900.0
accumulative impact	0.0	0.0	-2,350.0	-4,850.0	-6,400.0
Contribution to reserves	400.0	0.0	0.0	0.0	0.0
Budgetary requirement	25,097.0	21,481.0	20,455.9	20,496.3	20,554.8
RSG/NNDR	15,913.9	-12,200.2	-11,200.0	-11,200.0	-11,200.0
Collection Fund Surplus	-100.0	-109.0	0.0	0.0	0.0
Council Tax requirement	9,083.1	9,171.8	9,255.9	9,296.3	9,354.8
Band D equivalents properties	40214	40766	41000	41250	41500
Council Tax Band D	225.87	225.87	225.87	225.87	225.87
Council Tax collectable	9,083.1	9,207.8	9,260.6	9,317.1	9,373.6
Level of reserves	4,200.0	4,200.0	4,204.7	4,225.5	4,244.2
Reserves as a % of budgetary requirement		19.6%	20.6%	20.6%	20.6%

* Over and above the £3.0 million identified by Cabinet on 27 October 2010, giving a total saving requirement for 2011/12 of £5.350 million

