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**Report of the Deputy Chief Executive**

**Report to Executive Board**

**Date: 11<sup>th</sup> February 2015**

**Subject: Final Local Government Finance Settlement 2015/16**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The final local government settlement was published on 3<sup>rd</sup> February 2015.
2. The final settlement:
  - provided an extra £74 million for upper tier authorities of which Leeds will receive £1.151 million; and
  - confirmed that a referendum would be required if an authority wishes to increase its council tax for 2015/16 by 2.0% or more.

## **ADDITIONAL ITEM**

### **1. BACKGROUND**

- 1.1 The provisional local government finance settlement was published on 18<sup>th</sup> December 2014. The provisional settlement set out the Government's proposals for local government funding for 2015/16 and largely confirmed the indicative allocations that had been published in January 2014 alongside the 2014/15 settlement.
- 1.2 The national average reduction in core funding (Settlement Funding Assessments) proposed in the provisional settlement was 13.9%. The reduction proposed for Leeds was 15.8% which in cash terms equated to £49.9 million compared to the adjusted total for 2014/15.
- 1.3 Under the Government's preferred measure, "Spending Power" (which includes NHS funding for the Better Care Fund and ring-fenced Public Health funding) the national reduction was 2.1% with the equivalent figure for Leeds being 2.3%.
- 1.4 Consultation on the provisional settlement closed on 15<sup>th</sup> January 2015.

### **2. THE FINAL SETTLEMENT**

- 2.1 The Minister for Local Government, Kris Hopkins, published the final local government finance settlement on 3<sup>rd</sup> February 2015.
- 2.2 The only change from the provisional settlement was to provide a further £74 million to be shared between upper-tier authorities. The Ministerial Statement indicated this was *"to recognise that councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision"*.
- 2.3 The extra £74 million is being provided through Revenue Support Grant and will not be ring-fenced. There are no new duties, expectations or monitoring requirements associated with its use.
- 2.4 The Minister also confirmed that the council tax referendum limit is to remain unchanged at 2.0% or greater.

### **3. IMPLICATIONS FOR LEEDS**

- 3.1 Leeds' share of the £74 million is £1.151m. The additional amount has been added into upper-tier funding and has increased Leeds' overall Settlement Funding Assessment from £267.0 million to £268.1 million, as detailed in the table below:

## ADDITIONAL ITEM

	Final 2014/15 £m	Adjusted 2014/15 £m	Provisional Settlement 2015/16 £m	% Change compared to 2014/15 Adjusted	Final Settlement 2015/16 £m	% Change compared to 2014/15 Adjusted
Upper-Tier Funding	221.559	221.559	182.955	-17.4%	184.106	-16.9%
Lower-Tier Funding	49.156	49.156	41.076	-16.4%	41.076	-16.4%
Fire and Rescue Funding						
2011-12 Council Tax Freeze Compensation	6.662	6.662	6.636	-0.4%	6.636	-0.4%
Early Intervention Funding	21.237	21.237	19.344	-8.9%	19.344	-8.9%
GLA General Funding						
GLA Transport Funding						
London Bus Services Operators Funding						
Homelessness Prevention Funding	0.862	0.862	0.859	-0.4%	0.859	-0.4%
Lead Local Flood Authority Funding	0.143	0.143	0.143	-0.4%	0.143	-0.4%
Learning Disability and Health Reform Funding	10.623	10.623	10.583	-0.4%	10.583	-0.4%
Efficiency Support for Services in Sparse Areas						
2013-14 Council Tax Freeze Compensation	2.766	2.766	2.766	0.0%	2.766	0.0%
Returned Holdback	0.413	0.413		-100.0%		-100.0%
Local Welfare Provision		3.445	2.594	-24.7%	2.594	-24.7%
<b>Settlement Funding Assessment</b>	<b>313.421</b>	<b>316.866</b>	<b>266.955</b>	<b>-15.8%</b>	<b>268.106</b>	<b>-15.4%</b>
<b>Difference from Provisional Settlement</b>					<b>1.151</b>	

**Table 1: Comparison of Settlement Funding Assessments for Leeds 2014-15 to 2015-16**

3.2 The additional funding changes the reduction in Settlement Funding Assessment from -15.8% to -15.4%. The equivalent figures for the Core Cities and the West Yorkshire authorities are shown below:

## ADDITIONAL ITEM

	Adjusted Settlement Funding Assessment 2014/15 £m	Final Settlement Funding Assessment 2015/16 £m	% Change in Settlement Funding between 2014/15 and 2015/16
<b>LEEDS</b>	316.866	268.106	-15.4%
Birmingham	714.443	605.203	-15.3%
Bristol	203.180	173.730	-14.5%
Liverpool	350.827	295.769	-15.7%
Manchester	355.289	300.611	-15.4%
Newcastle	181.440	154.550	-14.8%
Nottingham	191.458	161.448	-15.7%
Sheffield	290.836	247.236	-15.0%
Bradford	275.733	233.783	-15.2%
Calderdale	84.251	71.460	-15.2%
Kirklees	164.864	139.596	-15.3%
Wakefield	143.188	121.966	-14.8%
West Yorkshire Fire	50.306	45.850	-8.9%
<b>Average Core City</b>			-15.3%
<b>Average West Yorkshire District</b>			-14.9%
<b>Average Metropolitan District</b>			-15.1%
<b>Average Shire Areas</b>			13.8%
<b>Average London Borough</b>			-14.8%
<b>Average England</b>			-13.6%

**Table 2: Settlement Funding Assessments for the Core Cities and West Yorkshire**

- 3.3 The percentage reduction for Leeds remains marginally higher than the average of the Core Cities and is higher than the average of the West Yorkshire districts, London Boroughs, Shire Areas and the average for England as a whole.
- 3.4 The additional funding makes only a marginal difference to Spending Power totals:

## ADDITIONAL ITEM

	Adjusted Spending Power 2014/15  £m	Spending Power 2015/16  £m	Change in Spending Power 2014/15 to 2015/16 *  £m	Change in Spending Power 2014/15 to 2015/16  %
<b>LEEDS</b>	646	632	(14)	-2.2%
Birmingham	1,130	1,065	(65)	-5.8%
Bristol	423	413	(10)	-2.5%
Liverpool	554	522	(31)	-5.7%
Manchester	552	526	(27)	-4.9%
Newcastle	306	292	(14)	-4.7%
Nottingham	326	309	(17)	-5.3%
Sheffield	519	499	(20)	-3.9%
Bradford	487	468	(19)	-3.9%
Calderdale	180	177	(3)	-1.9%
Kirklees	350	342	(8)	-2.3%
Wakefield	288	282	(5)	-1.8%
<b>Average Metropolitan Districts</b>				-3.6%
<b>Average Shire Areas</b>				-0.5%
<b>Average London Boroughs</b>				-3.2%
<b>England (excluding GLA)</b>				-1.7%
<b>England (including GLA)</b>				-2.0%

\* 2015/16 Spending Power includes pooled NHS and Better Care fund and Efficiency Support Grant

**Table 3: Spending Power for the Core Cities and West Yorkshire**

- 3.5 The headline national reduction in Spending Power (excluding the Greater London Council) has changed from 1.8% to 1.7%. The corresponding change for Leeds is from 2.3% to 2.2%. The reduction for England as a whole (including the GLA) has changed from 2.1% to 2.0%. However, there are still considerable variations between authorities.
- 3.6 The Local Government Minister's announcement confirms that Leeds would be subject to a referendum if Council resolved to increase council tax for 2015-16 by 2.0% or more.

## 4 CORPORATE CONSIDERATIONS

### 4.1 Consultation and Engagement

- 4.1.1 This report sets out relatively minor changes to the funding of local government made in the final local government finance settlement. Leeds' budget proposals for 2015/16 have been subject to extensive consultation as set out in the "Revenue Budget and Council Tax 2015/16" report included elsewhere on this agenda.

### 4.2 **Equality and Diversity / Cohesion and Integration**

4.2.1 This report has no implications for equality and diversity or cohesion and integration.

### 4.3 **Council Policies and City Priorities**

4.3.1 Proposals for the allocation of the extra funding from the final settlement will be set out in the Budget Report to Council.

### 4.4 **Resources and Value for Money**

4.4.1 The resource implications of the extra funding will be set out in the Budget Report to Council.

### 4.5 **Legal Implications, Access to Information and Call In**

4.5.1 This report is for information only and, in of itself, has no legal implications.

4.5.2 The report may be subject to call in.

### 4.6 **Risks**

4.6.1 The report sets out extra funding that will be available for 2015/16. A detailed risk assessment of budget decisions for 2015/16 is included in the Budget Report referred to above.

## 5. **RECOMMENDATIONS**

5.1 Members are requested to note:

- the outcome of the final local government settlement announced on 3<sup>rd</sup> February 2015, in particular that £1.151 million of extra funding is to be allocated to Leeds for 2015-16; and
- that the Referendum Principles that would require a referendum to be held for a council tax increase of 2.0% or greater are unchanged for 2015/16.

## 5. **BACKGROUND DOCUMENTS<sup>1</sup>**

5.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.