

LOCAL GOVERNMENT FINANCE MONTHLY UPDATE

JANUARY 2009

This briefing provides LG Futures' clients with a free monthly summary of topical issues affecting local authority finances. In addition, we also provide a subscription-based Funding Briefing Service, which is designed to provide authorities with detailed insight into the key Government funding announcements that will impact upon 2010/11 budgets and medium term financial planning processes.

If you require any further information, or are potentially interested in subscribing to our full Funding Briefing Service, please email us at info@lgfutures.co.uk

COMMUNITIES AND LOCAL GOVERNMENT

Capitalisation Directions 2008/09

The Government has announced that it received 83 applications for Capitalisation Directions from local authorities for 2008/09; 69 were successful (totalling £87.2m).

The breakdown of successful applications was as follows:

Commutation: 11 directions – £520k

Pensions fund contributions: 24 directions – £38.5m

Redundancy costs: 30 directions – £36.1m

Exceptional: 4 directions – £12.0m

COMMUNITIES AND LOCAL GOVERNMENT

Local Government Finance Settlement

On 21 January 2009, the Minister for Local Government confirmed the Local Government Finance Settlement for 2009/10, the second year of the 3-year grant settlement. There were no changes to the provisional settlement.

Consequently:

- The national increase in Formula Grant (excluding Police Funding) is 2.84%.
- The level of the funding 'floors' for 2009/10 will be:
 - Education/Personal Social Services authorities 1.75%
 - Police Authorities 2.5%
 - Fire & Rescue Authorities 0.5%
 - Shire Districts 0.5%

The Minister also stated: "I expect next year's average council tax rise to be substantially below 5 per cent – I will not hesitate to help people by capping any excessive increase if I have to"; and confirmed that efficiency information must be included on 2009/10 council tax demand notices.

COMMUNITIES AND LOCAL GOVERNMENT

Changes to the revenue and capital rules for new council housing: consultation on excluding new council housing from Housing Revenue Account subsidy and pooling

On 21 January 2009, DCLG published a consultation regarding changes to the revenue and capital rules for new council housing.

The key proposal is that councils would be able to keep all the rental income from any homes they build, as well as keep the receipts from any of those homes which are later sold through Right to Buy.

The closing date for responses is 17 April 2009.

COMMUNITIES AND LOCAL GOVERNMENT

Local Authority Business Growth Incentive scheme

On 22 January 2009, DCLG wrote to all local authorities, inviting them to provide further comment on the groupings of authorities to be used to determine the Local Authority Business Growth Incentive (LABGI) grant scheme from 2009/10. The deadline for responses is 20 February 2009.

LG Futures has prepared a briefing on this latest consultation for subscribers to its funding briefing service. For further information please email info@lgfutures.co.uk

On 29 January 2009, the Prime Minister announced that, *“The Government will release £100m of un-ringfenced funding to councils across the country through the Local Authority Business Growth Incentives scheme, helping councils respond flexibly to the effects of the downturn in their area”*.

This £100m represents the ‘contingency’ the Government has held since 2007/08 to deal with legal challenges against the previous LABGI Scheme. Local authorities have until 19 February 2009 to raise any queries or issues about their allocation.

DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES

DSG Formula Review Group – 7th Meeting

The DSG Formula Review Group (FRG) met on 26 January 2009 and considered the following papers/presentation:

- DSG Research: Update (FRG 28);
- Small Schools: Update (FRG 29);
- Moving the Pupil Count (FRG 30);
- The New Opportunities White Paper (A Presentation) (FRG 31); and
- 21st Century School Funding Paper (FRG 32).

LG Futures has prepared a briefing on the papers for this meeting for subscribers to its funding briefing service. For further information please email info@lgfutures.co.uk

DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES

Consultation: Ending Child Poverty: Making it Happen

On 28 January 2008, the Government launched a consultation on legislative proposals prior to the introduction of a Child Poverty Bill in 2009.

The key options affecting local authorities are as follows:

Option 1 – Introducing a duty on local authorities to promote action to tackle child poverty

Option 2 – Introducing a duty on all local public bodies to have regard to child poverty when exercising their functions

Option 3 – require all local authorities to set a specific local child poverty target

The deadline for responses is 11 March 2009.

DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES

'Next Steps for Early Learning and Childcare: Building on the 10-Year Strategy'

On 27 January 2009, the Government published its 'Next Steps for Early Learning and Childcare: Building on the 10-Year Strategy' document which, according to the Children's Minister, will "outline the next phase in the Government's ambition to revolutionise early learning and childcare into a world-class public service to the benefit of families across the country".

Key issues for local authorities are commitments to:

- consider making it a legal requirement that every childcare professional is qualified to A Level equivalent standard;
- enable parents to stretch the free childcare offer to cover holidays.

In addition, there are proposals that include:

- expecting local authorities to focus on 5-14 year olds, to give more childcare and activities options for this age group.

FINANCE WITH VISION

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