

LOCAL GOVERNMENT FINANCE MONTHLY UPDATE

JANUARY 2010

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

Final Local Government Finance Settlement 2010/11

On 20 January, the Parliamentary Under-Secretary of State for Local Government published a written statement confirming that the 2010/11 funding figures are the same as those announced at the time of the 2008/09 finance settlement, and that the overall increase in Formula Grant for local authorities, between 2009/10 to 2010/11, is 2.6% (£24.6bn).

On capping, the Under-Secretary of State stated:

"I am also putting all authorities on notice that the Government will not hesitate to cap any excessive council tax increases set by individual authorities in 2010-11 and that it would be a mistake for any authority to presume they will not be capped if they stay within the capping principles which applied in 2009-10. We have already initiated capping action against three police authorities in advance for 2010-11 to limit their council tax increases to around 3%. No other decisions have been taken on capping for 2010-11, but we have made clear that we expect the average Band D council tax increase in England to fall to a 16 year low. The Government has maintained the three-year settlement in challenging economic circumstances and there can be no excuse for any authority setting an excessive council tax increase in 2010-11."

DEPARTMENT FOR TRANSPORT

Concessionary Bus Fares

On 28 January, the Government published its formal response to the Consultation on Local Authority special grant funding in 2010/11 for the national bus concession in England.

Following the consultation, the Government has agreed to proceed with a revised grant distribution for 2010/11, *"to better match the distribution of costs that have actually been incurred during the first year of the national concession."*

For some authorities, these revisions result in a substantial departure from previously announced 2010/11 funding allocations (e.g. Derby receives an additional £2.9m in Specific Grant, whereas London's funding is reduced by £30.2m).

COMMUNITIES AND LOCAL GOVERNMENT

Putting the Front Line First: Local Government Taskforce

The Secretary of State has established a new Local Government Task Force, comprising of local government and union representatives, and ‘challenged’ it to quickly develop proposals to identify how council workforces can be made more efficient without affecting the quality of frontline services.

The Task Force will consider the following issues:

- The potential of local authority management restructuring, including the benefits of shared Chief Executives
- Shared services
- Senior pay levels
- Motivating staff
- Reducing duplication in two-tier areas
- Innovation

The Task Force will report in February 2010.

COMMUNITIES AND LOCAL GOVERNMENT

Houses in Multiple Occupation (HMOs)

On 27 January, the Government published a summary of responses to the recent consultation on the impact of HMOs.

In conclusion, the Government has decided to, *“amend the Town and Country Planning (Use Classes) order 1987 as amended to provide for a specific definition of an HMO. Planning permission will then be required, where a material change of use has occurred, for properties changing use from C3 (dwelling house) to the new use class.”*

This change is intended to *“enable local planning authorities to identify new HMOs with more certainty and target specific areas where there is a need to restore community balance.”*

The Government intends the above to come into effect from 6 April 2010.

HM TREASURY

Business Rate Supplements: guidance for Local Authorities

On 7 January, HM Treasury published guidance for Local Authorities on Business Rate Supplements (BRS).

The guidance provides supplementary information on:

- The kinds of projects and expenditure which may, and may not, be regarded as appropriate for funding through a BRS;
- The levying of a BRS;
- Compliance with the condition that the money raised through a BRS is only used for expenditure that the levying authority would not otherwise have incurred; and
- Assessing project costs for the purpose of establishing whether a ballot needs to be held on the imposition of a BRS or on a proposal to vary a BRS.

DEPARTMENT OF HEALTH**Consultation on Issues
Concerning the Current Charging
Arrangements for Residential
Social Care**

On 29 January, the Department of Health launched a consultation concerning the current charging arrangements for residential social care. In particular:

- The treatment of personal injury compensation;
- The treatment of single premium investment bonds;
- The introduction of a new disregard for pre-paid funeral plans;
- Deferred self top-ups during the 12-week property disregard.

The Government states in the consultation paper: *“We do not expect these proposals to result in overall costs to local authorities. The first two of the proposals will increase the amount of money local authorities get from charging. The second two will reduce local authorities charge income. However, none of the amounts involved is thought to be significant.”*

Responses are required by 23 April 2010.

CIPFA**Role of Internal Auditor**

CIPFA is currently seeking views on the underlying principles and issues which should be contained in its future statement on the role of the head of internal audit in public service organisations. CIPFA intends publishing a draft statement for consultation in May 2010.

**OFFICE FOR NATIONAL
STATISTICS****Inflation**

On 19 January, ONS announced:

- CPI annual inflation for December was +2.9% (+1.9% in November).
- RPI annual inflation was +2.4% (+0.3% in November).

FINANCE WITH VISION**LG Futures****Technology House****151 Silbury Boulevard****Milton Keynes MK9 1LH****www.lgfutures.co.uk | T. 01908 424387**

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