

Briefing Paper

Local Government Budget Issues

September 2014

Introduction

The purpose of this briefing paper is to consider issues with specific local government budgets. It includes sections on:

- Education and Children's Services
- Adult Social Care
- Public Health
- Supporting People
- Highways and Transport
- Housing General Fund
- Central Services
- New Homes Bonus
- External Trading Services
- Police
- Waste Management

Education and Children's Services

Education provides local government with its largest revenue budgets and also a significant capital programme. The funding of Education has been controversial in recent years, especially over the funding of schools. Significant changes have recently been made in the funding of Education, especially through the introduction of the Dedicated Schools Grant that now funds a large proportion of education expenditure.

The Department for Education & Skills published a 'Five Year Strategy for Children and Learners' in July 2004. The strategy proposed new school funding arrangements from 2006/07 including:

- A ring-fenced grant from the Department for Education & Skills to local authorities for school funding
- Three-year budgets for schools aligned to the academic year and based on pupil numbers
- A new Single Standards Grant

Following this, the Education Act 2005 made further changes to the education finance system as follows:

- Schools are allowed to receive three-year budgets based around the academic year
- The Secretary of State's power under the Education Act 2002 to pay grants to local education authorities was clarified and extended to include a power to make a grant to cover the core funding of schools
- The Secretary of State is allowed to make regulations to give specified decision making powers to schools forums regarding central spend and the minimum funding guarantee

The purpose of these new arrangements was to:

- Give schools more certainty about budgets
- Allow schools to plan ahead, improve financial management and link financial planning to school improvement programmes

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- Guarantee delivery of the government's commitment to increase expenditure in schools in each local authority area
- Reduce the bureaucratic burden of the local education authority on schools
- Give schools greater clarity on the use of standards-related resources
- Ensure that resources allocated to education have a greater impact on the standard of education delivered

From 2006/07 local education authorities have received the 'Dedicated Schools Grant' from the Department for Education & Skills that is a ring-fenced grant designed to fund expenditure on schools. There is also a 'cash floor' to protect local education authorities with rapidly declining pupil numbers.

A local education authority must use the Dedicated Schools Grant in its entirety to fund the schools budget. Local education authorities can also add resources to the schools budget from their other resources but they are not required to do so.

Dedicated Schools Grant is calculated as follows:

- A baseline was established for each authority based on the 2005/06 schools budget
- All authorities receive this baseline plus the same minimum increase per pupil in 2006/07 and 2007/08
- The Secretary of State determines the basis for distributing any additional resources – in practice this funding has tended to go to authorities where schools spent below the 'Formula Funding Share' in 2005/06

In 2006/07 a total of £26,321,000 was paid to local authorities in Dedicated Schools Grant. This sum was withdrawn from Revenue Support Grant. From 2008/09 local authorities have received multi-year allocations of 'Dedicated Schools Grant'.

The government provided the following revenue grants to support Education and Children's Services in 2011/12:

	£billion	£billion
Dedicated Schools' Grant	32.6	
Early Intervention Grant	2.2	
Pupil Premium Grant	0.5	
Grants within Aggregate External Finance		35.3
Sixth form funding from Education Funding Agency	1.5	
Adult & Community Learning from Skills Funding Agency	0.3	
Further Education funding from Skills Funding Agency	0.1	
Grants outside Aggregate External Finance		1.9
Total		37.2

The Early Intervention Grant (EIG) replaced a number of centrally directed grants to support services for children, young people and families. The grant is not ring-fenced, allowing greater flexibility and freedom at local level, to respond to local needs, drive reform and promote early intervention more effectively. The government considers that intervening early is the best way of preventing bigger and more expensive problems later on. There is immense potential in combining a reduction in central prescription with a stronger focus on what works for different localities. Investing in early intervention – acting more strategically and targeting investment early – demands strong local leadership at a time when budgets are under pressure. But it is essential if we are to secure better results and life chances for children, young people and families.

The Early Intervention Grant can support a full range of services for children, young people and families, which, subject to local decision making, may include:

- Sure Start children's centres
- Free early education places for disadvantaged two-year-olds
- Short breaks for disabled children
- Targeted support for vulnerable young people
- Targeted mental health in schools
- Targeted support for families with multiple problems

The Pupil Premium is additional funding given to publicly funded schools in England to raise the attainment of disadvantaged pupils and close the gap between them and their peers. Pupil premium funding is available to both mainstream and non-mainstream schools, such as special schools and pupil referral units. It is paid to schools according to the number of pupils who have been:

- Registered as eligible for free school meals at any point in the last 6 years
- Been in care for 6 months or longer

In the 2013/14 financial year, schools received:

- £953 for each eligible primary-aged pupil
- £900 for each eligible secondary-aged pupil

In the 2014/15 financial year, pupil premium funding increased to:

- £1,300 for each eligible primary-aged pupil
- £935 for each eligible secondary-aged pupil

Funding to support looked-after children increased to £1,900 for each eligible pupil. The government uses eligibility for free school meals as the main measure of deprivation at pupil level.

The Education funding Agency provides additional funding for schools and colleges that provide a sixth form education.

In the autumn statement of 2013, the Government announced that additional revenue funding of £450million in 2014/15 and £635million in 2015/16 will be provided to fund free school meals for all infant school children from September 2014 and disadvantaged college students. £150million of capital is being made available to ensure that schools can build new kitchens or increase dining capacity where necessary. £70million of this will be new money and around £80million will be from unspent Department for Education maintenance budgets.

The Local Government Association commented that:

"The benefits the free school meals initiative will bring are educational as well as nutritional. We are pleased at the confirmation that new money will be used to fund the initiative. Local government highlighted the need for new capital to allow schools to invest in their kitchen and dining facilities where necessary, so the capital announcement is also very welcome. It is of concern, however, to learn that the Department for Education is sitting on unspent schools maintenance capital. We have been urging the Government to release money, currently tied up in Department for Education bureaucracy, to allow councils to do the urgent repairs needed to rebuild and renovate the country's most dilapidated school buildings. If there is any unspent maintenance money remaining, it should be released immediately to repair crumbling classrooms."

Adult Social Care

Expenditure on Social Services is second only to Education in terms of the general fund revenue account.

Social Services budgets are increasingly prepared in accordance with needs based budgeting that is based on the numbers of each client group, level of need of each person, cost of alternative care packages, availability of cash and buildings, existing commitments and eligibility criteria. There is also a trend to the devolution of budgets, for example to the managers of care homes.

Government provides local authorities with the Learning Disability & Health Reform Grant that is a grant within aggregate external finance and which totalled £1.2billion in 2011/12. For 2012/13 the Department has agreed for over £1.4billion will be made available for revenue funding through the Learning Disability and Health Reform Grant. Of this total, around £1,352million is to fund the transfer of responsibility for commissioning services for people with a learning disability from Primary Care Trusts to local authorities. The Health Reform aspect includes £5.55million for the Blue Badge scheme that has transferred from Primary Care Trusts to upper tier councils.

Adult Social Care budgets are under significant pressure due to demographic trends, increased expectations and reduced local government budgets. This pressure has intensified since 2010 with local authorities forced to make significant reductions in expenditure on adult social care following the reductions in revenue support grant made in the 2010 Comprehensive Spending Review. The government is also transferring some responsibilities from the National Health Service to local government (including Public Health) and is transferring funding and promoting joint working.

In March 2014 it was reported by the Nuffield Trust and Health Foundation think tanks that a quarter of a million older people have lost their state-funded help with carrying out everyday activities such as bathing, dressing and eating in the past four years as council budgets have been reduced and services rationed. Consequently, it is considered that the National Health Service and government are now 'flying blind' in planning services for vulnerable older people because there is no way of assessing the true impact that social care cuts are having on their lives.

The number of vulnerable older people receiving 'meals on wheels' services dropped by over half, while care services carried out in the home or in day centres have been cut by a fifth.

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The analysis of the impact of the reduced budgets estimates that although a third of women and a fifth of men over the age of 65 needed social care help with a range of basic daily living activities such as bathing, climbing the stairs, taking medicine or using the toilet, they were unable to get it, putting huge pressures on friends and family carers, and leading to unnecessary hospital admissions.

As well as leaving thousands of previously eligible older people without help, those still receiving publicly-funded care may be receiving poorer services because fees to care providers had been squeezed, resulting in staff shortages, high staff turnover or reduced contact hours.

Holly Holder, a co-author of the report at the Nuffield Trust, said:

"Our analysis paints a picture of increased rationing of social care by hard-pressed local authorities in response to deep cuts from central government, despite the growing numbers of older people in the population. It is highly likely that this is having a negative effect on older people's health and wellbeing and that of their carers, but without adequate data to assess this impact, the National Health Service and government are flying blind when it comes to managing demand and planning for the future."

A separate analysis by Care and Support Alliance, a group of seventy charities also published in March 2014, claims that thousands of more older, chronically ill and disabled people could lose out on publicly-funded social care under new national eligibility regulations expected to be introduced in May after the Care Bill has passed into law.

The Care and Support Alliance says its analysis of draft social care eligibility regulations found that they were likely to exclude thousands of people currently receiving state-funded social care services, including people on the autistic spectrum, and those with brain injuries and sensory loss, who need support to engage in social activity. Richard Hawkes, chair of the Care and Support Alliance, said:

"These findings are incredibly worrying for older and disabled people and their families... We're extremely worried that hundreds of thousands of people who need care to get around the house, to communicate with family, friends or colleagues or to play a part in their community won't get it."

MPs on the Commons public accounts committee began an investigation into the English adult social care system in March 2014 on the back of a National Audit office report that warned ministers that their aim of improving social care services while cutting costs would be 'challenging to achieve'.

Norman Lamb, the care and support minister, said the government would address social care challenges by ensuring health and care services worked together more efficiently and cost-effectively. He said:

"With an ageing population, we need to focus on helping people to live independently and prevent them from needing more support. That's why we're creating a £3.8bn fund to join up NHS and social care services, saving money and providing better care for people."

But experts pointed out that while local authority cuts amounting to 15% in real terms have been imposed since 2010, pressures on social care services have escalated as the population ages and people with multiple health conditions and disabilities live longer.

A spokesman for the Local Government Association said the reports confirmed councils' views that adult social care funding needed to be put on a sustainable footing or services would remain underfunded and care quality would suffer as a result. He said:

"Caring for older people is one of the most important things councils do, and local authorities have worked tirelessly to protect adult social care from cuts. But we cannot escape the fact that the money councils receive from government to pay for local services will have fallen by 40% by the end of this parliament."

The National Health Service and local authorities are to channel over £5billion into a shared budget in 2015/16 under the Better Care Fund. That would be significantly more than the £3.8billion originally earmarked by the government for the fund.

Ministers unveiled the Better Care Fund in the summer of 2013 in a bid to encourage joint working between health and social care services. The purpose of this joint fund is to move more healthcare into community settings, taking the strain off acute hospital services. The funds will be overseen by health and wellbeing boards, meaning both local councils and clinical commissioning groups (CCGs) have a say in how they're spent.

The government initially said that £3.8billion would be allocated to the fund, with the lion's share coming from the National Health Service. However, it is understood that an additional £1.4billion has been pledged by Clinical Commissioning Groups and councils, although the Department of Health is yet to finalise how much each will pay.

Care and support minister Norman Lamb said that the fund could rise further, as some areas were still considering whether to allocate more funds to the initiative. He said:

"I'm delighted there is that sense of ambition in lots of areas to go well beyond the minimum... The Better Care Fund is acting as a real catalyst for some really dynamic thinking."

Health and wellbeing boards sent draft plans for the use of the fund to National Health Service England in February 2014, and final plans are due in April 2014.

The Autumn Statement of December 2013 announced the Government's commitment to supporting local areas to transform services where doing so saves money by ensuring pooled funding is an enduring part of the framework for the health and social care system beyond 2015/16. This builds on the Better Care Fund (formerly the Integration Transformation Fund) beyond 2015/16.

The Local Government Association commented that:

"Any funding that helps to ensure closer integration between health and social care is valuable. This is a positive step that will provide greater certainty when planning local health and social care activity. It is also the basis for thinking about bigger shared local budgets that will help us to improve people's health and wellbeing outcomes whilst ensuring public money is effectively spent."

"The Better Care Fund has the potential to redefine how we allocate resources to maximum effect across the whole health and social care system. But unless social care funding is put on a sustainable footing, social care services will remain substantially underfunded and the good intentions of the fund will suffer as a result."

“Councils have a key role to play in integrating services to improve the quality of care and it is important that we continue to work with the health service to focus on preventative, community-based social care to help people to stay in the community for longer. Health and Wellbeing Boards must be at the heart of local decisions to ensure that the NHS and local government are working together to tackle the wider health needs of our communities.”

Public Health

Upper tier and unitary local authorities, from April 2013, have had a duty to take appropriate steps to improve the health of their population, funded through a ring-fenced grant. Local authorities are taking the lead for improving the health of their local population and reducing health inequalities.

The ring fenced grants for 2013/14 and 2014/15 provide local authorities with £2.66billion and £2.79billion to spend on public health services for their local populations. Average growth of 5.5% has been provided in 2013/14 and 5.0% in 2014/15, and a significant number will see growth of 10% in each year, representing a major investment in health and the prevention of illness.

The allocation covers both services mandated through regulation and all other services that Councils wish to commission locally. These are prioritised according to local decisions. Currently, on average, about one third of spending is connected to mandated services, leaving a significant opportunity to commission services that meet the needs of local populations. Services not currently covered by the mandating regulations include obesity, smoking cessation and substance misuse. This is seen as a major opportunity for Councils to work with local partners, such as the voluntary sector, Police and Crime Commissioners and the private sector, to deliver these critical services resulting in better outcomes for local populations.

Jeremy Hunt, the Secretary of State for Health, told local authorities that:

“This Government has an ambitious vision to help people live longer, healthier and more fulfilling lives, and to improve the health of the most vulnerable fastest. Local leadership is critical to achieving this vision. Supported by your Director of Public Health, you will be the local leader of the new public health system. You are best placed to understand the needs of your community and it will be your responsibility to tackle the wider determinants of health at a local level, putting people’s health and wellbeing at the heart of everything you do - from adult social care to transport, housing, planning and environment. The money you receive will allow you to transform the lives of local people through commissioning a wide range of innovative services.”

Supporting People

From April 2003 the government introduced a new integrated policy and funding framework for support services for vulnerable people involving health and social services as well as housing services and other partners.

Vulnerable groups of people who could be offered sheltered or supported housing include:

- Frail Elderly
- People with Learning Disabilities
- People with Mental Health Problems
- Victims of Domestic Violence
- People who suffer from alcohol or drug addiction
- Ex-offenders
- Young people who are homeless or otherwise at risk

Services that could be provided include:

- General Counselling and Advice
- Assistance with Administrative affairs
- Services provided by wardens
- Liaison work with other agencies such as Social Services or the Probation Service.

The concept of 'Supporting People' is that vulnerable people are given the opportunity to improve their quality of life by enabling them to live more independent lives in the community. Various organisations including local authorities provide supported accommodation and provide support for vulnerable people. Supporting People is designed to target support at the people, rather than the services, to provide that support in the most appropriate manner for the individual. This means that the housing service has to work with other services such as social services.

Local Authorities have responsibility for commissioning and funding services from various providers through a needs-led planning framework. This rests with Metropolitan, Unitary and London Borough Councils in single-tier areas and with County Councils in two-tier areas. However, District Councils are involved in the development of the strategy. Providers of 'Supporting People' services include:

- Local Authorities
- Registered Social Landlords
- Private Sector – for example, residential and care homes
- Voluntary Sector
- Specialist black and ethnic minority providers

The lead local authority distributes the money as grants based on its assessment of local needs. Grants are usually given to landlords and other providers through three-year contracts to provide specific support services for a specified number of residents in a particular scheme. The landlord does not make service charges for these services but the local authority can levy a variable charge according to the resident's income. Projects that aim to bring about independent living within two years (such as schemes for homeless young people) are exempt from a charge. Income raised by the local authority in this way can be used to fund other services.

There is a wide spectrum of different support services that can be provided, varying in intensity and cost.

Supporting People is a cash-limited system rather than a demand-led system and the Treasury hoped that its introduction would make it easier to control expenditure. However, in 2003 the cost of 'Supporting People' increased from a final estimate of £1.4billion to actual costs of £1.8billion.

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The cost of providing support varies significantly between the different client groups. The cost per week of support to older people is much lower than the unit cost of other client groups as it typically involves a relatively low level of support as part of the tenancy of a sheltered housing scheme.

The government absorbed the Supporting People budgets into funding for Local Area Agreements from 2009. This allowed local authorities to use funds previously ring-fenced for Supporting People to fund other local government services, subject to the agreement of the regional government office. The present government has taken this policy further, giving local authorities discretion over how to spend their budgets at the same time as those budgets are being significantly reduced. Local authorities therefore have to take decisions between competing priorities and be accountable for them.

In the Comprehensive Spending Review of 2010 the government stated that they wished to protect funding for Supporting People. They therefore provided £6.5billion over the Comprehensive Spending Review period. In his letter, written after the announcement of the 2010 Comprehensive Spending Review, Grant Shapps MP, Minister for Housing said:

"I am proud that... reductions to the Supporting People programme have been minimised, with £6.5billion investment secured over the next four years. This reflects the Government's commitment to... protecting the most vulnerable groups in society."

In accordance with the new spirit of localism, a spokesperson for Communities & Local Government was quoted as saying:

"We believe local councils are better placed to identify needs in their areas and decide the best ways of meeting those needs."

Grant Shapps MP, former Minister of Housing urged local authorities to protect their Supporting People budgets in 2012/13 and 2013/14. However, because Supporting People funding is no longer ring-fenced local authorities, facing significant reductions in their funding have opted to reduce expenditure on Supporting People. At the same time, the cost of providing support is increasing as are the number of people who require support.

Homeless Link published a report in January 2013 that argued that the loss of experienced staff through cuts in Supporting People was putting crucial relationships at risk and leading to poor quality homelessness services. They concluded that providers would not be able to sustain services if further budget reductions are made. Their statistics showed that since 2009 when ring-fencing ended there has been a loss of 4,000 beds in homeless hostels and an increase in the number of people applying for help with homelessness of 20%. Reductions in Supporting People programmes had led to a 33% increase in crime, a 41% increase in street drinking, a 48% increase in anti-social behaviour and a 52% increase in rough sleeping.

Rick Henderson, Chief Executive of Homeless Link, was quoted in 'Inside Housing' as saying:

"It can be easy to talk in terms of money and statistics but essentially it's local people who benefit from the work these services do, and it will be them who pay the price if services are forced to close."

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Highways and Transport

The Highways capital programme is usually one of the largest in an authority with highways responsibilities, but there are also significant highways revenue budgets. Highways functions are also sometimes delegated to district councils through agency agreements.

In 2011/12, government provided the following grants within aggregate external finance to local authorities for Highways & Transport services:

	£billion
Greater London Authority Transport Grant	3.3
Metropolitan Railway passenger Services	0.1
Mersey Travel	<u>0.1</u>
Total	<u>3.5</u>

For 2013/14 the Greater London Authority transport grant for 2013/14 has been set at £1.988billion. This grant is provided by the government to Transport for London to deliver transport services and investment in the capital, including London Underground. In line with an agreement between the Greater London Authority and the previous government, £895million of this grant is designated an investment grant to support delivery of the tube upgrade programme and other projects and the remaining £1.09billion is for the purposes of Transport for London.

Local authorities have recently been awarded additional funding for highways in response to public concerns about the effects of adverse weather on the condition of the highways. For example, in March 2014 councils learned how much they will receive from the £183.5million the government has made available to help repair local roads damaged by severe weather. This is an emergency payment from the government to help with road repairs following the wettest winter on record, and will pay for the repair of 3.3 million potholes.

In addition to the money being shared out to councils in 2013/14, the Chancellor of the Exchequer announced in the 2014 Budget that another £200million will be provided for pothole repairs in financial year 2014/15.

Transport Secretary Patrick McLoughlin said:

“Damage to roads causes misery for drivers and local communities and the severe weather over the last few months has made the problem worse. This extra money will help make a real difference to the millions of road users and residents across England who rely on local roads, giving them safer and smoother journeys. The extra money is being distributed now to ensure that repairs can be started as soon as possible, so that the majority of the damage can be fixed ahead of the summer holidays.”

116 local highway authorities in England will receive a share of the funding, along with a one-off payment to Transport for London to distribute to London Boroughs.

Housing General Fund

The government provided the following grants outside aggregate external finance to local authorities to support housing services in 2011/12:

	£billion
Mandatory Rent Allowances Subsidy	14.7
Rent rebates granted to HRA tenants subsidy	3.7
Mandatory Rent Rebates outside HRA Subsidy	1.2
Discretionary Housing Payments	0.1
Total	20.7

These grants are considered further in the section on housing benefits and welfare.

Central Services

Specific revenue grants available to Central Services in 2011/12 included the following:

	£billion	£billion
Private Finance Initiative Credits	0.9	
Council Tax Freeze Grant	0.6	
Housing & Council Tax Benefit Administration Subsidy	0.5	
New Homes Bonus	0.2	
National Parks & Broads	0.1	
Grants within Aggregate External Finance		2.3
Council Tax Benefit Subsidy	4.3	
Grants outside Aggregate External Finance		4.3
Total		6.6

Private Finance Initiative Credits provide councils with financial support for the cost of their Private Finance Initiative schemes. These are considered in more detail in the section on capital expenditure. The Council tax Freeze Grant is considered in the section on local authority revenues. Housing & council Tax benefit administration subsidy is considered in the section on welfare and benefits. The Council Tax Benefit subsidy has now been abolished as described in the section on local authority revenues. New Homes Bonus is considered below.

New Homes Bonus

Beginning in April 2012, the New Homes Bonus scheme guarantees that revenue generated in council tax from new house building will be matched by Whitehall. Councils stand to gain an average of £9,000 for each Band D home built in their area. This would increase to £11,000 for an affordable home. An area building 1,000 new homes could stand to gain £10million to spend as it saw fit.

The New Homes Bonus is a Whitehall grant awarded to councils for increasing the number of homes in their areas. It is based on the amount of extra council tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use.

The Government will not include the New Homes Bonus in the Local Growth Fund, except for £70million for the London Local Enterprise Partnership. Grant Shapps, Minister of Housing, said:

"We need to get the country building again...to kick-start a house building revolution, development needs to be backed by local communities rather than opposed by them."

In December 2012 the New Homes Bonus scheme funding for 2013/14 was announced. England's 353 councils will receive a payment of £661million, after delivering 142,000 new homes, including 58,000 affordable properties. This funding also rewards councils for bringing 13,000 long-term empty properties back into use. This means that councils will have received £1.3billion through the New Homes Bonus scheme since its launch in April 2011. This total recognises over 400,000 new builds and conversions, and over 50,000 empty properties being brought back into use.

Mark Prisk, Minister of Housing, argued when he made the announcement that the New Homes Bonus had proved critical in ensuring communities see the benefit of housing growth in their area. He said:

"For years, developers found themselves at loggerheads with communities unconvinced that their plans for growth would benefit them. But the New Homes Bonus is turning this around. The £1.3billion paid out to councils to date has meant that now local people are able to see the rewards of new developments in their area - paving the way for thousands of much-needed, locally-supported homes to be delivered across the country."

In January 2012, 'Inside Housing' carried out an investigation that established that some councils were planning to use the New Homes Bonus to 'top up' the General Fund rather than to fund new housing.

The largest payments are as follows:

- Tower Hamlets Borough Council - £16.1million
- Birmingham City Council - £10.3million
- Islington Borough Council - £9.2million
- Hackney Borough Council - £8.9million
- Cornwall County Council - £8.6million
- Southwark Borough Council - £8.1million

While the smallest payments are as follows:

- Isles of Scilly Council - £30,000
- Hyndburn Borough Council - £121,000
- Oadby & Wigston Borough Council - £177,000
- Barrow in Furness Borough Council - £190,000
- Copeland Borough Council - £217,000
- South Lakeland District Council - £228,000

However, the New Homes bonus is being funded by reducing local government's revenue support grant control total by £500million in 2013/14, £800million in 2014/15 and £2billion by 2018/19.

The Autumn Statement in 2013 revealed that controversial plans to top-slice £400million of the New Homes Bonus for the single pot would not now be imposed. Local Government Association chair Sir Merrick Cockell said:

“Our concerns about potentially costly changes to the New Homes Bonus have been taken on board in the revised proposals announced today. This is good news for local services which otherwise would have taken an additional £400million cut”.

However, the government announced that not only would the New Homes Bonus for London be cut by £70million from 2015, it would remain in the hands of the London Local Enterprise Panel that is chaired by the Mayor of London. This is in contrast to the rest of the country where New Homes Bonus funds were protected, and plans to top-slice the money given to councils were dropped.

Housing minister Kris Hopkins said:

“The Greater London Authority has a statutory role in both housing, planning and regeneration in London. It makes sense that councils and the Greater London Authority are joined up, and both share in the incentives to support more new housing in the capital.”

In his letter to council chiefs, Eric Pickles said that the decision to halt the planned £400million top-slice of the New Homes Bonus to part-fund the proposed Single Local Growth Fund had come as a result of concerns raised by the authorities. County councils had warned decisions could reduce investment in local infrastructure projects intended to boost growth, and Eric Pickles said:

“We have listened and carefully considered the responses to the recent consultation on allocating an element of the New Homes Bonus to local enterprise partnerships. In light of the powerful arguments made by colleagues in local government, we will not be making changes to the New Homes Bonus for councils outside London – in London, there is a stronger case for pooling given the Greater London Authority’s role in planning.”

The total £2billion Local Growth Fund that will devolve funding to Local Enterprise Partnerships, will be made up from other decentralised budgets. County councils said the decision to halt pooling had addressed their concerns. County Councils Chair David Hodge told ‘Public Finance’ that:

“The evidence showed that such a move could lead to a counter-productive ‘no homes bonus’... We consider this a pragmatic and far-sighted decision. This will allow County Council Network members to concentrate on promoting growth and ensuring the provision of services that make new communities sustainable.”

External Trading Services

Local authorities provide a number of trading services that are of a commercial nature and largely financed by charges made to service users. These include civic halls, theatres, markets, industrial estates, tolled bridges, roads and tunnels. Their income is dependent on actual work done or services sold. However, they do not have commercial accounts or autonomy from the local authority.

In 2011/12 income from these services totalled £1,131million and expenditure totalled £815million giving a surplus of £316million compared with a surplus of £293million the previous year.

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Police

Police Grant provides the majority of central government funding for the police, and is provided by the Home Office under Section 46(2) of the 1996 Police Act. It is allocated using a need based formula which is similar to that used for Police Relative Needs Formula (in the Relative Needs Formula that is used to calculate Revenue Support Grant). The main criterion used in the formula is the projected resident population for each police authority area. Cost adjustments are then made to take account of the socioeconomic and other characteristics of the area, and geographic differences in the cost of service provision.

The government also provided the following grants within Aggregate External Finance to the Police service in 2011/12:

	£billion
Counter Terrorism Grant	0.4
Neighbourhood Policing Fund	0.3
Asylum Seekers' Grant	0.1
Total	0.8

Counter Terrorism Grant was introduced from 2007/08 to enable the police to increase counter terrorism capabilities and improve effectiveness. It combined resources from existing grants, including the provision for dedicated security posts that was previously in the general grant.

The Neighbourhood Policing Fund was introduced to support the recruitment of police community support officers (CSOs) and to fund the government's neighbourhood policing programme. This programme aims to improve the local accountability and accessibility of the police by establishing dedicated teams of police officers and Community Support Officers for all local areas. The Neighbourhood Policing Fund provides 75% of the funding for Community Support Officer Salary costs while the remainder is provided by police authorities through partnership funding and from their overall budget.

Waste Management

Waste Management is often seen as a strategic service and when the Greater London Council and Metropolitan County Councils were abolished in 1986 joint boards were often established to continue to provide the service for a number of constituent authorities. For example, the West London Waste Authority provides waste management services for the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond on Thames.

In 2012/13 the Authority's Comprehensive Income & Expenditure Statement showed the following:

	£million	£million
Employees	3.4	
Premises	2.3	
Waste Transport & Disposal	25.1	
Landfill Tax	18.7	
Landfill Allowances and Usage	0.6	
Other Supplies & Payments	2.9	
Depreciation	0.4	
Gross Expenditure		53.4
Trade Waste	0.9 Cr	
Agency	0.6 Cr	
Miscellaneous income	0.2 Cr	
Grants	0.1 Cr	
Gross Income		1.7 Cr
Net Cost of Services		51.7
Financing and Investment income and expenditure	0.2	
Levies on Constituent Councils	50.5 Cr	
		50.3 Cr
Deficit on Provision of Services		1.4
Actuarial Loss on Pension Liability		0.2
Total Comprehensive Expenditure		1.6
Reserves: Opening Balance		0.5
Reserves: Closing Balance		2.1

Landfill Tax is a tax on the disposal of waste. It aims to encourage waste producers to produce less waste, recover more value from waste, for example through recycling or composting and to use more environmentally friendly methods of waste disposal. It applies to all waste disposed of by way of landfill at a licensed landfill site on or after 1st October 1996 unless the waste is specifically exempt. The tax is charged by weight and there are two rates. Inert or inactive waste is subject to the lower rate.

The balances were identified as follows:

	£million
General Balance	2.1 Cr
Earmarked Reserves	0.4 Cr
Unusable Reserves	4.6
Total Reserves	2.1

The unusable reserves included a revaluation reserve (£0.7million Cr), Capital Adjustment Account (£2.5million Cr) and a Pensions liability (£7.8million).

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Movements in the General Balance during 2012/13 were as follows:

	£million	£million
Deficit on Provision of Service		1.4
Depreciation & Impairment (reversal)	0.4 Cr	
Reversal of items relating to IAS19 retirement benefits	0.7 Cr	
Statutory provision for repayment of debt	0.3	
Employer's pension contributions payable	0.5	
Adjustments between accounting basis and funding basis		0.3 Cr
Transfers from earmarked reserves		1.2 Cr
Increase in year		0.1 Cr
Opening Balance		2.0 Cr
Closing Balance		2.1 Cr

Conclusions

Local Government provides a wide range of services with Education, Adult Social Care and Highways & Transport being the largest budgets. The present government has moved away from providing local authorities with specific grants in favour of general grants that leave local authorities with choices regarding the allocation of their resources. At the same time they have made significant reductions in total funding forcing local authorities to decide where specific savings have to be made. An exception is Education that continues to be funded by specific grants that have been protected in real terms. At the same time local authorities face increasing demands, needs and costs – especially in Adult Social Care and Waste Management.

Adrian Waite
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About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

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