

LOCAL GOVERNMENT FINANCE SETTLEMENT 2017-18

To: **General Purposes Committee**

Meeting Date: **10th January 2017**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To provide an update to the Committee on the provisional Local Government Finance Settlement.**

Recommendation: **The General Purposes Committee is requested to:**

- **Note the impact of the provisional local government finance settlement on the Council's Business Plan**

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1. OVERVIEW

- 1.1 The Council's Business Plan sets out how we will spend our money to achieve our vision and priorities for Cambridgeshire. This report for the General Purposes Committee (GPC) provides an update on the content of the provisional Local Government Finance Settlement, as well as its implications on the 2017-22 business planning process.
- 1.2 The details of the settlement can be found in full at:
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018>
- 1.3 Due to the changes to Business Rates Retention, expected to be implemented by the end of this Parliament, the provisional settlement covers the period up to and including 2019-20 only.

2. IMPLICATIONS OF THE 2017-18 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 On 15 December 2016, Sajid Javid, the Secretary of State for Communities and Local Government announced the publication of the provisional 2017-18 settlement in an oral statement to the House of Commons.

Funding Overview

- 2.2 The headline position for the Council is an approximate 18.0% reduction in the Settlement Funding Assessment from central government in 2017-18 compared to 2016-17, as well as cuts to other grants given for specific purposes.
- 2.3 The largest component of this reduction is the Revenue Support Grant (RSG), the main revenue government grant. The Council will see a reduction of £18.035m in RSG, to £15.312m in 2017-18. This is a reduction of approximately 54.1%.
- 2.4 Government's change in "Spending Power" for Cambridgeshire is a decrease of 0.17% for 2017-18, and an increase of 1.7% over the period to 2019/20. This sits in stark contrast to the percentage cut figures in the previous paragraphs. The main reason for the difference between the -0.17% Spending Power and reduction in government funding of -18.0% is that Spending Power attempts to account for Council Tax. In arriving at their Spending Power figure, the government has assumed a growth in the council tax base of the average of the preceding three years, and has also assumed the Social Care Authorities apply the full 2% social care precept in each year.
- 2.5 The Spending Power concept also fails to convey the pressures the Council is facing from inflation (£4.4m in 2017-18) and demography (£7.0m in 2017-18).

Council Tax

- 2.6 The Council Tax Referendum Threshold was confirmed as 2%. A proposed Council Tax rise above this level would require the Council to hold a local referendum.
- 2.7 The settlement also announced the continuation of the Adult Social Care (ASC) Precept. However, it was announced that upper-tier authorities will be able to increase the precept to 3% over the next two years. However, the total increase may be no more than 6% in total over the next three years. Frontloading the precept will reduce the total revenue raised over the term of the Medium Term Financial Strategy (MTFS), but would increase the Council's revenue by approximately £2.5m in 2017-18.

- 2.8 Chief Finance Officers of councils that make use of this flexibility will still have to certify to central government that the council's ASC budget is higher than it otherwise would have been by the amount expected to be raised through the additional council tax. In addition, the levy must be separately identifiable on taxpayers' bills, with councils that raise the additional tax funding being required to meet any costs of changing bills.
- 2.9 No Council Tax Freeze Grant was announced, and so no government funding will be available to offset pressures caused should councils set a lower level of council tax than the referendum threshold.

Impact on the Business Plan

- 2.10 A number of assumptions about government funding for 2017-18 onwards have already been made as part of the business planning process. Compared to our forecasts to 2019-20, RSG will be:

£'000	2017-18	2018-19	2019-20
Forecast	15,310	3,920	0
Actual	15,312	3,915	0
Difference	2	-5	0

- 2.11 Following a change to the calculation for RSG, the government announced a transitional support grant to ease the impact of sharpest reductions in RSG. This continues to be offered for 2018-19 but there are no plans to extend this grant further. The Council is forecast a negative top-up adjustment to Business Rates of £7,170k in 2019-20. This is, in effect, negative RSG, but is expected to be addressed as part of the 100% Business Rates Retention Scheme implementation.
- 2.12 In addition, information has been published that allows us to estimate some grant allocations for 2017-18. These are:

	£000		
	Original Forecast	Revised Forecast	Difference
New Homes Bonus	4,254	4,276	22
Returned New Homes Bonus Topslice	1,690	-	-1,690
Adult Social Care Support Grant	-	2,334	2,334
Public Health Grant	26,946	26,946	-
Lead Local Flood Grant	-	46	46
Change in funding			712

New Homes Bonus

- 2.13 At the beginning of 2016 the Department for Communities and Local Government (DCLG) consulted on options to reform the New Homes Bonus (NHB) Scheme from 2017-18. The aim of the reforms was to sharpen the NHB's incentive to deliver new housing. The Government also wished to reduce the level of NHB payments, in order to provide additional funding for the Improved Better Care Fund.
- 2.14 The Government has now responded to their consultation confirming that payments of the NHB will only be made on housing growth above 0.4% of the local authority's housing stock (the consultation proposal was 0.25%). Payments will also reduce from 6 to 5 years in 2017-18. This will yield £240m and be reallocated to upper-tier authorities as

the Adult Social Care Support Grant according to the ASC relative needs formula (RNF). In 2018-19 the number of payment years will reduce further to 4 years in 2018-19, which is expected to assist in providing funding for the Improved Better Care Fund.

- 2.15 The Council is currently forecast to receive £4.1m in 2018-19 and £9.1m in 2019-20 for the Improved Better Care Fund, although these estimates have not been confirmed as Cambridgeshire is not part of the four-year offer.
- 2.16 It has been assumed that the return of NHB topslice will no longer be available, replaced by the ASC Support Grant.

Public Health Grant

- 2.17 The Public Health Grant (PHG) continues as a separate ring-fenced grant in 2017-18, after which the Government has indicated public health funding may be included within the Business Rates Retention Scheme. The effect of ring-fencing the Public Health Grant (PHG) is that activity funded by it must meet the pressures caused by inflation/demography and any reductions in grant, rather than the pressures being met corporately and the PH directorate getting a savings target. As these pressures are no longer being met corporately, and PHG savings identified instead, approximately £1.8m of funding has been freed-up although the Council could supplement the PHG should it so wish.

National Living Wage

- 2.18 As outlined in the Autumn Statement, the National Living Wage will increase by 30p per hour to £7.50. This is less than we had assumed and therefore the pressure has been re-phased. It is expected that this pressure will be £2.7m in 17/18, and approximately £3.7m of additional pressure in each year to 2020/21.

Other Grants

- 2.19 The Council is still awaiting announcements of the details of several revenue grants, including final details of transitional funding with respect to the Education Services Grant, and is also awaiting announcements regarding capital grants. We expect details to emerge in January, and so they should be able to be captured for the draft Business Plan that will be presented to GPC on 24 January.
- 2.20 The Council is also seeking clarification on a number of Section 31 grants. Updates will be incorporated into the Business Plan when details are available.

3. ALIGNMENT WITH CORPORATE PRIORITIES

- 3.1 This report gives an overview of the Business Planning Process which itself is the documents that sets out how the Council will meet the corporate priorities.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

This report sets out the financial implications that the provisional grant settlement will have on the Council's resources as contained within the Business Plan over the life of the MTFS.

4.2 Statutory, Legal and Risk Implications

Business planning proposals will inevitably carry statutory, risk and legal implications. These are addressed alongside each proposal where appropriate, and also in more detail at service committee meetings.

4.3 Equality and Diversity Implications

Community Impact Assessments have been completed for the proposals considered in the Business Planning Process.

4.4 Engagement and Communications Implications

Significant consultation has been taken out as part of the Business Planning Process.

4.5 Localism and Local Member Involvement

Business Planning Proposals have been developed with significant Member involvement and consideration of the implications for localism.

4.6 Public Health Implications

These are dealt with specifically in the proposals relating to the Health Committee, and where there are implications for work of other Committees these are highlighted.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	N/A – no implications Fiona McMillan
Are there any Equality and Diversity implications?	N/A – no implications Daniel Thorp
Have any engagement and communication implications been cleared by Communications?	N/A – no implications Mark Miller
Are there any Localism and Local Member involvement issues?	N/A – no implications Mark Miller
Have any Public Health implications been cleared by Public Health?	N/A – no implications Tess Campbell

Source Documents	Location
None	Not applicable