

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT – UPDATE**

*To:* **General Purposes Committee**

*Date:* **14th January 2016**

*From:* **Director: Customer Service & Transformation /  
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:**

- a) Note the impact of the provisional local government  
finance settlement on the Council's Business Plan; and**
- b) Agree that the Chief Finance Officer write to the  
Secretary of State confirming that the Council is  
'minded' to set a 2% Adult Social Care precept for the  
2016-17 financial year.**

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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 2016-21 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-2016-to-2017>

## 2. IMPLICATIONS OF THE 2016-17 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 On 17 December 2015, Greg Clarke, the Secretary of State for Communities and Local Government announced the publication of the provisional 2016-17 settlement in an oral statement to the House of Commons.

### Funding Overview

- 2.2 The headline position for the Council is an approximate 19.8% reduction in settlement funding from central government in 2016/17 compared to 2015/16, 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 £20.3m in RSG, to £33.35m in 2016-17. Alongside this, a number of grants previously given to the council separately have been amalgamated into RSG. Adjusting the starting point of RSG to take this into account gives the following:

	£000
2015/16 RSG	53,669
Add: Care Act - Deferred Payment Agreements	1,219
Add: Carers and Care Act Implementation	1,778
Add: Lead Local Flood Authority grant	123
Add: Sustainable Drainage Systems funding	18
Revised 2015/16 RSG baseline	56,807

- 2.4 Therefore the real, like for like year on year reduction in RSG is a cut of £23.5m or 41%.
- 2.5 In addition to government amalgamating various grants into RSG, the cuts to the grant have been greater than expected because government has engaged in a 'redistribution' of RSG between different types of local government. This has benefited metropolitan areas at the expense of shire counties and districts, as metropolitan and unitary authorities have had the total RSG allocation for the sector reduced by a smaller amount. This table shows the relative reduction in RSG for those sectors:

Type of authority	Total reduction in sector's RSG allocation
Inner London (inc City)	-21.50%
Outer London	-27.70%
Metropolitan Districts	-24.00%
Metropolitan Fire	-11.80%
Unitaries	-28.70%
Shire Counties	-34.10%
Shire Districts	-38.40%
Combined Fire Auths	-15.60%

- 2.6 Government's change in "Spending Power" for Cambridgeshire is a decrease of 2.5% for 2016/17, and an increase of 2.7% 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 -2.5% Spending Power and like for like cut in government funding of -19.8% 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 councils will increase Council Tax by 1.75% and, where applicable, apply the full 2% social care precept in each year.
- 2.7 The Spending Power concept also fails to convey the pressures the Council is facing from inflation (£8m in 16/17) and demography (£9.8m in 16/17).

### **Council Tax**

- 2.8 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.
- 2.9 It was also announced that councils with responsibility for Adult Social Care (ASC) would be able to levy up to an additional 2% of council tax above the referendum threshold to alleviate pressures in ASC funding. The government's intention, subject to Parliamentary approval, is for this additional flexibility to exist in each of the five years of this Parliament.
- 2.10 Chief Finance Officers of councils that make use of this flexibility will 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.
- 2.11 The Department for Communities and Local Government (DCLG) has requested that councils indicate by 15 January whether they wish to make use of this further council tax flexibility.
- 2.12 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

- 2.13 A number of assumptions about government funding for 2016/17 onwards have already been made as part of the business planning process. Whilst these were mostly thought to be pessimistic assumptions, the details of the settlement appear to be worse than expected. Compared to our forecasts to 2019/20, RSG will be:

£m	16/17	17/18	18/19	19/20
Forecast	38.94	25.28	9.27	0
Actual	33.35	15.31	3.92	0
Difference	-5.59	-9.97	-5.35	0

- 2.14 In addition, information has been published that allows us to estimate some grant allocations for 2016/17. These are:

	£000		
	Original Forecast	Revised Forecast	Difference
Education Services Grant	3,145	3,650	505
New Homes Bonus	4,998	5,152	154

- 2.15 Details of the allocations of an additional £1.5bn nationally of funding for the Better Care Fund have been released. These indicate that Cambridgeshire could receive £7.6m in 2018/19, rising to £14.4m in 2019/20. It is unclear what, if any, additional burdens need to be taken on alongside this funding.
- 2.16 The settlement also confirmed the revised treatment of the Public Health Grant (PHG) announced in the Autumn Statement. The PHG will be reduced steadily in real-terms over the five years to 2020/21, and will also be ring-fenced until 2018/19. The effect of ring-fencing the 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.
- 2.17 Finally, as suggested by the details of the Comprehensive Spending Review in November, no funding has been announced to offset the pressure on care costs caused by the introduction of the National Living Wage. It is expected that this pressure will be £4.9m in 16/17, and approximately £4.8m of additional pressure in each year to 2020/21.
- 2.18 The council is still awaiting announcements of the details of several revenue grants, 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 2 February.

## 3. ALIGNMENT WITH CORPORATE PRIORITIES

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, Risk and Legal 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 Consultation 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.

<b>Source Documents</b>	<b>Location</b>
<a href="https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017">https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017</a>	Box OCT1114 Shire Hall Cambridge