

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO SPECIAL POLICY & FINANCE COMMITTEE

Agenda Item No 4

meeting date: 7 FEBRUARY 2017
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2017/18
submitted by: DIRECTOR OF RESOURCES
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1. PURPOSE

1.1 To report the details of the provisional finance settlement for 2017/18.

2. BACKGROUND

2.1 The local government finance settlement is the annual determination of funding to local government and is approved by the House of Commons. The grant settlement for next year was issued on Thursday 15 December 2016.

2.2 The Minister for Local Government, Sajid Javid, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2017/18.

2.3 The consultation period ends on 13 January 2017. It is expected the final settlement will be laid before the House of Commons in mid-February.

3. MULTI YEAR SETTLEMENT

3.1 The 2016/17 grant settlement announced last December gave councils indicative figures for a four year period up to 2019/20 ie a 4 year funding deal; subject to councils publishing an efficiency plan.

3.2 Our Efficiency Plan was submitted to the Government on 13 October 2016. We received confirmation on 16 November 2016 that we have now been placed on the multi year settlement. This means that we can expect to receive the funding allocations already announced for each of the 4 years.

3.3 97 per cent of councils accepted the multi-year settlement offer. Barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects to present the four year figures as already published to Parliament each year.

3.4 For those local authorities who have not accepted the multi-year offer and published an efficiency plan, the Government is only confirming funding allocations for 2017/18. The funding allocations for these authorities in 2018/19 and 2019/20 will be revisited in due course as part of the annual settlement process covering these years.

4. KEY INFORMATION FOR RIBBLE VALLEY

4.1 Our key settlement information is as follows:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Settlement Funding Assessment	1.862606	1.569143	1.414666	1.243089
of which:				
Revenue Support Grant	0.623087	0.304319	0.109149	
Baseline Funding Level	1.239518	1.264824	1.305517	1.351954
Tariff/Top-Up	-4.361493	-3.997472	-4.126081	-4.272846
Tariff/Top-Up adjustment				-0.108866
Safety Net Threshold	1.146554	1.169962	1.207603	1.250558
Levy Rate (p in £) if not in pool	0.50	0.50	0.50	0.50

4.2 For Ribble Valley, having signed up to the multi year settlement, the announcement confirms the second year of the offer. ie 2017/18. The only change from our provisional figures announced last year is an adjustment to our tariff which is required in order to cancel out the impact of the 2017 Business Rate Revaluation. Our tariff has reduced next year from £4.447m to £3.997m ie a reduction of £450k This is to ensure the impact of the Revaluation is revenue neutral.

5. NEW HOMES BONUS

5.1 The local government grant settlement included the Government's decisions regarding the New Home Bonus Scheme following the Consultation exercise carried out early in 2016. The key changes are:

5.2 Having considered the views of those who responded to this consultation the Government has decided to:

- reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19; and
- introduce a baseline for housing growth set initially at 0.4% of the council tax base for 2017/18. Housing growth below this level in each authority will not receive Bonus allocations. The Government will retain the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth.

5.3 From 2018/19 they will consider withholding new Homes Bonus payments from local authorities who in their view are not planning effectively, by making positive decisions on planning applications and delivering housing growth. They will also consider withholding payments for homes that are built following an appeal.

5.4 As the Government is implementing wider planning reforms, including measures announced at Autumn Statement and through the Neighbourhood Planning Bill and forthcoming Housing White Paper, they have decided not to introduce the proposals to withhold payments for areas without a local plan in 2017/18.

5.5 Savings of £241 million from the reform of the New Homes Bonus have been allocated to social care authorities through a new Adult Social Care Support Grant

Impact on Ribble Valley

5.6 Our in year allocation for 2017/18 will reduce from £510k to £384k a reduction of £126k, as a result of the new 0.4% growth baseline. In effect our taxbase had to increase by 102 new properties before we could receive any NHB for 17/18.

5.7

Our total allocation for next year will now be £1.570k instead of £1.815k a reduction of £244k. We will face further reductions in 2018/19 when the number of years further reduces from 5 to 4.

NHB Prior to changes					
		2016/17	2017/18	2018/19	2019/20
Relates to:	2011/12	62,046			
	2012/13	117,599	117,599		
	2013/14	188,053	188,053	188,053	
	2014/15	227,109	227,109	227,109	227,109
	2015/16	373,809	373,809	373,809	373,809
	2016/17	398,267	398,267	398,267	398,267
	2017/18	6 yrs	509,835	509,835	509,835
	2018/19		6 yrs	?	?
	2019/20			6 yrs	?
	2020/21				6 yrs
Total Allocation		1,366,883	1,814,672	1,697,073	1,509,020
Allocated to date:					
Revenue	base	786,961	786,961	786,961	786,961
Capital		62,000	200,000	216,770	??
		848,961	986,961	1,003,731	786,961
unallocated		517,922	827,711	693,342	722,059

**Post Provisional Local Government Finance Settlement
Changes to NHB Dec 2016**

		2016/17	2017/18	2018/19	2019/20
Relates to:	2011/12	62,046			
	2012/13	117,599			
	2013/14	188,053	188,053		
	2014/15	227,109	227,109		
	2015/16	373,809	373,809	373,809	
	2016/17	398,267	398,267	398,267	398,267
	2017/18	6 yrs	383,608	383,608	383,608
	2018/19		5 yrs	?	?
	2019/20			4 yrs	?
	2020/21				4 yrs
Total Allocation		1,366,883	1,570,846	1,155,684	781,875
prior to changes			1,814,672	1,697,073	1,509,020
difference			-243,826	-541,389	-727,145
Allocated to date:					
Revenue	base	786,961	786,961	786,961	786,961
Capital		62,000	200,000	216,770	??
		848,961	986,961	1,003,731	786,961
unallocated		517,922	583,885	151,953	-5,086

6. BUSINESS RATES

6.1 Following the decision of Burnley BC to withdraw from the Lancashire Business Rate Pool in August 2016, discussions took place both with local authorities and DCLG to try and reach agreement on membership of a reconfigured Lancashire Pool. A new application was made to DCLG at the end of October 2016 to form a new Lancashire Pool comprising of

- Lancashire County Council
- Chorley Borough Council
- Fylde Borough Council
- Hyndburn Borough Council
- Pendle Borough Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council

6.2 We received an official designation letter from DCLG on 13 December 2016 confirming the new Lancashire Business Rate Pool. The designation has effect from 1 April 2017 and for each subsequent year unless revoked.

6.3 Local authorities in the pool have 28 days from the date of the announcement of the Local Government Finance Settlement (15/12/16) to consider if they wish to continue to be designated as a pool. Provided no authority withdraws the new pool will exist from 1 April 2017. No member has withdrawn therefore the pool stands.

6.4 Five local authority areas are piloting further business rates retention. In addition the Greater London Authority will receive Transport for London capital funding through business rates rather than grant. This will have no financial effect on other authorities. Full details are expected to be included in the final Local Government Finance Settlement.

6.5 Top-ups and tariffs for all councils have changed due to the business rates revaluation which comes into force in April 2017. This is to ensure that as far as possible the impact of the revaluation is revenue neutral.

7. SOCIAL CARE

7.1 The Government has created more flexibility by allowing the social care precept to rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2 per cent to 3 per cent), on condition that the total increase to 2019/20 does not exceed 6 per cent.

8. COUNCIL TAX

8.1 The basic referendum principle for 2017/18 is proposed to be 2 per cent, with the exception of the lowest 10 Police and Crime Commissioners and all shire district authorities, for which a higher limit of either 2 per cent or £5 (on a Band D bill) applies.

8.2 Additionally, social care authorities will be able to increase their council tax by up to 3 per cent (over the existing basic referendum threshold of 2 per cent referred to

above) in both 2017/18 and 2018/19 as long as increases do not exceed 6 per cent over the 3 year period. For example, councils could levy 3 per cent in 2017/18 and 2018/19 and 0 per cent in 2019/20, or 2 per cent in each year at their discretion. As with 2016/17 this adult social care precept will have to be separately itemised on council tax bills.

8.3 The Government states “councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer. Councils wishing to use the extra freedom to raise the precept by 3 per cent instead of 2 per cent in 2017/18 must also show how they plan to use this extra money to improve social care. The Government will write to adult social care authorities with further details on the conditions of the scheme in the near future.”

8.4 The Government has announced that they will not be introducing referendum principles for parish and town councils, a proposal that they consulted on as part of the summer technical consultation on the 2017/18 settlement. They will keep the level of precepts set by town and parish councils under review and may introduce referendum principles in the future.

9. RURAL SERVICES FUNDING

9.1 As announced in February 2016, the Rural Services Delivery Grant will be £65 million in 2017/18. This will be paid as an un-ringfenced section 31 grant and is in line with the arrangements announced in last year’s settlement.

9.2 For Ribble Valley our allocations are as follows:

	2016/17	2017/18	2018/19	2019/20
Rural Services Delivery Grant	£107,254	£86,603	£66,618	£86,603

10. SPENDING POWER

10.1 Core Spending Power

- Core Spending Power consists of:
- Revenue Support Grant;
- Retained business rates;
- Income from the New Homes Bonus;
- Income from the Improved Better Care Fund;
- Income from the Rural Services Delivery Grant;
- Income from the Transition Grant;
- Income from the 2017/18 Adult Social Care Support Grant;

10.2 Income from council tax assuming that the tax base grows, councils increase council tax by the 2 per cent basic referendum limit, a 2 per cent social care precept in each year and additional flexibility for shire districts and police and crime commissioners.

10.3 The Government figures indicate that Core Spending Power in accordance with this definition will fall by an average 1.1 per cent in 2017/18 assuming the council tax flexibilities as set out above. The change over the whole Spending Review period is 0.4 per cent.

Ribble Valley's Core Spending Power

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Settlement Funding Assessment*	2.253017	1.862606	1.569143	1.414666	1.243089
Council Tax of which;	3.053395	3.208677	3.369054	3.533554	3.702263
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	3.053395	3.160528	3.272557	3.388557	3.508668
additional revenue from referendum principle for social care	0	0	0	0	0
Potential additional Council Tax from £5 referendum principle for all Districts	0	0.048149	0.096498	0.144997	0.193595
Improved Better Care Fund	0	0	0	0	0
New Homes Bonus	0.966526	1.369746	1.573939	1.200931	1.152279
Rural Services Delivery Grant	0.020651	0.107254	0.086603	0.066618	0.086603
Transition Grant	0	0.020424	0.020345	0	0
The 2017-18 Adult Social Care Support Grant	0	0	0	0	0
Core Spending Power	6.29359	6.568706	6.619084	6.215768	6.184234
Change over the Spending Review period (£ millions)	-0.109356				
Change over the Spending Review period (% change)	-0.017376				
Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Funding					
*2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment					

11. CONCLUSION

- 11.1 The Grant Settlement is virtually the same as was indicated in the Multi Year offer announced last year which we have now signed up to.
- 11.2 Of significant concern however, are the changes to the New Homes Bonus Scheme. We now know that we can expect to receive substantially less under the scheme in the future due to the introduction of the growth baseline and the reduction of the number of years payments are received from 6 to 4. We will need to decide how much of this funding we can rely on to support the revenue budget.

DIRECTOR OF RESOURCES

PF16-17/JP/AC
30 January 2017