

WAVERLEY BOROUGH COUNCIL

EXECUTIVE
27/09/2016

Title:

LOCAL GOVERNMENT FUNDING UPDATE AND FOUR YEAR GRANT SETTLEMENT

[Portfolio Holder: Councillor Ged Hall]
[Wards Affected: All]

Summary and purpose:

As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government made an offer to councils to take up a four-year funding settlement for the period 2016/17 to 2019/20. To accept this offer, an Efficiency Plan must be prepared and published by 14 October 2016. The report proposes that the offer is accepted as it will create some certainty of resources and will be consistent with the council's approach set out in the Medium Term Financial Strategy.

How this report relates to the Council's Corporate Priorities:

The annual budget setting process aligns resources to the Council's priorities. This is essential to ensure the Council's reduced financial resources are targeted to meet the needs of our residents and allow us to deliver their priorities, as agreed by Council in February 2016.

Financial Implications:

The financial implications of the proposal are set out in the report.

Legal Implications:

Submitting the Efficiency Plan will mean that the Council will be seeking a 4 year settlement. This is, as is set out in the report, likely to be more favourable in terms of the council's settlement going forward and gives a greater certainty on its budget setting.

The Four year Grant Settlement

1. The offer made by the Government, as part of the Spending Review, is to any council that wished to take up a four year funding settlement up to 2019/20. The purpose of this offer is to help local authorities prepare for the move to a more self-sufficient resource base by 2020. The multi-year settlements are intended to provide more funding certainty and stability for the sector that would enable more proactive planning of service delivery. The Government expects these multi-year settlements to be used to "strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents".

2. A copy of the conditions from the Secretary of State is attached at Annexe 1 of this report. In theory this offer is fixed, however, this does not mean that other changes may not arise outside of this offer. It is not clear what the impact would be of not accepting this offer and it is unlikely that this would become clear at least until December 2016, at which point the 4 year offer will no longer be available. On balance it is being recommended to accept the offer as it provides an element of certainty and is difficult to see authorities who choose not to accept the offer benefiting as a result. In fact, they could suffer a disproportionately high share of any further reductions.
3. The Budget report agreed by Council in February 2016 incorporates the funding provided within the four year settlement offer. If this offer is accepted, it provides greater certainty as the funding received will not be less than outlined in the final settlement and should not be subject to the yearly process determining the local government finance settlement. The following table sets out the Revenue Support Grant (RSG).

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
RSG	765	61	0	-814*

*Indicative – subject to confirmation from Government pending decision on timing of business rate funding reform.

4. In order to take up the four year funding settlement for the period 2016/17 to 2019/20, an Efficiency Plan must be prepared and published by 14 October 2016. This offer relates to the RSG funding incorporated within the MTFs for the 4 year period 2016/17 to 2019/20 and ensures that it will remain uncharged “barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement.
 - 4.1 If the four year offer is not accepted the RSG funding would be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependent on the fiscal climate and the need to make further savings to reduce the deficit.
 - 4.2 There are only two options available to the Council. The first option is to approve the Efficiency Plan and accept the Settlement offer and thereby provide a degree of certainty over the level of funding up to an including 2019/20. Alternatively, the Council could decide not to accept the government 4 year offer and wait to find out the financial impact of this decision, accepting that at this point there will be no ability to switch back and accept the 4 year offer.
5. To accept the four year offer, an Efficiency Plan has been prepared and is included within Annexe 2. No guidance has been issued from Government for the production of these plans but it must cover the full 4 year period and be open and transparent about the benefits accepting the 4-year settlement will bring to both the council and the community. Further, the Government does not expect this document to be a significant burden on councils but rather a

drawing together of existing corporate plans and strategies, and this has been the approach adopted to produce this Efficiency Plan.

6. Business Rates

The Government has announced that it intends to move to a position where all business rates collected will be retained by the local government sector. This does not mean that each local authority will keep all of the business rates it collects and it has been confirmed that the system of tariffs and top ups will continue to enable the Government to redistribute business rates collected between local authorities nationally.

The current position for Waverley is that it collects £35million of business rates each year and retains approximately £2million. The Government is consulting on its detailed proposals which are due to be implemented in 2019/20. Based on early indications, it is estimated that Waverley's position will not improve. Key risks around business rates are:

- How appeals will be treated
- How much business rates growth will be retained
- When and how frequently the whole system will be reset.

Officers will report to Members as the Government's review develops.

7. New Homes Bonus (NHB)

Earlier in 2016, the Government launched a review and consultation on the future of New Homes Bonus. The outcome of this review was due to be published in July but the Government delayed it to the autumn. Waverley will receive £2.2m of NHB in 2016/17 and with significant house growth projected this is a very important source of funding for the Council. Officers will report to members when the Government's proposals are known and the impact has been assessed.

Conclusion

8. Whilst the further significant reductions in grant indicated by Government will be extremely challenging, on balance, accepting the 4-year settlement offer has less risk in the next 3-years than not accepting and will give the Council greater certainty in its medium term financial planning. However, the principle of introducing a negative grant, that the Government has indicated may be applied in 2019/20, is not one that the Council accept. This view was also expressed in Waverley's consultation response earlier this year.
9. If the proposal to accept the 4-year offer is approved, officers will write to the Secretary of State for Communities and Local Government to accept the 4 year settlement and submit the Council's Efficiency Plan.
10. This report is being considered by the Corporate Overview and Scrutiny Committee on 20 September 2016 and any comments will be circulated separately.

Recommendation

It is recommended to the Council that:

1. the four year funding settlement for the period 2016/17 to 2019/20 be accepted;
2. officers reinforce to the Government the Council's objection to the principle of negative grant being applied; and
3. the Efficiency Plan as set out at Annexe 2 be agreed and submitted.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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