

## **2017/18 Local Government Finance Settlement Technical Consultation**

### **Purpose**

For discussion and direction.

### **Summary**

This report provides an outline of the Department for Communities and Local Government's (DCLG) technical consultation on the 2017/18 local government finance settlement. The consultation sets out the Government's proposed approach to the 2017/18 settlement, the second year of the four-year offer for local government.

### **Recommendation**

That the Resources Board provide their views on the proposals in the DCLG consultation paper to help inform the LGA's response to the consultation.

### **Action**

LGA Officers to proceed as directed.

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## **2017/18 Local Government Finance Settlement Technical Consultation**

### **Background**

1. In December 2015, as part of the announcement of the 2015/16 local government finance settlement, the then Secretary of State for Local Government, Greg Clark MP published details of a four-year settlement offer for local authorities. The offer is open to any authority which submits an efficiency plan to the Department for Communities and Local Government's (DCLG) by the deadline of 14 October 2016.
2. Under the terms of the offer, barring exceptional circumstances, local authorities will receive the allocations set out for each year of the offer. The constituent elements of the multi-year offer, for the remaining years of the Parliament, will be confirmed by the Government, for qualifying councils, soon after 14 October. However, the normal statutory consultation process for the local government finance settlement, will continue to take place each year, with the publication of provisional and final settlements. Those authorities which choose not to accept the offer will be subject to the existing annual process for determining the level of government funding they receive.

### **Consultation Outline**

3. The Secretary of State for Communities and Local Government, Sajid Javid MP, announced the publication of the [technical consultation](#) to Parliament in a written ministerial statement on 15 September.
4. The consultation sets out the Government's proposed approach for the 2016/17 settlement and covers the following main issues:
  - 4.1. Multi-years settlements
  - 4.2. Distribution of funding for the improved Better Care Fund
  - 4.3. Council tax referendum principles and their extension to town and parish councils
  - 4.4. Adjustments to top-up and tariffs to cancel out the impact of business rates revaluation
  - 4.5. Methodology
  - 4.6. The voluntary transfer of funding streams within devolution deal areas to combined authorities
5. Each of these issues are set out in more detail in the sections below:

### **Multi-Year Settlements**

6. The consultation reconfirms the Government's commitment to the multi-year settlement offer, first announced in December 2015. As noted above, for those councils which accept the offer by the 14 October deadline, the Government intends to confirm the

constituent elements of the offer for qualifying councils, as soon as practicable after the deadline. The current offer includes: Revenue Support Grant; business rates tariff and top-up payments; Rural Services Delivery Grant and Transition Grant.

7. The Government is also considering expanding the existing multi-year offer to include more grants, to provide councils with more security over a larger proportion of their funding for the rest of this Parliament. The consultation invites suggestions for other grants that could be included, in addition to those in the existing offer.

### **Improved Better Care Fund**

8. The improved Better Care Fund (iBCF) was announced as part of the Spending Review in November 2015. The funding will be worth £105 million in 2017/18, rising to £800 million in 2018/19 and then £1.5 billion in 2019/20; the final year of the Spending Review period.
9. The Government published its proposed allocation methodology for the iBCF in the consultation on the 2016/17 local government finance settlement, in December 2015. The current consultation proposes that this methodology is adopted from 2017/18.
10. The methodology takes into account the varying ability of councils to raise income through the adult social care precept. The funding available for the iBCF will be allocated to each authority according to their share of the national total determined by the 2013 adult social care relative needs formula, adjusting for the income which could be raised from the additional social care council tax flexibility.
11. The consultation seeks views from local government on whether the proposed methodology is supported.

### **Council Tax Referendum Principles**

12. Each year the Government publishes council tax referendum principles; the threshold at which a council tax increase triggers a referendum. As in 2016/17, the referendum threshold is proposed at 2 per cent for all local authorities.
13. However, as in 2016/17, shire districts will be able to increase the Band D charge by up to, and including, £5, or up to 2 per cent, whichever is higher. Those Police and Crime Commissioners with council tax charges in the lowest quartile will have similar flexibility.
14. Authorities with adult social care responsibilities will be able to charge an additional 2 per cent increases for adult social care services, as in 2016/17.
15. For the first time, DCLG is also proposing that referendum principles will apply to town and parish councils for which the Band D charge is higher than £75.46 (the lowest Band D charge by a district council) and the total precept raises over £500,000. However, those town and parish councils where a service had been transferred from a local authority would not be subject to the referendum principle, providing certain conditions are satisfied. The Government is also prepared to consider extending the referendum principles to all town and parish councils.

### **Business Rates Revaluation Adjustment**

16. A new valuation list for non-domestic properties takes effect from April 2017. Business rates valuations are normally carried out every five years, although, exceptionally, the revaluation scheduled for 2015 was postponed until 2017. Revaluation involves assessing a property to ensure that economic changes in property values are reflected in rateable value. Between revaluations rateable values only change, other than for inflation, as a result of appeals or physical changes to the property or location.
17. The revaluation will have the effect of altering the business rates income all local authorities receive. In the development of the 50 per cent rates retention system, the Government indicated that tariffs and top-up would be adjusted following a revaluation, to ensure, as far as possible, that authorities' retained income is the same after revaluation as immediately before.
18. The consultation paper proposes a detailed methodology for identifying and isolating the amount by which business rates income in the authority will change solely as a result of the revaluation. DCLG proposes to use these figures to adjust tariffs/top-ups in order to cancel out the impact of revaluation.

### **Adjustments to business rates in areas piloting 100 per business rates retention**

19. In the 2015 Autumn Statement the Government announced London, Manchester and Liverpool would pilot approaches to 100 per cent business rates retention from April 2017. Pilot areas will test mechanisms for the full roll-out, including ending entitlement to certain grants, devolving additional responsibilities and adjusting existing business rate tariffs and top-ups.
20. The methodology for calculating changes in the local share of retained business rates and the level of tariff and top ups agreed in pilot areas is outlined in the consultation paper. It is designed to ensure that no authorities elsewhere in the country are adversely affected by the pilots.

### **Voluntary transfers of funding to Mayoral Combined Authorities**

21. The consultation proposes allowing areas with mayoral combined authorities the option to request adjustments to the calculation of grant and business rates payments, to reflect changes in the way existing duties are carried out by authorities. Any changes would be subject to the agreement of all authorities affected by the changes. The consultation seeks views on whether any combined authorities are seeking voluntary transfers.

### **Consultation Process**

22. The consultation runs for six weeks, closing on 28 October 2016. The LGA plans to submit a response to the consultation, and has asked for comments from member authorities by 7 October. However, the six-week consultation period means the response will have to be submitted before the next Resources Board meeting.

**Recommendations**

23. That members of the Resources Board provide their views on the proposals in the DCLG consultation paper to help inform the LGA's response to the consultation.

**Financial Implications**

24. This is part of the LGA's core programme of work and as such has been budgeted for.