

Local Government Finance Update

Purpose

For discussion and direction.

Summary

This report provides an update on the LGA's work on local government finance policy matters. It focuses on developments in business rates and increased business rates retention and other local government finance matters.

Recommendations

That the LGA Resources Board:

- i. note the report; and
- ii. comment on its contents and agree any further action.

Action

LGA Officers to proceed as directed.

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Local Government Finance Update

Purpose

1. This paper provides an update on the LGA's work on local government finance policy matters.

Four year settlement offer

2. The four year settlement offer, which covers revenue support grant, business rates top-up and tariff payments, the rural services delivery grant and the transition grant closed on 14 October. 97 per cent of councils – 344 out of 354 - signed up for the offer.

Technical consultations on 2017-18 Local Government Finance Settlement

3. The Government carried out a technical consultation on the 2017-18 local government finance settlement. This covered the following:
 - 3.1. Extending the four year settlement offer announced last year to cover more grants;
 - 3.2. The Improved Better Care Fund; which begins in 2017-18;
 - 3.3. Details of council tax referendum principles for 2017-18, including a proposal that it be extended to some local preceptors;
 - 3.4. Reworking the top-ups and tariffs in the 50 per cent business rates retention to take account of the 2017 business rates revaluation; and
 - 3.5. Making adjustments to the 50 per cent business rates retention scheme to take account of early adopters.
4. The key points in the LGA's response, which was cleared by Lead Members of the Resources Board were:
 - 4.1. The LGA welcomes the Government's proposals to extend the multi-year offer to include more grants. It should be widened to include all major funding streams allocated to local government.
 - 4.2. Funding available through the improved Better Care Fund in 2017/18 will not be sufficient to address the huge pressures councils face in adult social care services. Authorities should have maximum flexibility over the spending of the funding and reporting requirements should be kept to a minimum; the same also applies to the council tax adult social care precept.
 - 4.3. The LGA does not support council tax referendums; democratically-elected local authorities should be able to set council tax at appropriate levels without the cost and bureaucracy of a referendum process. The Secretary of State should exercise his power not to determine principles for any type of authority for 2017/18.

- 4.4. It is important that authorities are protected from changes in business rates income which are solely the consequence of the revaluation process. The approach in the consultation paper appears to provide a way of cancelling out the impact. It will be important to keep this mechanism under review over the next three years, to ensure it is operating as intended. It is also important that local authorities continue to be fully compensated for any centrally determined changes to reliefs such as small business rate relief.
 - 4.5. Lastly, the LGA supports greater flexibility to support pilots and new devolution arrangements. We agree that authorities not involved in these arrangements should be protected from their impact.
5. The Government is expected to confirm its position in the 2017-18 Local Government Finance Settlement. Any update on this will be reported to your meeting.

2017 business rates revaluation – publication of draft list and consultation on transitional relief scheme

6. Draft valuations to be used in the 2017 list were published on 30 September. The Business Rates Retention Task and Finish Group considered a report which showed that the highest rises are in London; this reflects changes in rents since the last revaluation was carried out in 2010, when property values were based on their April 2008 values. The Government will adjust the business rates multiplier to ensure that the revaluation is carried out to a constant yield nationally, before taking into account any appeals adjustment. The proposed small business multiplier for 2017-18 is 46.7p in the pound; this includes an adjustment of 2.1p for appeals against the 2017 list.
7. The government also carried out a consultation on the transitional relief scheme to be used to mitigate the impact of the 2017 business rates revaluation on businesses. This proposed two possible schemes; which are paid for by phasing in the gains of those whose rateable value has fallen due to the revaluation. Since there was no direct impact on local government the LGA's response did not express a preference.

Reforming Business Rates – Check Challenge and Appeal and sharing information with the Valuation Office Agency

8. At the October meeting of Resources Board, Members' approved the LGA response to the regulations implementing the new Check, Challenge and Appeal system. We are now waiting to see the regulations in their final form.
9. The LGA has had contact with the Valuation Office Agency (VOA) on the best way to share information on challenges through the new Business Rates gateway. This could be through a similar way in which DWP shares benefits information with authorities. The VOA are expected to write to authorities with an information sharing protocol and agreement. They will share information with councils in January, subject to councils signing up to this agreement.

Other Activity

10. Other work includes:

- 10.1. Annual consultation on level of external audit Work Programme and Fees; these are proposed to be set at the same level as 2016-17.
- 10.2. The Public Accounts Committee held an inquiry following the publication of the NAO's report into the financial sustainability of local authorities (capital). We submitted evidence to the session. One item highlighted was the costs of early redemption of PWLB debt.
- 10.3. Supporting policy team colleagues in meetings with DCLG on new burdens costings for the Homelessness Prevention Bill.

Recommendations

11. That the Resources Board note this update, comment on its contents and agree any further action.

Financial Implications

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

Implications for Wales

13. The 2017-18 local government finance settlement discussed in this report applies only to England. Wales has its own local government finance settlement which has already been announced. Business rates revaluation does apply in Wales as well as England but it will not affect council funding in the same way as there is no business rates retention and thus no top-ups and tariffs. Changes to appeals and data sharing provisions will apply in Wales as they do in England although the Check Challenge Appeal system applies in England only. Other matters mentioned in the report apply to England only.