

## **Provisional Local Government Finance Settlement 2016/17 and Future Years**

### **Purpose of report**

For Information.

### **Summary**

This report summarises the main announcements in the provisional local government finance settlement. The LGA's response to the consultation will be circulated to members as a follow up to this report when it has received political clearance.

### **Recommendation**

That members of Executive are asked to note the update and the response which has been submitted to DCLG.

### **Action**

Officers to provide updates on any follow-up announcements and policy developments and proceed with next steps as directed.

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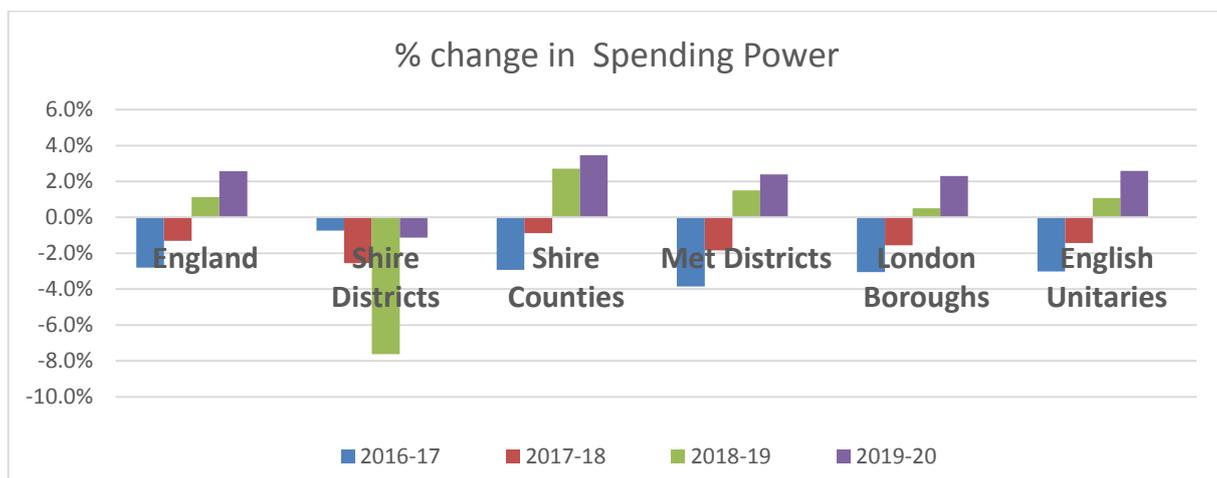
## Provisional Local Government Finance Settlement 2016/17 and Future Years

### Background

1. The Secretary of State for Communities and Local Government made a statement to Parliament on 17 December 2015 on the provisional local government finance settlement for 2016/17. This is a consultation which closes on 15 January 2016 and the final settlement will be published in February. The government also issued indicative figures for the years up to and including 2019/20.
2. The LGA's on the day briefing is appended for information and summarises the main proposals affecting councils. The LGA's response to the consultation will be circulated to members as a follow up to this report when it has received political clearance..

### Implications for Local Government Finance

3. The headline figures announced by the government are:
  - 3.1. Core Spending Power for councils as a whole will fall by 0.5% (more or less cashflat) over the four year period to April 2020. Core Spending power is a new measure defined by the government as Revenue Support Grant (RSG), retained business rates, the new homes bonus, and income from council tax assuming specified levels of growth, as well as some other specific funding. The following graph shows core spending power over the period to 2019/20 by class of authority:



- 3.2. The Government has also included a new definition of “settlement core funding” which is RSG plus retained business rates and council tax at the
- 3.3. 2015/16 base level. The inclusion of base council tax is new compared to the “settlement funding assessment” used in previous years.
- 3.4. The Government has taken 15/16 council tax receipts into account when calculating core government funding (principally RSG) and has prioritised funding for social care authorities. RSG will reduce in a way that ensures that councils delivering the same set of services will receive the same percentage change in settlement core funding for these services. As a result the settlement proposes distributional changes and this impacts differently on each type of council.

- 3.5. Revenue Support Grant for 2017/18 and beyond are subject to councils publishing an efficiency plan.
- 3.6. In later years RSG will be reduced to below zero for some councils and these councils will have their funding adjusted via top-ups and tariffs. These councils will therefore lose some of their locally retained business rates. The total amounts involved nationwide are £2.27 million in 2017/18, £22.82 million in 2018/19 and £152.88 million in 2019/20. This represents about 0.02% of retained business rates in 2017/18 rising to about 1.2% in 2019/20.

4. The number of authorities going into negative RSG is shown by type and year in the following table

Year	Shire Counties	London Boroughs	Shire Unitaries	Shire Districts	Metropolitan Districts	Fire Authorities	Total
2017/18	0	0	0	15	0	0	15
2018/19	2	1	2	51	0	0	56
2019/20	11	3	8	146	0	0	168

5. The settlement includes greater flexibility over council tax. Adult social care authorities will be able to increase their council tax by 2 per cent over the referendum threshold. This must be spent on adult social care. District Councils whose council tax is currently in the lowest quartile Band D council tax will be able to increase their council tax by the higher of 2 per cent or £5.
6. Beyond this, the 2% council tax referendum limit was confirmed, and a consultation on the review of new homes bonus was launched.

### Other key announcements

7. Announcements were made on:
- 7.1. Funding for the Care Act implementation will be included in the RSG baseline. This is £307 million in 2016/7 rising to £513 million by 2019/20.
- 7.2. The continuation of the Better Care Fund (with additional grant funding from 2017/18 worth £1.5 billion by 2020). Methods for distributing this will be consulted on. DCLG has proposed that the BCF grant should act as a method of equalising the relative needs for social care services and the maximum possible impact of the social care council tax precept. This would lead to some social care councils receiving no additional BCF money.
- 7.3. Flexible use of capital receipts to fund the upfront revenue costs of savings projects. This will apply to receipts received after 1 April 2016 and will be subject to the inclusion of the project in a published efficiency strategy.
- 7.4. Schools and Children's services funding: Ringfenced Dedicated Schools Grant figures were published. Reductions were announced in the general Education Services Grant and the Government will consult on further reductions to meet the £600 million saving announced in the spending review.

- 7.5. Rural services funding will increase to £65 million over the four years of the settlement funded by a top slice from RSG.
  - 7.6. A package of funding measures to tackle homelessness were announced.
  - 7.7. Local Welfare Provision £129 million from the 2015/16 settlement has been baselined for 206/17, but a further £74 million in the 2015/16 settlement has not.
  - 7.8. An additional £32 million of funding for flooding was announced.
8. Many of these announcements reflect or respond to concerns that the LGA has raised in its lobbying.
  9. Announcements were also made on funding for Fire and Police.

### **Communications / Public Affairs**

10. A media statement was issued on the day of the settlement with our initial analysis and reaction on what it means for councils. Chairman Lord Porter was interviewed live on the **BBC Daily Politics** on the day of the settlement and our statement was also reported as part of coverage in the **Guardian**, **FT**, **Express** and on **Mirror Online**.
11. Our On the Day briefing (attached as **Appendix 1**) was circulated to Council Leaders, Finance Portfolio Holders, Chief Executives, senior local government officials and parliamentarians. So far the briefing has been downloaded 4,481 times.

### **Next steps**

12. We will continue to brief MPs and Peers as the Finance Settlement is debated in Parliament in January and February 2016.
13. Members are asked to:
  - 13.1. Note the report and the content of the attached briefing.
  - 13.2. Note the content of the LGA's response to the consultation on the provisional settlement.
  - 13.3. Support the continued lobbying and finance work outlined above

### **Financial Implications**

14. This is core work for the LGA and is budgeted for within the 2015/16 LGA budget.