

REPORT TO: Cabinet
LEAD OFFICER: Executive Director, Corporate Services

14 January 2016

LOCAL GOVERNMENT FINANCE SETTLEMENT UPDATE

Purpose

1. The main purpose of this report is to update Members regarding the Local Government Finance Settlement and its implications for the authority for the financial years 2016-17 to 2019-20. The report also seeks Members' approval on various other matters affecting the authority's revenue and capital budgets and Medium Term Financial Strategy (MTFS).
2. These are not key decisions, but they have been brought to this meeting so that resulting actions can be incorporated as appropriate in the budget and MTFS reports to be presented to Cabinet and Council in February 2016. The Local Government Finance Settlement was first published in the October 2014 Forward Plan.

Recommendations

3. It is recommended that Cabinet:
 - (a) notes the Local Government Finance Settlement;
 - (b) provides guidance to the Executive Director regarding options to be modelled in the Medium Term Financial Strategy reports to Cabinet and Council in February 2016;
 - (c) approves the inclusion of £200,000 in the authority's Capital Programme, as a fund to finance the refurbishment of General Fund Equity Share properties;
 - (d) approves the inclusion of an additional £160,000 in the authority's MTFS and revenue budgets to meet anticipated additional costs in respect of the Local Plan, to be funded from New Homes Bonus receipts;
 - (e) approves the creation of a new Neighbourhood Plans Project Officer post; and
 - (f) approves the inclusion of works at Sawston Tannery in the Capital Programme, to be funded by grants from external organisations.

Reasons for Recommendations

4. The Local Government Finance Settlement sets out the funding that central Government will allocate to local authorities for the financial years 2016-17 2019-20.
5. Refurbishment of General Fund Equity Share properties will enable them to be re-sold for a greater return, contributing towards General Fund resources.
6. The updated budget for the Local Plan and other planning policy projects reflects the anticipated increased costs and consequential delays to the programme. The Neighbourhood Plans Project Officer post will enable work resulting from designated areas and developing plans to be undertaken.
7. The inclusion of Sawston Tannery in the authority's Capital Programme reflects the expected cost and external funding of the works.

Background

8. The provisional Local Government Finance Settlement for 2016-17 (“the settlement”) was published on 17 December 2015. Information included in the settlement and figures in the accompanying “Key Information for Local Authorities” and other documents published with it have been used in preparing this report.

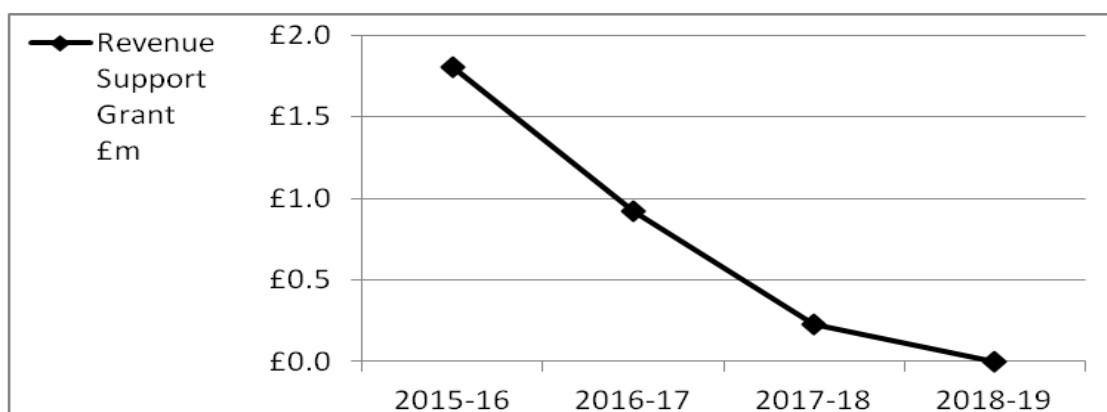
Considerations

Local Government Finance Settlement

Revenue Support Grant

9. The settlement forecasts Revenue Support Grant (RSG) reducing by 49% from 2015-16 to 2016-17, by 75% from 2016-17 to 2017-18 and to £ zero thereafter:

Year	Revenue Support Grant	Change year on year	
2015-16	£1.806m		
2016-17	£0.926m	- £0.880m	- 49%
2017-18	£0.230m	- £0.696m	- 75%
2018-19	£0	- £0.230m	



These figures are in cash terms; the % decrease is therefore greater in real terms.

10. The MTFs report to Cabinet in November 2015 modelled, as one of many possible combinations of other future changes/assumptions that might arise from the Spending Review / Autumn Statement / Local Government Finance Settlement, no New Homes Bonus (NHB) w.e.f. 1 April 2016, but that money recycled through other local government funding streams (i.e. RSG).
11. The settlement includes a radically different set of proposals with regard to NHB (see paragraphs 14 to 17 below); as a result, while NHB receipts are now expected to be higher than previously forecast, the reductions in RSG fall a year earlier than forecast.

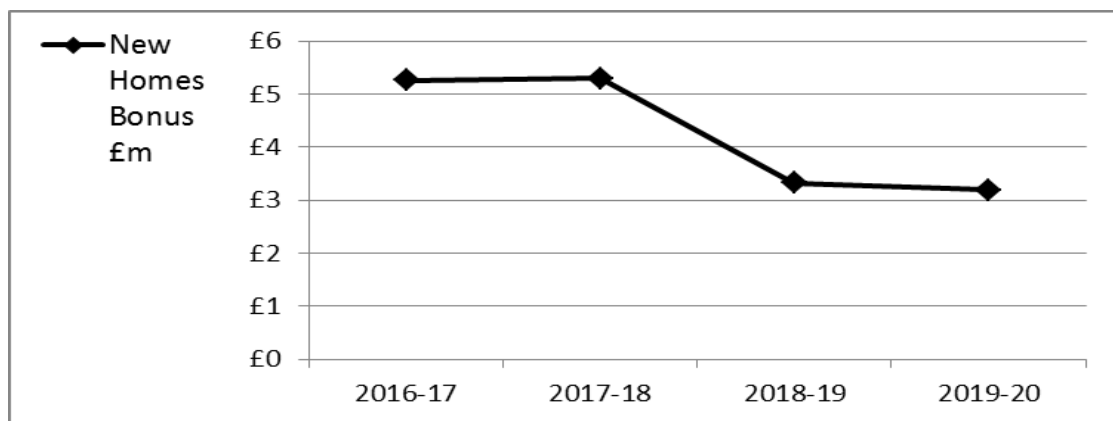
Council Tax Referendum Principles

12. The settlement maintains the core referendum threshold for Band D council tax increases at 2%; however, the threshold for district councils in the lowest Band D council tax quartile in 2015-16 (which includes this authority) will be £5 a year for the next four years.

13. The MTFS report to Cabinet in November 2015 modelled Band D council tax increases of 1.99% for 2016-17 and thereafter.

New Homes Bonus

14. Provisional New Homes Bonus (NHB) allocations for 2016-17 were announced alongside the provisional 2016-17 Local Government Finance Settlement, calculated using the same methodology as in 2015-16.
15. The settlement models NHB allocations to authorities for 2017-18 to 2019-20 in line with the Government's **national targets**, including the top-slicing of NHB by £800m and reallocating that money into the Better Care Fund.
16. The Government is consulting on changing the number of years for which payments are made. The figures for NHB for 2016-17 to 2019-20 included in the settlement are assumed to follow the Government's preferred option of reducing the number of years for which legacy NHB payments are to be paid, from six to four years.



17. Members are asked to note that the Government is also consulting on other reforms to NHB:
- withholding new NHB allocations in areas where no Local Plan has been produced;
 - reducing payments for homes built on appeal; and
 - only making payments for delivery above a baseline representing "deadweight".

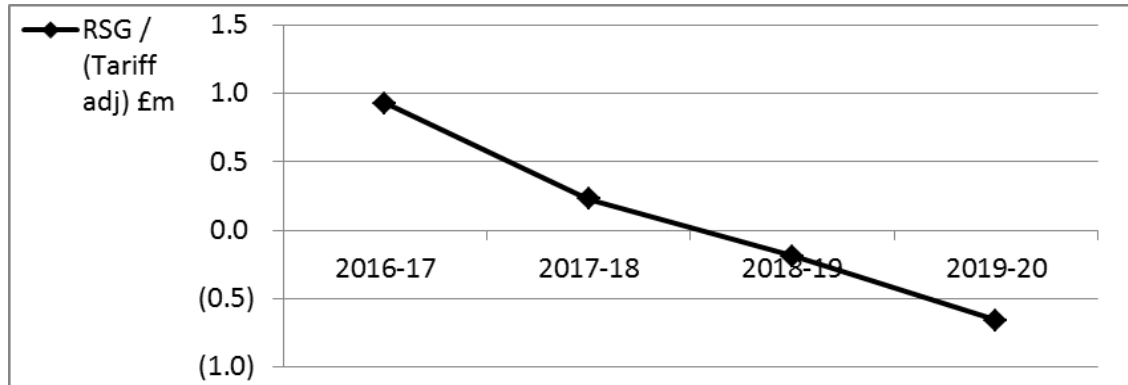
Beyond 2017-18, it is possible that some of these other reforms could have adverse implications for the amount of NHB that the authority might receive.

Retained Business Rates

18. The settlement retains the basic principles of the Retained Business Rates (RBR) system, including:
- the proportions passed on to central Government and to local precepting authorities;
 - tariffs and baseline funding levels (uprated in line with the small business non-domestic rating multiplier for 2016-17);
 - levy rate and safety net arrangements (this latter, also uprated as above).
19. The "Key Information for Local Authorities" that accompanies the settlement introduces a new element into the RBR system, an additional "adjustment" to the tariff deduction for 2018-19 and 2019-20, which appears to extend the reduction in RSG (as noted in paragraph 9

above), as the table below suggests. This will reduce the amount of RBR available to the authority in those years.

Year	RSG / (Tariff adj)	Change year on year
2016-17	£0.926m	- £0.880m
2017-18	£0.230m	- £0.696m
2018-19	(£0.191m)	- £0.421m
2019-20	(£0.661m)	- £0.470m



20. With regard to RBR, the settlement does not take into account any enterprise zones that have been approved, nor any devolution agreements that may be made. In addition, the financial impact of enterprise zones has yet to be clarified.
21. The financial impacts of the settlement when confirmed will be modelled in to the MTFs reported to Cabinet and Council in February 2016.

Refurbishment of General Fund Equity Share Properties

22. Attached at **Appendix A** is a proposal to refurbish General Fund (GF) Equity Share one- and two-bedroom bungalows that the Council is obliged to buy back in accordance with the lease, to enable the Council to generate a greater return on their resale.
23. Approximately 10-12 bungalows are returned each year, at the current market value. The proposed works are expected not to exceed £10,000 on average and the return is expected to more than double that investment on resale.
24. A budget of £200,000 is sought to start the project off and allow time for completion and resale. The investment cost will be returned to the capital programme on resale; the surplus generated would be a contribution to the General Fund.

Local Plan Budget

25. **Appendix B** attached presents information about the costs of the additional work required by the Local Plan Inspector, and outlines potential financial implications of the revised timetable for the Local Plan and other planning policy projects, including:
 - the latest estimated Local Plan examination timetable and requirements, and consequential delay to final stages of the plan making process;
 - the latest situation in relation to the Cambridge Northern Fringe East Area Action Plan being jointly prepared with Cambridge City Council;
 - potential Area Action Plans for Waterbeach New Town and Bourn Airfield New Village;

- the examination of the submitted Community Infrastructure Levy Draft Charging Schedule;
 - the Greater Cambridge Local Plan.
26. A table summarising the net change of £160,000 in the budgets for the current and next four financial years for the key projects is attached at **Appendix B1**.
27. In addition, approval is sought to create a new Neighbourhood Plans Project Officer post at an estimated cost of £34,600 to deal with the increased interest in developing Neighbourhood Plans being shown by South Cambridgeshire Parish Councils and the work resulting from designated areas and developing plans. Neighbourhood Plans are a new statutory duty which has onerous obligations upon this authority and there is limited capacity to manage this new responsibility within existing resources. A local authority can apply to the Department for Communities and Local Government for grants to cover the costs of meeting its responsibilities for each individual Plan. The proposal is framed on the basis that the costs will be met from these grants; however, this arrangement and its funding will be kept under review – any funding shortfall in the short term could be met by use of NHB reserves.

Sawston Tannery

28. Attached at **Appendix C** is a request to include the purchase and upkeep of scaffolding at Sawston Tannery and related insurance in the Capital Programme, the cost to be met from a grant awarded by Historic England to cover.

Options

29. Members are requested to provide guidance to the Executive Director regarding options to be modelled in the MTFs reports to Cabinet and Council in February 2016

Implications

30. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

31. The financial implications of the settlement and the various other matters affecting the authority's revenue and capital budgets and MTFs are as described in paragraphs 9 to 28 above.

Legal

32. Legal advice and guidance will be obtained before any implementation of the proposed project to refurbish equity share homes before their resale.

Staffing

33. The staffing implications of the requested new Neighbourhood Plans Project Officer post are as described in paragraph 27 above.

Risk Management

34. Key risks regarding NHB are the possible adverse implications for the amount of NHB that the authority might receive, resulting from the reforms the Government is consulting on. The major risk with regard to RBR remains the number and potential value of outstanding valuation appeals.

Consultation responses (including from the Youth Council)

35. This report sets out the Government's provisional Local Government Finance Settlement, which is subject to its own consultation.
36. Executive Management Team has been consulted regarding the proposed refurbishment of General Fund Equity Share Properties.
37. The Local Plan budget has been prepared following liaison with the Planning Policy Manager at Cambridge City Council on joint planning policy projects.

Effect on Strategic Aims

Aim 1 - Engagement

38. This report sets out the Government's proposed Local Government Finance Settlement, which when confirmed will be modelled into the MTFS presented to Cabinet and Council for approval in February 2016, ensuring a viable financial strategy to deliver first class services and value for money.
39. Other effects on other Strategic Aims of the proposed refurbishment of General Fund Equity Share Properties, the Local Plan budget and works at Sawston Tannery are set out in the respective relevant appendices to this report

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

None not already published elsewhere or by other organisations.

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