

**REPORT TO:** Cabinet  
**LEAD OFFICER:** Interim Chief Executive

19 January 2017

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## **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 2017-18 to 2019-20.
2. This is not a key decision, but has 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 2017. The Local Government Finance Settlement was first published in the September 2016 Forward Plan.

### **Recommendations**

3. It is recommended that Cabinet:
  - (a) notes the Local Government Finance Settlement;
  - (b) provides guidance to the Head of Finance regarding options to be modelled in the Medium Term Financial Strategy reports to Cabinet and Council in February 2017;

### **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 2017-18 to 2019-20.

### **Background**

#### ***Local Government Finance Settlement***

5. The provisional Local Government Finance Settlement for 2017-18 was published on 15 December 2016. 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.
6. Following the Government's acceptance of the Council's Efficiency Plan, submitted in October 2016, the provisional settlement confirms certain elements of the four year settlement as announced this time last year. These elements are the Revenue Support Grant (RSG), Rural Services Delivery Grant, Transition Grant and the Business Rates baselines, top-ups and tariffs.

## Considerations

### Local Government Finance Settlement

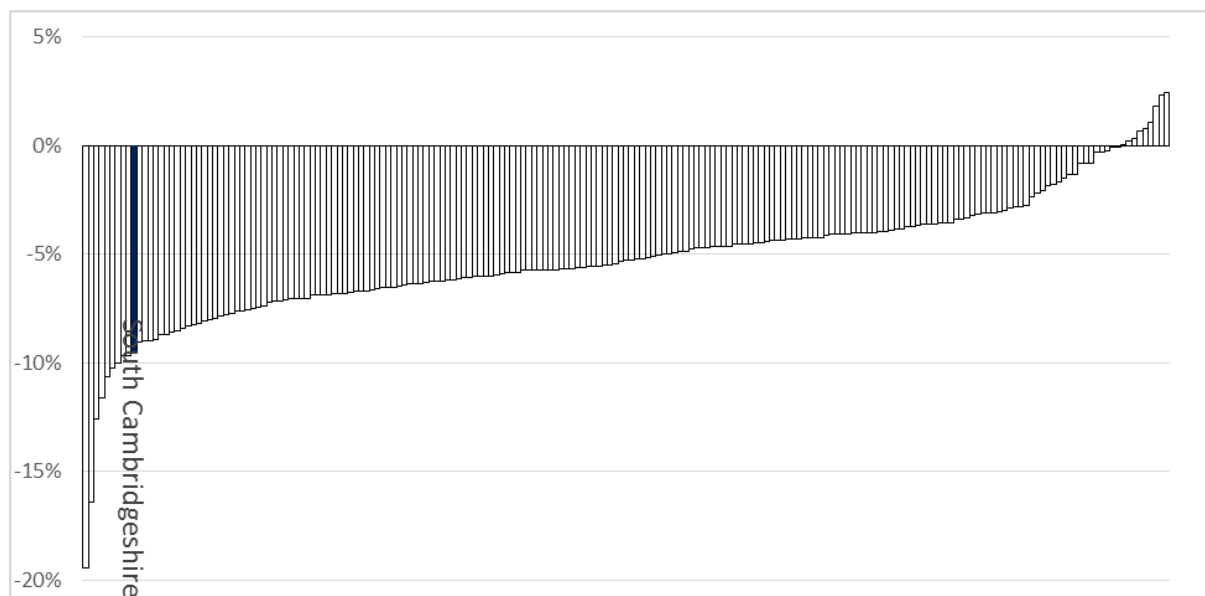
#### Core Spending Power

7. The table summarises the provisional settlement in terms of core spending power, showing a 9.5% decrease from 2016-17 to 2017-18.

|  | 2016/17<br>£000 | 2017/18<br>£000 | 16-17 to 17-18<br>% change | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|----------------------------|-----------------|-----------------|
| Revenue Support Grant (RSG)                | 926             | 230             | -75.2%                     | -               | -               |
| Business rates baseline                    | 2,422           | 2,472           | 2.1%                       | 2,552           | 2,642           |
| Tariff / top-up adjustment                 | -               | -               | -                          | -               | (660)           |
| <b>Settlement Funding Assessment (SFA)</b> | <b>3,348</b>    | <b>2,702</b>    | <b>-19.3%</b>              | <b>2,552</b>    | <b>1,982</b>    |
| New Homes Bonus                            | 5,265           | 3,932           | -25.3%                     | 3,002           | 2,880           |
| Rural Services Delivery Grant              | 130             | 105             | -19.3%                     | 81              | 105             |
| Transition Grant                           | 76              | 76              | -0.4%                      | -               | -               |
| Council Tax                                | 7,852           | 8,279           | 5.4%                       | 8,717           | 9,166           |
| <b>Core Spending Power</b>                 | <b>16,671</b>   | <b>15,093</b>   | <b>-9.5%</b>               | <b>14,351</b>   | <b>14,133</b>   |

It should be noted that the figures given here for Council Tax and New Homes Bonus (NHB) are the Government's illustrative figures and are not based on local information.

8. The chart below shows how this Council compares with other lower tier councils with regard to changes in spending power:



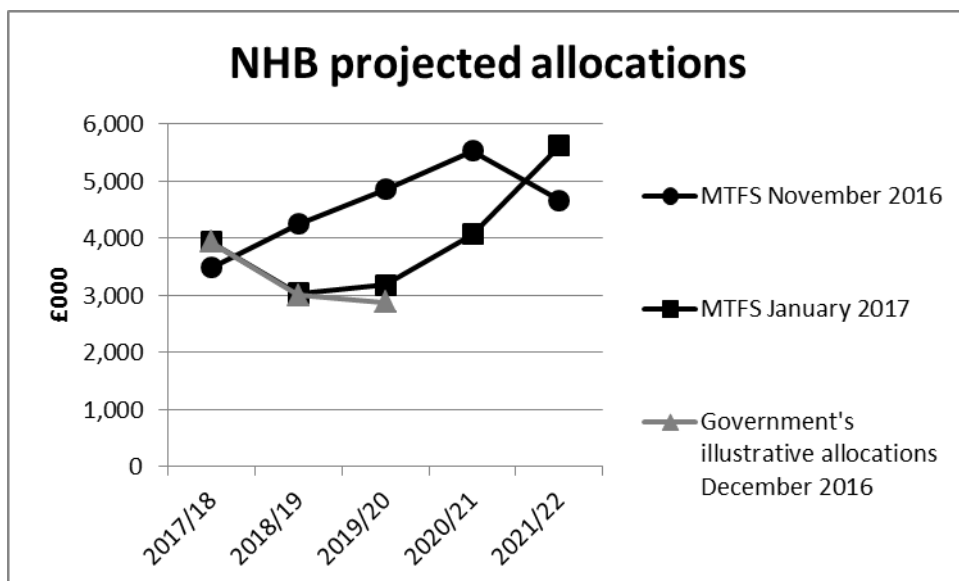
9. Due to the confirmed four year funding settlement, the MTFs report to Cabinet in November 2016 modelled these funding streams, with the exception of NHB.

#### New Homes Bonus

10. Provisional New Homes Bonus (NHB) allocations for 2017-18 were announced alongside the provisional Local Government Finance Settlement. The allocation of £3,926k is £440k higher than included in the November 2016 MTFs.

11. This masks two significant changes in the calculation on the bonus, following consultation in 2016. Specifically:-
- In 2017-18 the council will receive NHB based on the past five years increases in housing stock, rather than on six years, as before. In 2018-19 and beyond, this will reduce further to four years. The MTFS assumed four years from 2017-18, reflecting the Government's preferred option in the 2016 consultation.
  - A deadweight of 0.4% of growth has been applied to the 2017-18 and all future years. No NHB is due on the first 0.4% of growth, equivalent to about 280 properties per year, or £1.37m over the four years that NHB is payable on additional properties. The government reserves the right to change the deadweight percentage year on year, creating a mechanism that could be used to limit the total NHB payable.
12. Additionally, future reductions will be applied where councils do not have an agreed Local Plan, or where houses have been allowed on appeal. Details on how this will work will be subject to further consultation.
13. The settlement provides illustrative NHB allocations to authorities for 2018-19 and 2019-20 by apportioning the total available funding over councils on the basis of the percentage allocation for 2017-18. The table below shows how this illustration compares the NHB modelled by the council in the November MTFS, and as updated now to reflect the changes in 11 above and the revised housing trajectory.

| <b>NHB projections</b>                              | <b>2017/18<br/>£000</b> | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| MTFS November 2016                                  | 3,486                   | 4,246                   | 4,849                   | 5,525                   | 4,658                   |
| MTFS January 2017                                   | 3,926                   | 3,037                   | 3,179                   | 4,064                   | 5,614                   |
| Government's illustrative allocations December 2016 | 3,926                   | 3,002                   | 2,880                   |                         |                         |



14. NHB is currently used to fund £1.8m of General Fund growth expenditure and small amounts of revenue expenditure on infrastructure projects supporting growth. 50% of NHB is set aside as a contribution to the City Deal Investment and Delivery Fund, with any remaining amounts reserved for the A14 upgrade contribution.
15. Modelling has shown that the council has the following options:-
  - It can prioritise existing commitments to GF revenue and the A14 upgrade, thereby restricting the City Deal contributions by £1.6m over the five year modelling period. Whilst this approach follows our understanding of the agreement with the City Deal, further discussion and confirmation may be required.
  - It can prioritise City Deal contributions and make revenue savings of £320k per year to ensure that the A14 upgrade can be funded.
  - It can explore alternative ways of funding the A14 upgrade contribution.

#### Council Tax Referendum Principles

16. The settlement maintains the core referendum threshold for Band D council tax increases at 2%; however, the threshold for district councils will be £5 a year for the next three years.
17. The MTFS report to Cabinet in November 2016 modelled Band D council tax increases of £5 through to 2020 and 2.0% thereafter.

#### **Options**

18. Members are requested to provide guidance to the Head of Finance regarding options to be modelled in the MTFS reports to Cabinet and Council in February 2017.

## **Implications**

19. 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***

20. The financial implications of the settlement are as described in the report.

### ***Risk Management***

21. New Homes Bonus – there are key risks to the future allocation of NHB in relation to changes in deadweight percentage, further reforms that will be subject to consultation and delivery of new housing.
22. Retained business rates – there is a major continuing risk around the number and potential value of outstanding valuation appeals.

### **Effect on Strategic Aims**

23. This paper addresses the funding of the council, and as such it supports all the Council's objectives.

## **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.

**Report Author:** Alex Colyer – Interim Chief Executive  
Telephone: (01954) 713023

Caroline Ryba – Head of Finance  
Telephone: (01954) 713072