

	<p>REPORT OF: EXECUTIVE MEMBER FOR RESOURCES</p> <p>TO: COUNCIL FORUM</p> <p>ON: 25th January 2018</p>
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SUBJECT: 2018/19 Provisional Local Government Finance Settlement

1.0 PURPOSE OF THE REPORT

To provide an update to Council on the 2018/19 Provisional Local Government Finance Settlement.

2.0 RECOMMENDATIONS

Council is asked to note the key points contained with the provisional settlement which impact upon the authority and which will be considered and incorporated into the financial reports to be presented to Finance Council on 26th February 2018.

3.0 INTRODUCTION

The provisional Local Government Finance Settlement was announced by the Secretary of State Communities and Local Government, Sajid Javid MP in an oral statement to the House of Commons on 19th December 2017.

The announcement set out the provisional allocations for 2018/19 which had been originally announced in December 2015 as part of the 4 year settlement offer which the Council agreed to accept at Council Forum in October 2016.

The publication of the provisional settlement on 19th December 2017 marked the start of the consultation which ended on 16th January 2018 and to which the Council has submitted a response. It is expected that the final 2018/19 settlement will be laid before the House of Commons for approval in February.

This report provides a brief summary of the key points within the settlement, with specific focus on those funding streams of particular relevance to the Council.

4.0 KEY ISSUES

The key points included within the provisional Local Government Finance Settlement for 2018/19 are;

1. No additional funding has been provided from central government above that which was expected; this means a cut in government funding through Revenue Support Grant to this authority of £3.2M, i.e. 5%, compared to 2017/18. In addition there is no funding for inflationary or demand-led cost pressures.
2. Referendum principles will apply to Council Tax increases in excess of 2.99% for 2018/19 and 2019/20. This is an increase on the current 2017/18 referendum limit of 1.99% and is intended to bring council tax in line with current levels of inflation (CPI).

3. Continuation of the Adult Social Care precept provided that the increases do not exceed 6% over the period 2017/18 to 2019/20.
4. A continuation of the maximum increase in Council Tax for District councils, i.e. up to the higher of 3% or £5 for a Band D property, but for Police and Crime Commissioners, an increase up to the higher of 3% or £12 for a Band D property.
5. Following the 2017 General Election and the omission of the Local Government Finance Bill from the Queen's speech, the Government changed its plan to introduce 100% Business Rates Retention to one of 'increased' Business Rates Retention; due to the General Election, the implementation date of 2019/20 was also changed to 2020/21. In the provisional settlement announcement the Communities Secretary stated that the Government's aim is to increase the local share of business rates retention to 75% in 2020/21. This will incorporate existing grants into the new scheme, such as the Revenue Support Grant (RSG) and Public Health Grant. The remaining 25% government share will be returned to HM Treasury to be recycled back into local government. Within the scheme, local authorities will be able to keep the same share of their growth from their baseline levels assessed in 2020/21 when the system is reset.
6. The Government uses the term 'Core Spending Power' to define and compare local authorities' funding each year. The 2018/19 provisional settlement confirmed a national increase of 1.5% in Core Spending Power (CSP) compared to the 2017/18 settlement; for Blackburn with Darwen the increase in CSP, as defined by the Government, is 1.6%. The figures are slightly different to those published in previous years as they now include Section 31 grant compensation for capped multipliers, i.e. compensation for changes in the uprating of the business rates multiplier from RPI to CPI, as announced in the Autumn budget. The compensation has also been provided for this under-indexation going back to 2014/15.

For 2018/19 Core Spending Power consists of;

- Settlement Funding Assessment (RSG and Baseline Funding)
 - Sc31 Compensation grant for changes in the uprating of the business rate multiplier (as noted above)
 - Council Tax – with the figures based on assumptions made by Government about decisions this Council will make in respect of Council Tax that;
 - i. the tax base grows
 - ii. Council Tax is increased to the new basic referendum limit of 2.99% in both 2018/19 and 2019/20 and
 - iii. Adult Social Care precept of 3% is applied in 2018/19
 - Improved Better Care Fund
 - New Homes Bonus
7. Further reduction in the number of payment years for New Homes Bonus (NHB) from 5 years in 2017/18 to 4 years in 2018/19. NHB will continue to be paid on housing growth above 0.4%.

8. Continuation of the capital receipts flexibilities for a further 3 years enabling local authorities to use capital receipts from the sale of their own assets to meet any costs incurred which reduce costs or demand for services in future years.
9. The technical consultation on the 'Fair Funding Review: a review of relative needs and resources' was also published on 19th December for implementation in 2020/21. The current system of annual funding allocations has 15 separate needs formulas and several tailored distributions for services supported by specific grants. These formulas involve 120 indicators of need which reflect factors that have been identified as driving costs of service delivery. Whilst calls have been made for a much simpler approach to funding allocation, this must be balanced against the need for accuracy and the need to retain the required level complexity whilst increasing transparency. The consultation closes on 12th March 2018.

5.0 POLICY IMPLICATIONS

The budget process is the mechanism by which the Council allocates resources so that it can achieve its policy objectives agreed at Policy Council. The provisional financial settlement impacts directly on the resources available to the Council for 2018/19 and as such will be incorporated in to the 2018/19 Budget and Medium Term Financial Strategy to be presented to Finance Council on 26th February 2018.

6.0 FINANCIAL IMPLICATIONS

The financial implications are outlined above.

7.0 LEGAL IMPLICATIONS

The Council is legally obliged to set a balanced budget in accordance with the Local Government Act 1992, and must have regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers. Under Section 151 Local Government Act 1972 the Council has a general duty to make arrangements for the proper administration of its financial affairs. The Council is currently working through the financial implications of the provisional financial settlement and will report to Finance Council on this in February 2018.

8.0 RESOURCE IMPLICATIONS

Once confirmed, the resources and implications of the finance settlement will be incorporated into the 2018/19 budget which will be presented to Finance Council in February 2018. Decisions taken in setting and allocating the budget will in turn affect the resources allocated to individual service areas.

9.0 EQUALITY IMPLICATIONS

Any proposals which emanate from changes made as a result of the finalisation of the finance settlement and the resulting 2018/19 Budget, will be subject to an Equality Impact Assessment where appropriate, before implementation

10.0 CONSULTATIONS

The Council is committed to consultation with residents, businesses and partners and stakeholders and has recently undertaken a Budget Consultation for 2018/19. The results of this exercise are currently being collated and will be reported to Finance Council in February 2018.

Chief Officer/Member

Contact Member: Councillor Andy Kay, Executive Member for Resources

Date: 25th January 2018

Background Papers: Full details of the settlement can be found on the Department of Communities and Local Government pages on the GOV.UK website.