

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

12 October 2016

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

1 TECHNICAL CONSULTATION PAPER ON THE 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

In September 2016 the Department for Communities and Local Government published a Technical Consultation Paper on the 2017/18 Local Government Finance Settlement. This report provides an overview of the Consultation, together with our proposed response.

1.1 Introduction

1.1.1 In September 2016 the Department for Communities and Local Government published a consultation paper seeking views on a range of technical issues concerning the 2017/18 local government finance settlement.

1.1.2 The return date for responses to the consultation is 28 October 2016 and a copy of our proposed response is attached at **[Annex 1]**. The consultation paper can be found at the following link:

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553334/Post_HA - Draft Settlement Summer Consultation v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553334/Post_HA_-_Draft_Settlement_Summer_Consultation_v2.pdf)

1.1.3 The main thrust of the consultation is to reconfirm the multi-year settlement. It also covers additional issues, such as proposed council tax referendum principles and the proposed approach for adjusting business rates tariffs and top-ups to cancel out, as far as is practicable, the impact of the 2017 business rates revaluation on local authorities' income.

1.1.4 Given below is a summary of the key points covered by the consultation along with officers' comments where appropriate.

1.2 Multi-Year Settlement

1.2.1 For those councils which accept the multi-year settlement offer, the Government intends to confirm the constituent elements of the offer for qualifying councils, soon after the 14 October deadline for accepting the offer. *(Members are aware*

that Full Council agreed to accept the offer of the multi-year settlement in July this year).

- 1.2.2 Councils that choose not to accept the offer will be subject to the existing annual process for determining the level of central funding that they will receive.
- 1.2.3 The Government is also considering expanding the existing multi-year offer to include more grants, to provide councils with more security over a greater proportion of their funding for the rest of this Parliament. Views are invited on what other grants could be included, in addition to those in the existing offer.

Comments

- 1.2.4 Formal notification that the Borough Council wished to take up the offer of a multi-year settlement, together with requisite documentation including a link to an Efficiency Plan was sent to the DCLG on 13 July 2016 and acknowledgement of the same received the same day. It is understood that councils will be notified of the outcome soon after the 14 October deadline.
- 1.2.5 The funding to be made available in respect of the New Homes Bonus scheme and how it is to operate should be made clear as part of the multi-year offer to further aid financial planning. The inclusion of administration grants, e.g. housing benefits and council tax reduction support in the multi-year offer would again aid financial planning.

1.3 Improved Better Care Fund (iBCF)

- 1.3.1 The Government intends to adopt the proposed approach to distributing the iBCF outlined in the consultation on the 2016-17 local government finance settlement. This methodology takes into account the varying ability of councils to raise income through the adult social care precept.
- 1.3.2 The funding available for the iBCF will be allocated to each authority according to their share of the national total determined by the 2013 adult social care relative needs formula, adjusting for the income which could be raised from the additional social care council tax flexibility.

Comments

- 1.3.3 This is a matter for authorities with responsibility for adult social care to respond.
- 1.3.4 For information and awareness allocations in respect of disabled facilities grants are met from the iBCF. It is assumed that these allocations will continue to be separately identified with a requirement that they be passed on in full.

1.4 Council Tax Referendum Principles

- 1.4.1 The referendum threshold for council tax increases is proposed at 2% for all local authorities, as in 2016/17. However, shire districts will be allowed increases of up to and including £5, or up to 2%, whichever is higher.
- 1.4.2 There will also continue to be an additional adult social care precept of 2% for authorities with responsibility for social care services.
- 1.4.3 For the first time, referendum principles will apply to town and parish councils for which the Band D charge is higher than £75.46 and the total precept is over £500,000. However, those town and parish councils where a service had been transferred from a local authority would not be subject to the referendum principle, providing certain conditions are satisfied.
- 1.4.4 The Government is also prepared to consider extending the referendum principles to all town and parish councils.

Comments

- 1.4.5 The Medium Term Financial Strategy as it stands assumes a council tax increase of £5 in 2017/18. To give greater control and flexibility over their finances council tax levels should be a decision for councils and the council tax referendum principles withdrawn, a point made on a number of occasions in the past.
- 1.4.6 If the referendum principles are not to be withdrawn, there is some logic as to why the Government is minded to apply the referendum principles to larger, higher spending town and parish councils where precepts and council tax levels are similar to small district councils. However, the logic does not seem to extend to all town and parish councils for the reasons referred to in the consultation paper – i.e. proportionality, practicality and cost; and in the scheme of things is unnecessary and unwieldy. The precept at which the referendum principles apply should be at least £500,000 and for this to be subject to annual indexation.

1.5 Business Rates Revaluation Adjustment

- 1.5.1 A new valuation list for non-domestic properties takes effect from April 2017, this will have the effect of altering the business rates income all authorities receive, but is a change outside the control of local government.
- 1.5.2 The Government has previously indicated that tariffs and top-up would be adjusted following a revaluation, to ensure, as far as is practicable, that authorities' retained income is the same after revaluation as immediately before.
- 1.5.3 The proposed methodology would identify and isolate the amount by which business rates income in the authority will change purely due to the revaluation and uses these figures to adjust tariffs/top-ups in order to cancel out the impact of revaluation.

1.5.4 *Comments*

1.5.5 Support adjustment of each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before; and the proposed approach would appear to be a logical way to adjust for revaluation.

1.5.6 *Adjustments to business rates in areas piloting 100% business rates retention*

1.5.7 Areas piloting approaches to 100% business rates retention will test mechanisms for the full roll-out, including ending entitlement to certain grants, devolving additional responsibilities and adjusting existing business rates tariff and top-ups.

1.5.8 The methodology for calculating the agreed changes in the local share of retained business rates and the level of tariff and top-ups in pilot areas is designed to ensure that no authorities anywhere in the country are adversely affected by these pilots.

Comments

1.5.9 Clearly, it is only right that the proposed methodology for calculating changes to the local share of business rates and tariff and top-ups does not adversely affect non-pilot areas.

1.6 Voluntary transfers of funding to Mayoral Combined Authorities

1.6.1 Areas with mayoral combined authorities could request an adjustment to the calculation of grant and business rates payments, to reflect any changes in the way existing duties are carried out by authorities, subject to the agreement of all authorities affected by the changes.

1.6.2 Decisions on an authority-by-authority basis would need to be made on the level of grant or share of business rates to be transferred to the combined authority, and may require adjustments to regulations / Alternative Notional Adjustments if there are transfers of council tax.

Comments

1.6.3 Not applicable.

1.7 Legal Implications

1.7.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.7.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to

raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

1.8 Financial and Value for Money Considerations

- 1.8.1 Two key questions remain, what will our business rates baseline be on the implementation of 100% business rates retention; and where, and to what extent, does New Homes Bonus feature in future government funding?

1.9 Risk Assessment

- 1.9.1 The increased uncertainty and volatility particularly in some of our major sources of income (business rates and New Homes Bonus) make financial planning that more difficult with the increased risk of significant variances compared to projections.
- 1.9.2 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

1.11 Recommendations

- 1.11.1 Cabinet is **RECOMMENDED** to **endorse** and **approve** the proposed response to the Technical Consultation Paper on the 2017/18 Local Government Finance Settlement attached at **[Annex 1]**.

Background papers:

Nil

contact: Sharon Shelton
Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance and Transformation