

Decision maker: Cabinet 22nd September 2016
City Council 11th October 2016

Subject: Multi-Year Settlements

Report by: Director of Finance & Information Service (s151 Officer)

Wards affected: All

Key decision (over £250k): Yes

1 Purpose of Report

- 1.1 This report considers the government's offer of a four year funding settlement up to and including 2019/20 to any council that wishes to take it up. Conditional upon acceptance by Government is the publication of an Efficiency Plan on the Council's website and the link being notified to the Department of Communities and Local Government (DCLG) by 14th October 2016.

2 Recommendations

- 2.1 It is recommended that:

- i) the government offer of a multi-year settlement to 2019/20 announced on 17th December 2015, be accepted
- ii) that in accepting the offer of a multi-year settlement, the Efficiency Plan clearly states that the Plan outlines the method by which the Council will pursue its necessary savings in response to both its cost pressures and government funding reductions but that there is no implied acceptance that those cost pressures and government funding reductions can be achieved through efficiencies alone without significant detriment to service provision

3 Background

- 3.1 Local authorities have experienced the biggest proportionate reduction in funding of all Government departments since 2010. The scale of reduction, along with a degree of volatility around the phasing and timing of these reductions to different authority types, can make it very difficult for authorities to plan their spending priorities strategically. For some there may even be a risk of not balancing their budget at all over the upcoming spending review period. The need for effective medium term planning has therefore never been greater.
- 3.2 The government's response to these concerns from local authorities and contained within the Local Government Finance Settlement 2016 to 2017 has been to offer a guaranteed minimum grant envelope, paid to councils for a 4 year period from April 2016. This, the Secretary of State said, should increase local authority certainty and confidence and would be a key step towards supporting councils to strengthen

financial management and work collaboratively with local partners when considering the way local services are provided in future.

- 3.3 Further details became available in a letter from the Secretary of State dated 10th March 2016 clarifying the offer (see Appendix 1). In essence the government has offered a guaranteed budget to every council which desires one and which can demonstrate efficiency savings for 2016/17, and for every year of the current parliament.
- 3.4 The multi-year settlement offer relates to Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant allocations along with the top-ups to the Council's Individual Authority Business Rates Baseline for each of the three years to 2019/20 (note: the final year may be subject to implementation of 100% business rates retention).
- 3.5 Accepting the Governments offer of multi-year settlement will guarantee the following minimum levels of funding for these lines within the settlement as follows:

Multi-Year Settlement	2017/18	2018/19	2019/20
Revenue Support Grant	22,313,120	16,956,583	11,482,607
Transitional Grant	-	-	-
Rural Services Delivery Grant	-	-	-
Top Up to Individual Authority Business Rates Baseline	4,591,567	4,727,022	4,878,106
Value of Guaranteed Funding	26,904,687	21,683,605	16,360,713
Guaranteed Funding as Proportion of Total Funding	17.4%	14.0%	10.5%

- 3.6 Specific statements made by the Secretary of State in relation to the four year settlement include:

"Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.

Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

At present we do not expect any further multi-year settlements to be offered over the course of the parliament."

- 3.7 The offer of a four year settlement will help to provide greater certainty and will help the planning framework of the Council. It is however, important to recognise what is not within the scope of the settlement, it does not for example include the following significant funding streams:

- Education Services Grant
- Public Health Grant
- Housing Benefit & Council Tax Administration Grant
- Better Care Fund
- New Homes Bonus
- Business Rates Local Share (retained 49%)

3.8 The DCLG will only consider expressions of interest in accepting the offer if a link to a published efficiency plan is received by 5pm Friday 14th October 2016. The government has not issued detailed guidance regarding what these plans should include although some outline guidance was included in the letter reproduced at Appendix 1.

3.9 In considering the multi-year settlement offer, the following key advantages and disadvantages should be borne in mind:

Advantages	Disadvantages
Provides a degree of certainty over funding levels for the next three years	Applies only to limited funding streams within the settlement offer - excludes other significant funding streams
Facilitates improved financial planning over the period	Implied acceptance that reduced funding over the period is achievable
	Requirement for an efficiency plan suggests a level of government control over the Councils plans to meet the identified funding gap
	Funding is not fully guaranteed - government reserves the right to change the settlement due to unforeseen circumstances

3.10 In addition the recent EU referendum result may have far reaching political and economic ramifications which could have a material impact on the public sector finances generally and consequently the settlement for local government.

4 Conclusion

4.1 The funding contained within the multi-year settlement offer, whilst significant, represents a small proportion of the total funding expected to be available to the Council up to and including 2019/20. It is considered highly unlikely that non-acceptance would lead to additional funding and there remains a real risk of further funding reductions in the medium term should the Council decide not to take up the government's offer. The likelihood of further funding reductions in the medium term is now regarded as higher following the EU referendum result and it is therefore recommended that the offer of multi-year settlements from government is accepted.

5 Director of Finance & Information Service (s151 Officer) Comments

5.1 Financial implications are contained within the body of the report.

6 City Solicitor's Comments

6.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

7 Equalities Impact Assessment

7.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

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Chris Ward

Director of Finance & Information Service (s151 Officer)

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

Title of Document	Location
Local Government Finance Settlement 2016/17	https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2016-to-2017
Letter from Secretary of State for Communities and Local Government dated 10 th March 2016	Attached at Appendix 1

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 22nd September, 2016

Signed:

Approved / Approved as amended / Deferred / Rejected by the City Council on 11th October, 2016

Signed:

APPENDIX 1



Department for
Communities and
Local Government

The Rt Hon Greg Clark MP
*Secretary of State for Communities and Local
Government*

**Department for Communities and Local
Government**

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10 March 2016

Dear Colleagues

MULTI-YEAR SETTLEMENTS AND EFFICIENCY PLANS

On 17 December I announced a historic opportunity for councils to achieve greater certainty and confidence from a 4-year budget. I see this as a key step to supporting you to strengthen your financial management, at the same time as working collaboratively with your local partners and reforming the way services are provided.

The settlement consultation process showed great support for this approach and identified a number of queries about what the offer includes and the requirements for applying to accept this offer. I have therefore set out some further details in the attached annex. But I want to reiterate that I want this offer, and the production of an efficiency plan, to be as simple and straightforward as possible, and reassure you that this is not about creating additional bureaucracy.

If you wish to apply to accept the offer you simply need to send an email or letter to MultiYearSettlements@communities.gsi.gov.uk by **5pm on Friday 14th October** and include a link to your published efficiency plan.

I do not intend to provide further guidance on what efficiency plans should contain – they should be locally owned and locally driven. But it is important that they show how this greater certainty can bring about opportunities for further savings. They should cover the full 4-year period and be open and transparent about the benefits this will bring to both your council and your community. You should collaborate with your local neighbours and public sector partners and link into devolution deals where appropriate.

Of course this offer is entirely optional. It is open to any council to continue to work on a year-by-year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement.

I have been delighted by the response of councils all over the country to the offer of four year budgets and I look forward to hearing from you if you would like to avail yourself of it.

For any further queries, please contact officials at the above address.

Yours sincerely

A handwritten signature in black ink, appearing to be 'G Clark', written in a cursive style.

THE RT HON GREG CLARK MP

Annex

Conditions of the multi-year settlement

The Government will offer any council that wishes to take it up a four-year funding settlement to 2019-20. This includes:

- Common Council of the City of London
- London borough councils
- district councils
- county councils
- Council of the Isles of Scilly
- Greater London Authority
- metropolitan county fire and rescue authorities
- combined fire and rescue authorities.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan.

What the offer includes

On 9 February we provided summaries and breakdown figures for each year to your s151 Officer. From those figures the relevant lines that are included in the multi-year settlement offer, where appropriate, are:

- Revenue Support Grant;
- Transitional Grant; and
- Rural Services Delivery Grant allocations.

In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

The Government is committed to local government retaining 100% of its business rate revenues by the end of this Parliament. This will give them control over an additional £13 billion of tax that they collect.

To ensure that the reforms are fiscally neutral local government will need to take on extra responsibilities and functions. DCLG and the Local Government Association will soon be publishing a series of discussion papers which will inform this and other areas of the reform debate.

The new burdens doctrine operates outside the settlement, so accepting this offer will not impact on any new burden payments agreed over the course of the four years.

The Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

Process for applying for the offer

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14th October. We will provide confirmation of the offer shortly after the deadline.

Efficiency Plans

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>) on how you intend to make the most of the capital receipt flexibilities if appropriate.

The Home Office will provide guidance on the criteria and sign off process for efficiency plans for single purpose Fire and Rescue authorities. All Fire and Rescue authorities, including those which are county councils, should set out clearly in their efficiency plans how they will collaborate with the police and other partners to improve their efficiency.

Process for those who do not take up the offer

Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.

Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

At present we do not expect any further multi-year settlements to be offered over the course of this parliament