

Council	Agenda Item 36
20 th October 2016	Brighton & Hove City Council

Subject:	4 Year Funding Settlement and Efficiency Plan		
Date of Meeting:	20 October 2016 13 October 2016 – Policy, Resources & Growth Committee		
Report of:	Executive Director for Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government made an offer to councils to take up a 4-year funding settlement for the period 2016/17 to 2019/20. To accept this offer, an 'Efficiency Plan' is required to be prepared and published by 14th October 2016. The report proposes that the offer is accepted as it will create some certainty of resources and is consistent with the council's approach to its Medium Term Financial Strategy, 4-year Integrated Service & Financial Plans and modernisation programme. The government guidance is clear that the plan should draw heavily on existing plans and decisions, and provide a clear link to them.

2. RECOMMENDATIONS:

That Policy, Resources & Growth Committee recommends to Council:

- 2.1 That it agrees to submit the Efficiency Plan at Appendix 1 to satisfy the conditions of acceptance for the government's 4 year funding settlement for the period 2016/17 to 2019/20.

3. PROPOSALS

- 3.1 The offer made by the Government, as part of the Spending Review, is to any council that wished to take up a 4-year funding settlement up to 2019/20. The purpose of this offer is to provide a level of certainty as local authorities prepare for the move to a more self-sufficient resource base by 2020. The government's stated aim is to provide funding certainty and stability for the sector that would enable more proactive planning of service delivery and support strategic collaboration with local partners.
- 3.2 The Government expects these multi-year settlements to be used to "strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents". These aims are consistent with the council's Medium Term Financial Strategy, 4-year Service & Financial Planning and modernisation plans.

3.3 The 4-Year Integrated Service & Financial Plans and Medium Term Financial Strategy received by council in February 2016 incorporate the funding provided within the 4-year settlement offer. However, it relates only to Revenue Support grant (RSG) which is a decreasing proportion of total council funding, currently £33.126m in 2016/17 decreasing to £6.523m in 2019/20; or 15.8% of net spending in 2016/17 reducing to 3.2% in 2019/20. If this offer is accepted, it potentially provides greater certainty as the funding received will not be less than outlined in the final settlement and would not be subject to the yearly processes that determine the local government finance settlement. The following table sets out the council's overall resource projections include the 4-year Settlement Funding for Revenue Support Grant that would be secured under this arrangement:

Funding Source:	2016/17	2017/18	2018/19	2019/20
Revenue Support Grant	33.126	21.618	14.144	6.523
Top Up Grant	1.656	1.676	1.726	1.781
Locally retained Business Rates	53.932	55.604	57.558	59.695
Council Tax - Adult Social Care precept	2.307	2.425	2.534	2.647
Council Tax - General increase	117.675	123.597	129.177	135.015
Collection Fund Surplus	0.875			
Total Funding	209.571	204.92	205.139	205.661

3.4 The offer made by the Government is as follows:
 “On 9 February we provided summaries and breakdown figures for each year to your S151 Chief Financial Officer. From those figures the relevant lines that are included in the multi-year settlement offer, where appropriate, are:

- i) Revenue Support Grant;
- ii) Transitional Grant; and
- iii) 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.”

3.5 The latter relates to the Government's stated intention of local government retaining 100% of its business rate revenues by the end of this Parliament and on which the council recently responded to a consultation. However, to ensure that these reforms are fiscally neutral local government will need to take on extra responsibilities and functions. This is a key aspect of the consultation.

3.6 The ‘new burdens’ doctrine continues to operate outside the settlement, so accepting this offer would not impact on any new burden payments agreed over the course of the four years.

3.7 To secure the 4-year offer, an Efficiency Plan is required and this is appended to this report in line with guidance from the Secretary of State. Government has stated clearly that it does not expect this to be a significant burden on councils and should draw together existing corporate plans and strategies, and this has been the approach adopted to produce the Efficiency Plan.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 If the 4-year offer is not accepted, ongoing RSG funding would be subject to the existing annual process for determining the local government finance settlements. Allocations could be subject to additional reductions dependent on the fiscal climate and the need to make further savings to address increasing deficits. The reverse is also possible but unlikely against the backdrop of growing health and social care budget gaps. The fiscal climate is relatively unstable at present due to a wide range of domestic, European and global factors and it is difficult, if not impossible, to predict the impact these may have on revenues and, ultimately, fiscal policy.
- 4.2 Although there are many changes the government could make in relation to Local Government finance, including excessive council tax increase (referendum) thresholds, it is difficult to identify any significant risk or disadvantage that might arise from accepting the 4-year settlement. The only identified disadvantage at this stage is that accepting the 4-year deal may imply acceptance of significant funding reductions over the period. However, significant lobbying by LGA and councils has clearly communicated the funding situation concerning social care.
- 4.3 Apart from a level of funding certainty, the 4-year deal also confers potentially significant advantage through capital flexibilities and would enable the council to deploy capital resources toward revenue investment aimed at delivering 4-year plan savings and efficiencies, subject to these meeting government guidelines. The government guidance quotes examples of qualifying expenditure that can be capitalised, many of which resonate with the council's current plans. The examples are listed in Appendix 2.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None directly in relation to this report.

6. CONCLUSION

- 6.1 Accepting the 4-year deal would appear to provide a level of certainty in relation to some aspects of the Local Government financial settlement while also conferring potentially advantageous capital receipt flexibilities. There appears to be no significant disadvantage to the council.

7. FINANCIAL & OTHER IMPLICATIONS:

- 7.1 The Medium Term Financial Strategy reported to Budget Council in February 2016 incorporates the funding provided within the 4-year settlement offer. If this offer is accepted, it provides certainty that the RSG funding receivable will not be less than outlined in the final settlement and would not be subject to the yearly process determining the local government finance settlement.

Finance Officer Consulted: James Hengeveld

Date: 18/09/16

Legal Implications:

- 7.2 Although the Revenue Support Grant funding proposal from the Government represents a four year offer, that does not of itself present any legal implications to the council. If the proposal in this report is accepted by full

Council on the recommendation of this Committee, the council's budget will continue to be set and adopted by full Council annually and in the usual way, with sight of proposals put to it by the Policy, Resources & Growth Committee.

Lawyer Consulted: Victoria Simpson

Date: 26.9.16

Equalities Implications:

7.3 None directly related to this report.

Sustainability Implications:

7.4 Improved financial certainty enables the council to continue to plan for the longer term and the capital receipt flexibilities would enable current modernisation and investment plans to be realised subject to available resources.

SUPPORTING DOCUMENTATION

Appendices

1. Efficiency Plan
2. Examples of qualifying expenditure

Documents in Members' Rooms

None

Background Documents

None