**POLICY AND RESOURCES COMMITTEE – 6 OCTOBER 2016**

**PART I - DELEGATED**

**9. Four-year financial settlement deal**

(DoF)

1. **Summary**

* 1. This report covers the decision on whether to accept the Government’s offer of a four-year financial settlement and the requirement to publish an Efficiency Plan.

1. **Details**

### 2.1 As part of the Local Government Finance Settlement (LGFS) in February 2016, the Government published an indicative four-year settlement, with the settlement for 2016/17 confirmed and a provisional settlement for the three future periods 2017/18 to 2019/20. The Government indicated that it would honour these figures depending on individual local authorities agreeing to publish their Efficiency Plan. In March 2016 the Government wrote to Local Authorities to confirm the requirements for an Efficiency Plan and the timescale for accepting the Government’s offer, being 14 October 2016.

* 1. Council considered this decision on 12 September and delegated the final sign off of the decision to accept (or not) the four-year settlement from central government. Council also delegated to this Committee to agree the efficiency plan.
  2. The Government offer is as follows:

*‘The relevant lines included with the financial settlement that are protected as part of this offer are;*

* *Revenue Support Grant*
* *Transitional Grant; and*
* *Rural Services Delivery Grant Allocations.* [NB does not apply to TRDC]

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

* 1. The table below shows the final settlement as published on 8 February 2016 for Three Rivers District Council:

**Final Settlement – Three Rivers District Council**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Breakdown of Settlement** | **2016/17** | **2017/18** | **2018/19** | **2019/20** |
| **Business Rates Income** | | | | |
| Baseline | £1,825,607 | £1,861,514 | £1,916,430 | £1,977,682 |
| Tariff Adjustment (Negative RSG) | 0 | 0 | 0 | (£350,445)  *(see below)* |
| **Retained Business Rates** | **£1,825,607** | **£1,861,514** | **£1,916,430** | **£1,627,237** |
| **Other Core Funding** | | | | |
| RSG | £874,195 | £336,058 | £11,792 | 0 |
| Transition Grant | £65,925 | £65,689 | 0 | 0 |
| Rural Services Grant | 0 | 0 | 0 | 0 |
| **Total Funding (including Retained Business Rates)** | **£2,765,727** | **£2,263,261** | **£1,928,222** | **£1,627,237** |

*Note on “negative RSG”.* *The Tariff / Top Up adjustment funding reduction (or negative RSG as it was effectively known) for 2017/18 and 2018/19 was removed from the final settlement. This will benefit those authorities that were subject to the reduction (not TRDC). Whilst the reduction remains in place for 2019/20, the Minister did indicate the planned introduction of 100% Business Rates in 2019/20 would mean that the adjustment would not be relevant for that year anyway.*

* 1. In theory this offer is fixed but this does not mean that other changes may not arise outside of this offer. It is not clear what the impact would be of not accepting this offer and it is unlikely that this would become clear until December 2016 when the next provisional settlement is announced. Therefore the option is to make the decision on whether to accept the offer without knowing the alternative position. At a briefing in January to CIPFA, CLG offered the opinion that the four-year settlement was not likely to improve.

3. **Options/Reasons for Recommendation**

3.1 Having reviewed the settlement offer and after attending many briefings and following discussions with senior finance officers at other councils, the Council’s senior finance officers consider that acceptance of the four-year settlement is the best option to follow. This provides an element of certainty and it is difficult to see any authorities who choose not to accept the offer benefiting as a result. If HM Treasury agree to honour the settlement, then it is highly likely that any further cuts to local government funding would fall on those authorities outside of the agreed settlement. A downside however is that having demonstrated that the Council can ‘live within the means of the settlement’ it would be hard to argue for additional funding, unless a new burden is attached.

3.2 Committee is requested to recommend to officers whether or not to accept the central government’s offer of a four-year settlement.

4. **Policy / Budget Reference and Implications**

4.1 The recommendations in this report are within the Council’s agreed policy. The current Medium Term Financial Plan reflects the figures in the final settlement.

5. **Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Communications & Website, and Health & Safety Implications**

5.1 None specific.

6. **Financial Implications**

6.1 The main implications are contained within the report. The medium term financial plan will be adjusted once a decision has been taken on whether or not to accept the offer of a four-year settlement.

7. **Risk Management and Health & Safety Implications**

7.1 The Council has agreed its risk management strategy which can be found on the website at http://www.threerivers.gov.uk. In addition, the risks of the proposals in the report have also been assessed against the Council’s duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

7.2 There are no risks to the Council in agreeing the recommendation as the settlement provides an element of certainty around future Government Funding.

8. **Recommendation**

8.1 That the Policy and Resources Committee decide whether or not to accept the Government’s offer of a confirmed four-settlement of funding before the deadline of 14 October 2016.

Appendix 1 Efficiency Plan

Report prepared by: Bob Watson – Head of Finance (shared service)

**Data Quality**

Data sources:

Financial Information System

Data checked by: Nigel Pollard – Section Head (Financial Planning and Analysis)

Data rating:

|  |  |  |
| --- | --- | --- |
| 1 | Poor |  |
| 2 | Sufficient |  |
| 3 | High | 🗸 |

**Background Papers**

None

**APPENDIX 1**

