**POLICY AND RESOURCES COMMITTEE – 18 JULY 2016**

**PART I – NOT DELEGATED**

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

(DoF)

1. **Summary**

* 1. This report covers three specific issues related to: a decision on whether to accept the Government’s offer of a four-year financial settlement; the requirement to publish an Efficiency Plan; and use of the new flexibilities around capital receipts.

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. At the time of the settlement the full details behind this announcement were not available. 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. A further announcement was made at the time of the LGFS to provide all local authorities with additional flexibilities on how capital receipts received between 1 April 2016 and 31 March 2019 could be used to support and fund revenue expenditure relating to public sector reforms carried out during this period.
	2. The Council’s MTFP was approved by Cabinet on the 9th March 2016 and included a high level efficiency plan, see Appendix D. If the Council wishes to accept the Government’s offer then it will need to provide a copy of this or an updated version by 14th October 2016. The Efficiency Plan will need to be approved by Full Council.
	3. 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 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 Ordinarily, it would be being recommended that Committee agrees the decision to accept the offer as it provides an element of certainty and is difficult to see any authorities who choose not to accept the offer benefiting at a result. However, the high level of uncertainty around the impact of the referendum decision to leave the EU voted on last month, means that the whole issue could now be in a state of flux and the likely impact of the referendum vote will not be known until closer to the committal date of 14 October 2016.

3.2 Therefore, at this stage, Committee is requested to delegate the authority to take the decision to the Leader of the Council, in conjunction with the Lead Member for Finance, the Chief Executive and the Director of Finance. This decision will be taken once there is more information available about the impact of the referendum on local authority funding, potential further austerity measures, although the Chancellor has recently abandoned his target to restore Government finances to a surplus by 2020 which may release some of the austerity pressure on local Government. There is also the potential for lost EU funding to local authorities to be covered by the Government; this does not occur in TRDC, but could impact on the overall 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**

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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.

6.2 Officers will produce an Efficiency report as required if the decision to accept the settlement is taken. This will be presented to this committee in October if required.

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 recommendations.

8. **Recommendation to Council**

8.1 That the Policy and Resources Committee recommend to Council to delegate to the Chief Executive and the Director of Finance, in consultation with the Leader of the Council, and the Lead Member for Resources the authority to make a decision on whether or not to accept the Government’s offer of a confirmed four-settlement of funding before the deadline of 14 October 2016.

 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