

## Tabled Paper – Budget 2016-17 Update – Final Local Government Settlement & Rent Setting Guidance.

The Cabinet are asked to:

- a. Consider the proposal to increase Council Tax to £150.00 and if agreed recommend the Band D council tax at £150.00 (replacing recommendation xii)
- b. Resolve the estimated average rent decrease of 1%, in accordance with government guidelines, unless additional information on rent setting is released and delegate authority to The Portfolio Holder for Housing & Home Ownership and the Portfolio Holder for Finance, Budget & Resource Management, in conjunction with the Head of Housing and the Head of Finance to approve amendments to the 2016/17 rent setting, and to also approve and that rent setting for the future continues to follow movements in the 'limit rent' set by government. (replacing recommendation xiv)

### Background

2. On 8 February 2016, the Secretary of State for the Department for Communities and Local Government, Greg Clark MP, announced the final local government finance settlement 2016/17. This paper summarises the key issues contained within the final settlement.

### Final Settlement

3. The main points of note from the final settlement are as follows:
  - No authority would receive a lower amount in the final settlement than previously announced in the provisional settlement.
  - There has been an increase of £525m in funding over the four year period in the Core Spending Power figures. This is due to
    - a. £150m per annum in Transitional Funding for 2016/17 and 2017/18
    - b. £25m in removing the Tariff / Top Up adjustment over 2017/18 and 2018/19
    - c. £91m in additional Rural Services Delivery Grant over 2016/17 and 2017/18
    - d. £109m in potential higher council tax increases for district councils over the four years
4. The changes to the 2016/17 Core Spending Power figures are shown in the table below.

#### Table 1: Final settlement changes from provisional settlement

All figures £m

	Potential additional CT revenue from £5 referendum principle for districts	New Homes Bonus	Rural Services Delivery Grant	Transition Grant	Core Spending Power
England	14.282	-	60.500	150.000	224.782
Ashford	0.134	-	0.062	0.029	0.224

5. The majority of the government's additional funding is concentrated in the first 2 years of the settlement.
6. There is no additional central government funding for 2019/20, meaning (aside from district councils that may be able to raise greater council tax locally), for those authorities that are to receive the revised higher funding allocations for 2016/17 to 2018/19, it is only the pace of the cuts that is now less severe.

### **£5 district Referendum limit**

7. There has been an increase in the Council Tax referendum limit for all districts to the higher of 2% or £5 over the four years (previously it was only districts in the lower quartile for council tax rate).
8. Government has built the additional revenue that would be generated by this increase into their resource model. This is in response to the lobbying of district leaders who have argued that low base authorities should be allowed the freedom to increase their council tax by up to £5.
9. It is therefore proposed to table an amendment to the budget with an increase of £4.55 to take our Council Tax at Band D to £150.00. This would generate a further £73,000 per annum and the revised budget tables at appendix A have been prepared on this basis.

**The following revised recommendations are to be tabled:**

- a. **Consider and if agreed recommend the Band D council tax at £150.00**

### **Review of the Needs Formulae / 100% Business Rates Retention**

10. The Secretary of State announced that "there would be a review of what the needs assessment formula should be in a world in which all local government spending is funded by local resources not central grant, and use it to determine the transition to 100% business rates retention."
11. This suggests that when government convert to 100% retention of business rates there will also be a new assessment of how much funding that each authority needs.

### **Four Year Settlement Offering**

12. The Secretary of State announced that he would give councils until Friday 14 October 2016 to respond to the offer of a four year settlement; but no other information on how the four year offer would work were provided within the details of the final settlement.

## **Business Rates Pooling**

13. All the prospective pools that were published at the provisional settlement are to proceed for 2016/17.

## **Housing Revenue Account Rent Setting**

14. Since the draft budget was published Government have amended the regulations regarding rent setting guidance for supported housing. Government is suggesting that it may continue with the old formula CPI plus 1% for these properties. This supports government's agenda for social care, providing additional resources. At this stage it is unclear quite which type of property that is affected by these amendments.
15. It is therefore proposed to amend the recommendation to reflect the current uncertainty to ensure rents are set appropriately.

### **The following revised recommendations are to be tabled:**

- a. **Resolve the estimated average rent decrease of 1%, in accordance with government guidelines, unless additional information on rent setting is released and delegate authority to The Portfolio Holder for Housing & Home Ownership and the Portfolio Holder for Finance, Budget & Resource Management, in conjunction with the Head of Housing and the Head of Finance to approve amendments to the 2016/17 rent setting, and to also approve and that rent setting for the future continues to follow movements in the 'limit rent' set by government.**

## **Conclusion**

16. Overall the Provisional Settlement has resulted in some additional funding for the council primarily due to government providing additional funding to support delivery of services in rural areas
17. The Governments amendment to the Council Tax capping criteria are welcome and will allow the council more discretion in determining its tax level moving forwards. In response to this late change by government an amendment to the budget has been proposed to increase the council tax by £4.55 to £150.00 as a band D.
18. The Housing Bill, currently going through the House of Lords, may lead to amendments in the guidance for rent setting and the recommendation has been updated to take account of this.

## Appendix A

Actuals 2014/15 £	Budget 2015/16 £	Projected Outturn 2015/16 £	Detail	Estimate 2016/17 £
12,662,382	13,468,570	13,530,610	<b>Service Expenditure</b>	<b>14,205,480</b>
2,357,724	265,120	248,120	Contribution to/(from) Balances	1,316,670
(2,947,755)	(2,106,830)	(2,106,830)	Government Grant	(1,269,920)
(2,183,239)	(2,628,370)	(2,628,370)	Retained Business Rates	(3,410,410)
(953,730)	(554,000)	(554,000)	Business Rates S31 Grants	(538,000)
(2,875,218)	(2,324,000)	(2,339,000)	New Homes Bonus	(3,782,820)
62,110	41,500	41,500	Parish CTS Payment	41,500
(6,105,813)	(6,161,990)	(6,161,990)	Council Tax	(6,562,500)
<b>16,461</b>	<b>0</b>	<b>30,040</b>	<b>Budget Gap</b>	<b>0</b>

REVENUE BUDGET				
SUMMARY				
Actuals 2014/15 £	Budget 2015/16 £	Projected Outturn 2015/16 £	Detail	Estimate 2016/17 £
1,295,520	1,180,610	1,226,610	Corporate, Strategy & Personnel	1,270,720
1,233,907	1,402,300	1,395,230	Legal & Democratic	1,477,660
1,748,960	1,821,590	1,821,180	Planning & Development	1,995,050
2,101,070	2,167,130	2,167,080	Financial Services	2,554,620
160,623	359,740	395,110	Human Resources and Technology	291,010
775,617	888,690	903,250	Housing Services	915,710
451,022	891,010	838,450	Health, Parking & Community Safety	882,700
4,450,502	4,627,570	4,562,760	Environment and Customer Services	4,821,510
(936,132)	(1,060,370)	(1,049,960)	Corporate Property & Projects	(1,512,060)
2,788,256	3,015,240	3,095,840	Culture & the Environment	2,713,130
<b>14,069,346</b>	<b>15,293,510</b>	<b>15,355,550</b>	<b>Service Expenditure</b>	<b>15,410,050</b>
(1,694,370)	(2,106,200)	(2,106,200)	Capital Charges & Net Interest	(1,475,830)
50,180	40,260	40,260	Concurrent Functions Grant	30,260
237,227	241,000	241,000	Levies	241,000
2,357,724	265,120	248,120	Contribution to Balances	1,316,670
<b>15,020,107</b>	<b>13,733,690</b>	<b>13,778,730</b>	<b>ABC Budget Requirement</b>	<b>15,522,150</b>
			<b>Income</b>	
(2,947,755)	(2,106,830)	(2,106,830)	Government Grant	(1,269,920)
(2,183,239)	(2,628,370)	(2,628,370)	Retained Business Rates	(3,410,410)
(953,730)	(554,000)	(554,000)	Business Rates S31 Grants	(538,000)
(2,875,218)	(2,324,000)	(2,339,000)	New Homes Bonus	(3,782,820)
62,110	41,500	41,500	Parish CTS Payment	41,500
(6,105,813)	(6,161,990)	(6,161,990)	Council Tax	(6,562,500)
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