

RIBBLE VALLEY BOROUGH COUNCIL INFORMATION

REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 4

meeting date: 5 FEBRUARY 2019
 title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20
 submitted by: DIRECTOR OF RESOURCES
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1. PURPOSE

1.1 To report the details of the provisional finance settlement for 2019/20.

2. BACKGROUND

2.1 The local government finance settlement is the annual determination of funding to local government and is approved by the House of Commons. The grant settlement for next year was issued on 13 December 2018 following a delay due to the BREXIT debate.

2.2 The Secretary of State for Housing, Communities and Local Government, James Brokenshire, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2019/20.

2.3 The consultation period ended on 10 January 2019. It is expected the final settlement will be laid before the House of Commons in February.

3. MULTI YEAR SETTLEMENT

3.1 The 2019/20 grant settlement is the final year of a four year funding deal agreed with councils via a multi year settlement which was subject to each council publishing an efficiency plan

3.2 As expected the provisional grant settlement announcement honours the funding allocations already made to us as part of the multi year settlement.

4. KEY INFORMATION FOR RIBBLE VALLEY

4.1 Our key settlement information is as follows:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Settlement Funding Assessment	1.862606	1.569143	1.411972	1.440600
of which:				
Revenue Support Grant	0.623087	0.304319	0.109149	0.000000
Baseline Funding Level	1.239518	1.264824	1.302823	1.440600
Tariff/Top-Up ³	-4.361493	-3.997472	-4.147262	-6.364375
Tariff/Top-Up adjustment			-0.028828	
Safety Net Threshold	1.146554	1.169962	1.205111	1.368570
Levy Rate (p in £)	0.50	0.50	0.50	0.00

5. NEW HOMES BONUS

5.1 In December 2016 following a consultation exercise the Government announced reforms to the New Home Bonus Scheme:

- reduce the number of years NHB payments are made from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19; and
- introduction of a national baseline for housing growth set initially at 0.4% from 2017/18. Housing growth below this level in each authority will not receive Bonus allocations. The Government also retained the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

5.2 In 2018/19 the Government decided to maintain the baseline at 0.4%. Following the 2019/20 technical consultation they decided that decisions on the baseline for 2019/20 would be made following the publication of the council tax base statistics in November. After considering the taxbase data they have decided not to make any changes to the baseline for 2019/20. However beyond 2019/20 there is still considerable uncertainty regarding NHB.

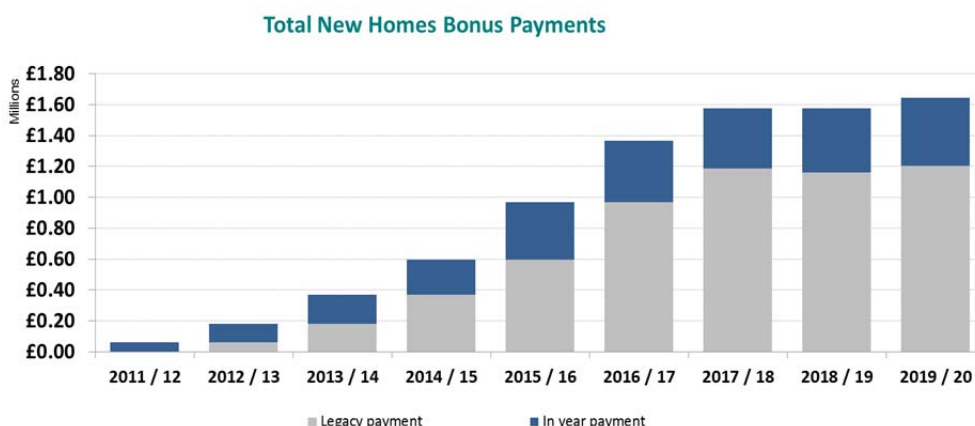
5.3 The New Homes Bonus Scheme is mainly funded from Revenue Support Grant.

Impact on Ribble Valley

5.4 Our in year allocation for 2019/19 will increase from £414k to £442k. In effect our taxbase had to increase by 106 new properties between October 2017 and October 2018 before we could receive any NHB for 19/20. Our allocation includes a payment for new affordable housing within the year. We are querying our payment with MHCLG as we believe we have significantly more than the 34 allowed. We will also be submitting evidence of the impact of downbandings during the year on our NHB allocation. If successful we could gain £9,471 each year for 4 years of which we would receive 80%.

5.5 Our total provisional allocation for next year is £1.643k compared with £1.576k in 2018/19. We will inform the BWG if our allocation changes as a result of our appeals.

5.6 Annex 1 shows our allocation by year.



6. BUSINESS RATES

6.1 As you are aware we submitted an application for a Lancashire Pilot Pool for 75% Business Rate Retention at the end of September.

6.2 The announcement of successful Pilots was made alongside the provisional grant settlement. Pleasingly the Government have approved our bid and we have received the official designation letter from MHCLG confirming the new Lancashire Pilot Pool which consists of all local authorities in Lancashire including the Fire Authority with the exception of Lancaster City Council.

- Burnley Borough Council
- Chorley Borough Council
- Fylde Borough Council
- Hyndburn Borough Council
- Pendle Borough Council
- Preston City Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council
- Lancashire County Council
- Blackpool Borough Council
- Blackburn with Darwen Borough Council
- Lancashire Combined Fire Authority

6.3 The designation has effect from 1 April 2019 and for each subsequent year unless revoked.

6.4 Local authorities in the pool had 28 days from the date of the announcement of the Local Government Finance Settlement (13/12/18) to consider if they wish to continue to be designated as a pool. Provided no authority withdraws the new pool will exist from 1 April 2019. We are not aware of any member withdrawing.

6.5 All pilot authorities will each retain an increased amount of locally raised business rates. In return we will forego Revenue Support Grant (RSG) and Rural Services Delivery Grant. Top-ups and tariffs for all pilot members are adjusted to ensure fiscal neutrality.

6.6 Initial estimates suggest the Lancashire Pilot Pool could retain extra business rate growth in the region of £9m however we will have a clearer picture when we all complete our NNDR1 returns which are due to be submitted by the end of January.

7. LEVY ACCOUNT ADJUSTMENT

7.1 Under business rate retention the Government collect levies from authorities payable on growth and use this to compensate authorities who are below their safety net threshold. In 2018/19 there is a surplus on the levy account (based on 2017/18 outturns) and the Government have announced that this surplus will be distributed to authorities pro rata to their 2013/14 Settlement Funding Assessment (SFA). This is a proxy for the relative need of each authority. Ribble Valley will receive £20,446.

8. NEGATIVE REVENUE SUPPORT GRANT

8.1 In their recent technical consultation the Government put forward a number of options in order to cancel negative RSG in 2019/20. They have now announced that negative RSG will be eliminated via forgone business rate receipts. This is pleasing news for Ribble Valley as our negative RSG for next year was set to be £109k.

9. RURAL SERVICES DELIVERY GRANT (RDSG)

9.1 Rural Service Delivery Grant allocations were set to reduce from £81m in 2018/19 to £65m in 2019/20. The Government have confirmed that they will maintain RSDG at the 2018/19 levels of £81m.

9.2 For Ribble Valley this means that our initial allocation for next year of £86,603 will increase to £107,921. This will no longer be paid separately however but will be rolled in along with RSG to business rates baselines.

10. SOCIAL CARE

10.1 In the Autumn Budget the Government announced £650m extra funding in 2019/20 for local authorities

- £250m additional funding to spend on adult social care services to help councils alleviate winter pressures on the NHS
- £410m of social care grant to use for adult and children's services

11. COUNCIL TAX REFERENDUM PRINCIPLES

11.1 The Government have decided upon the following referendum principles

- a core principle of up to 3%. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities;
- a continuation of the Adult Social Care precept, with an additional 2% flexibility available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017/18 and 2019/20, and increases being no more than 2% in 2019/20;
- shire district councils in two-tier areas will be allowed increases of up to 3%, or up to and including £5, whichever is higher;
- police and crime commissioners (PCCs) will be allowed increases of up to £24 in 2019-20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept). This investment in the police system, combined with extra grant, will help forces meet increased demand and financial pressures, as they work towards continued efficiency savings in 2019-20.

11.2 The Government has announced that they will not be introducing referendum principles for parish and town councils, a proposal that they consulted on as part of the summer technical consultation on the 2017/18 settlement. They will keep the level of precepts set by town and parish councils under review and may introduce referendum principles in the future.

13. SPENDING POWER

13.1 Core Spending Power has increased by 2.8% for local government as a whole in 2019/20. This increase is largely due to the new adult social care grants.

Ribble Valley's Core Spending Power

CORE SPENDING POWER					
Ribble Valley					
Illustrative Core Spending Power					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	2.253017	1.862606	1.569143	1.411972	1.332680
Compensation for under-indexing the business rates multiplier	0.017927	0.017927	0.019000	0.029856	0.043427
Council Tax of which;	3.053395	3.208677	3.275257	3.451102	3.626976
<i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	3.053395	3.160528	3.226109	3.385120	3.546679
<i>additional revenue from referendum principle for social care</i>	0.000000	0.000000	0.000000	0.000000	0.000000
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.000000	0.048149	0.049148	0.065983	0.080298
Improved Better Care Fund	0.000000	0.000000	0.000000	0.000000	0.000000
New Homes Bonus	0.968616	1.366884	1.576990	1.575908	1.643759
New Homes Bonus returned funding	0.004002	0.002862	0.003036	0.000000	0.000000
Rural Services Delivery Grant	0.020651	0.107254	0.086603	0.107921	0.107921
Transition Grant	0.000000	0.020424	0.020345	0.000000	0.000000
The Adult Social Care Support Grant	0.000000	0.000000	0.000000	0.000000	0.000000
Winter pressures Grant	0.000000	0.000000	0.000000	0.000000	0.000000
Social Care Support Grant	0.000000	0.000000	0.000000	0.000000	0.000000
Core Spending Power	6.317609	6.586633	6.550373	6.576759	6.754763
Change over the Spending Review period (£ millions)					0.437154
Change over the Spending Review period (% change)					6.919612
Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.					
The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Funding Assessment figures after adjustments for pilots please see Key Information for Local Authorities.					

14. 2019 SPENDING REVIEW

14.1 The 2019 Spending Review will confirm overall local government resourcing from 2020/21. **The Government is working towards significant reform in the local government finance system in 2020/21**, including:

- an updated, more robust and transparent distribution methodology following the review of relative needs and resources; and

- reforms to business rates retention, including resetting business rates baselines.
- 14.2 Consultation papers regarding both of these have been published alongside the grant settlement. These close on 21 February 2019 and will both need to be considered in detail.
- 14.3 Prior to these reforms in 2020/21, the Government has also committed to:
- test aspects of the new system, and will be implementing a further round of business rates retention pilots in 2019-20; and
 - publish a Green Paper on the future of Adult Social Care
15. CONCLUSION
- 15.1 As the final year of the four year settlement our allocations are in line with those previously announced, however we are better off as a result of:
- Negative RSG being eliminated +£109k
 - Rural Services Delivery Grant being maintained at the current year's level +£21k
 - Approval of our Lancashire Business Rate Pilot Pool bid which will mean we will retain extra business rate growth in the region of +£360k
 - Levy account surplus being returned to authorities +£20k
 - New Homes Bonus Baseline being retained at 0.4%.

DIRECTOR OF RESOURCES

PF10-19/JP/AC
28 January 2019

RIBBLE VALLEY BC NEW HOMES BONUS ALLOCATIONS BY YEAR

Relates to:	Received in year											
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
2011/12	62,046	62,046	62,046	62,046	62,046	62,046						
2012/13		117,599	117,599	117,599	117,599	117,599						
2013/14			188,053	188,053	188,053	188,053	188,053					
2014/15				227,108	227,108	227,108	227,108					
2015/16					373,810	373,810	373,810	373,810				
2016/17						398,268	398,268	398,268	398,268			
2017/18							389,751	389,751	389,751	389,751		
2018/19								414,079	414,079	414,079	414,079	
2019/20									441,661	441,661	441,661	441,661
2020/21										?	?	?
2021/22											?	?
2022/23												?
	62,046	179,645	367,698	594,806	968,616	1,366,884	1,576,990	1,575,908	1,643,759	1,245,491	855,740	441,661