

Scrutiny Panel

7th February 2018



Finance update

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Corporate Resources



LONDON BOROUGH OF HACKNEY

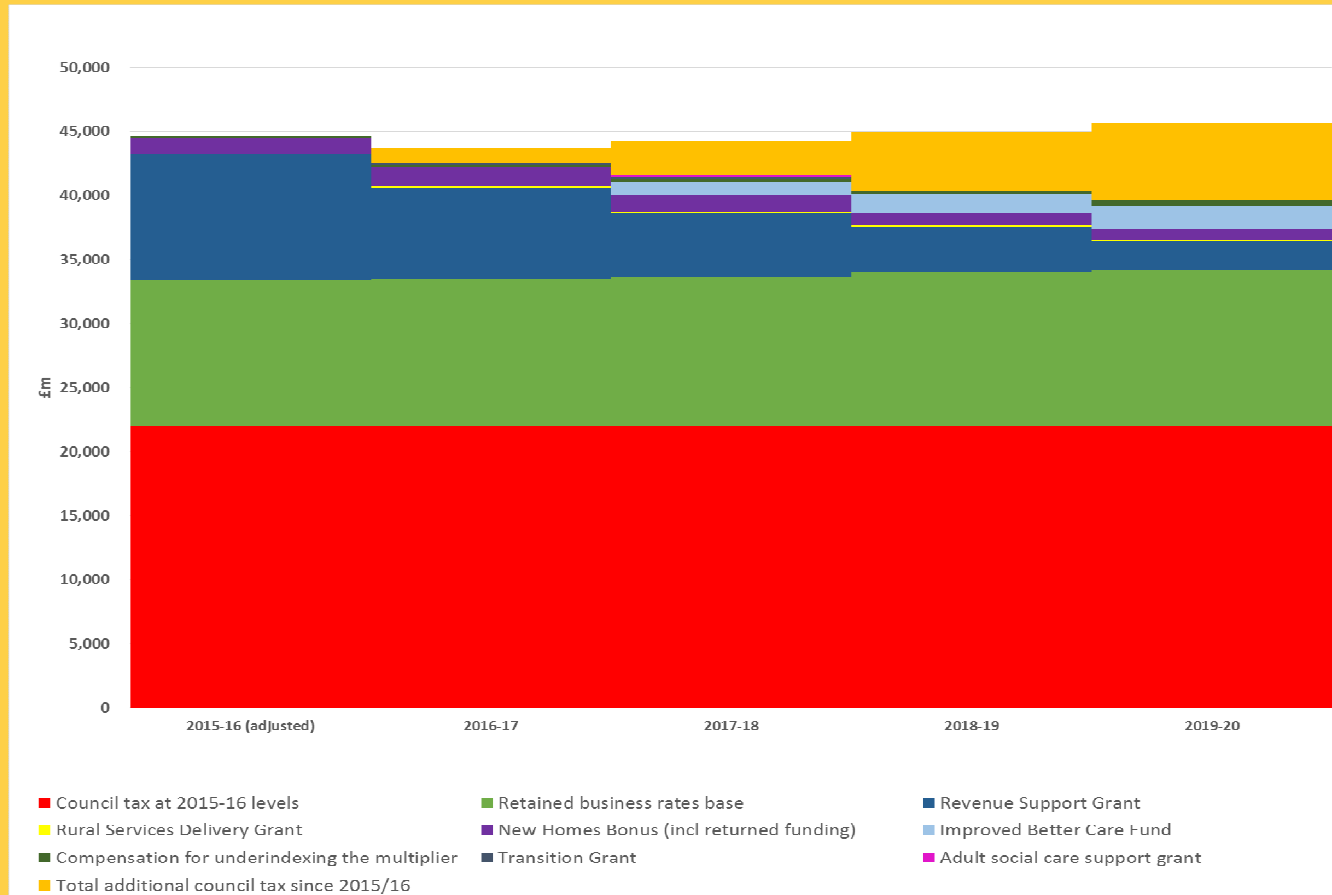
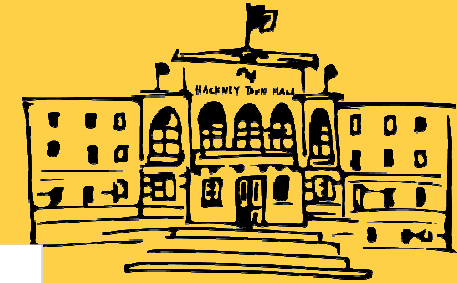


2017/18 LGF Settlement - Headlines

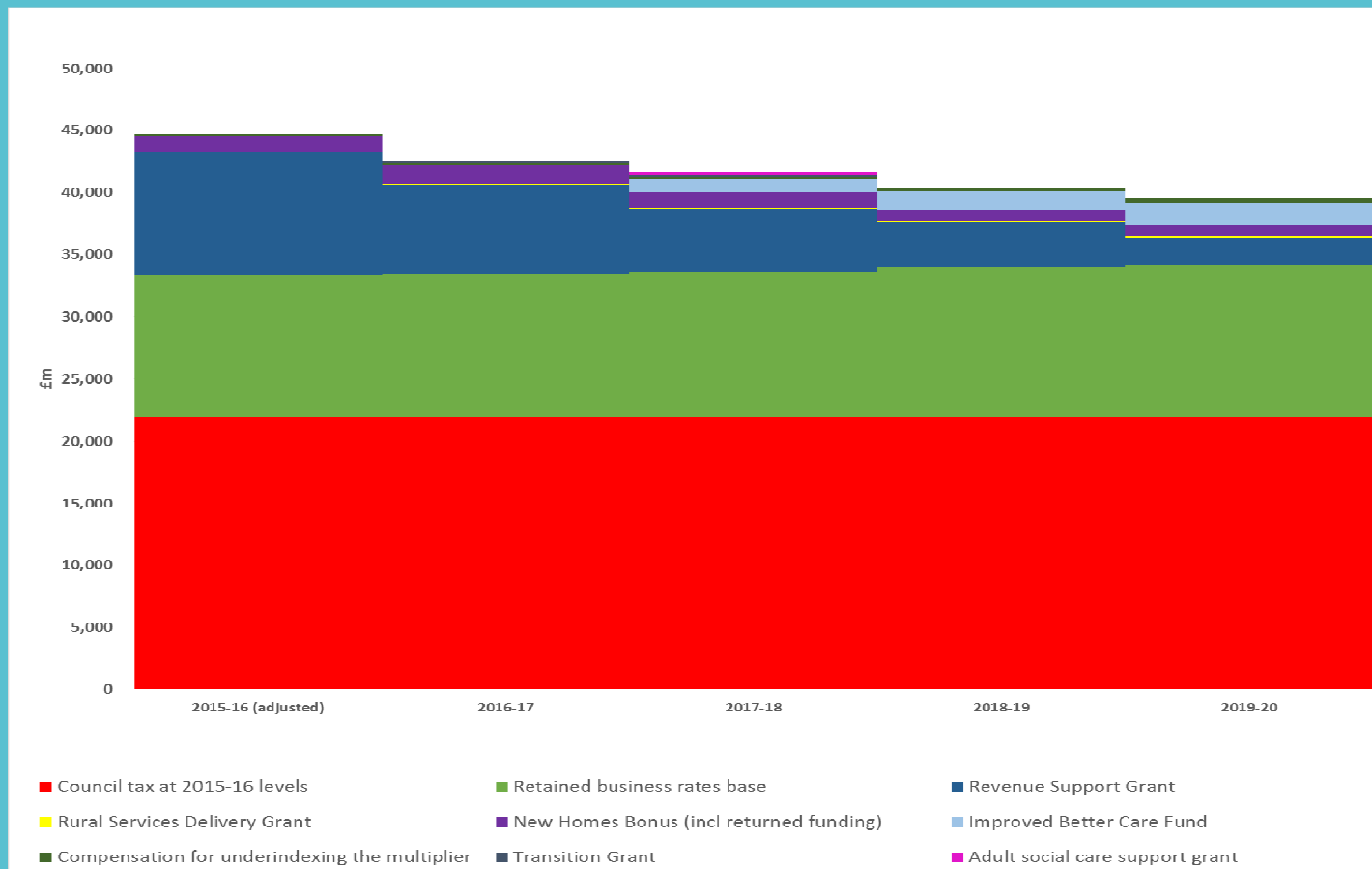


- Almost no additional central government funding
- Core Spending Power will increase by 2.1% over SR period
- 1.5% increase in Core Spending Power in 2018/19
- Expanded flexibility for local authorities in setting council tax levels
- New Homes Bonus
- Forthcoming consultation on negative RSG – ‘fair and affordable’
- 97% of councils accepted the multi-year settlement offer

Core Spending Power (Dec 2017)



Core Spending Power excluding additional council tax (Dec 2017)

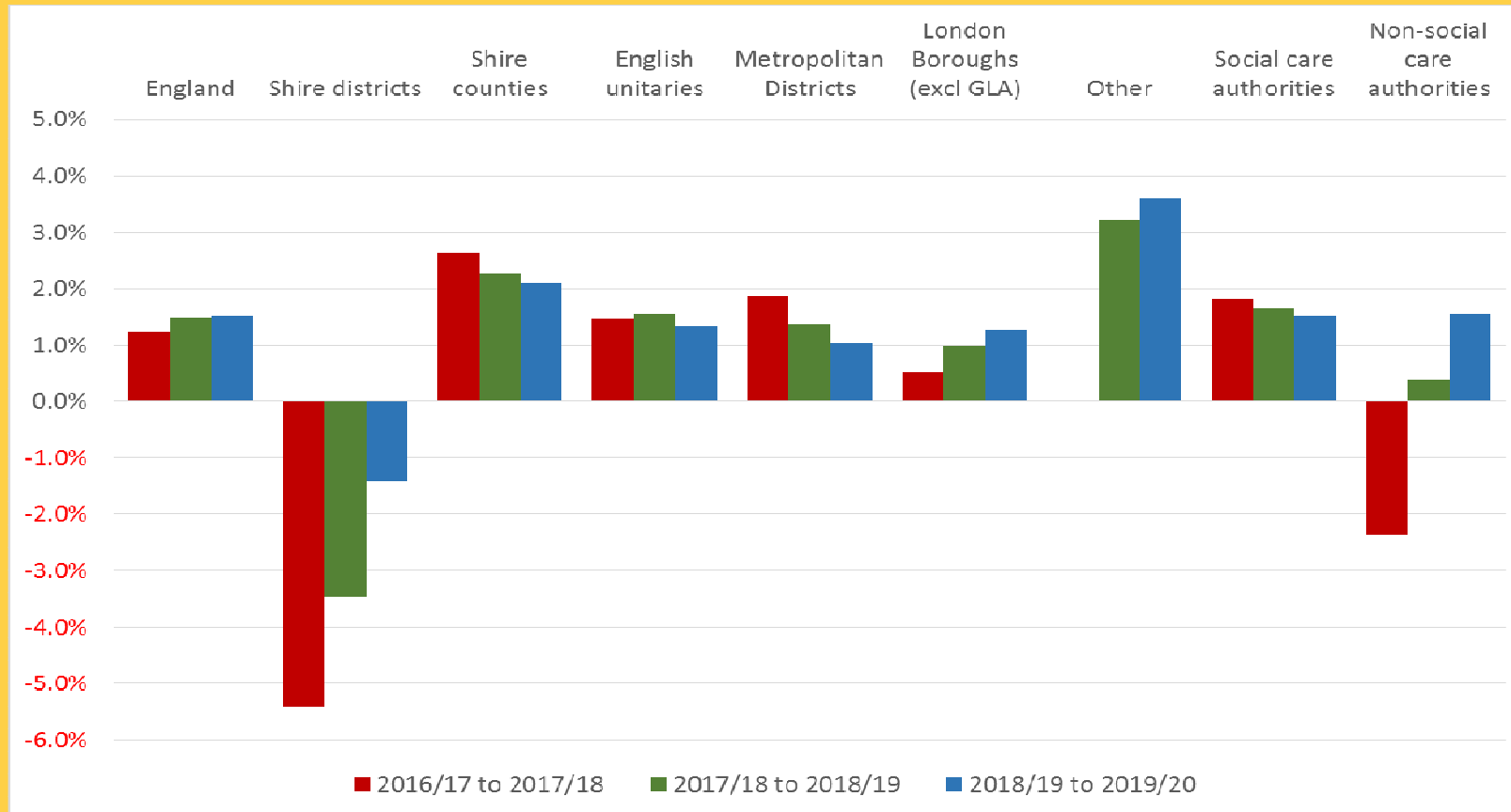


Changes in Core Spending Power since February 2017, excluding pilots

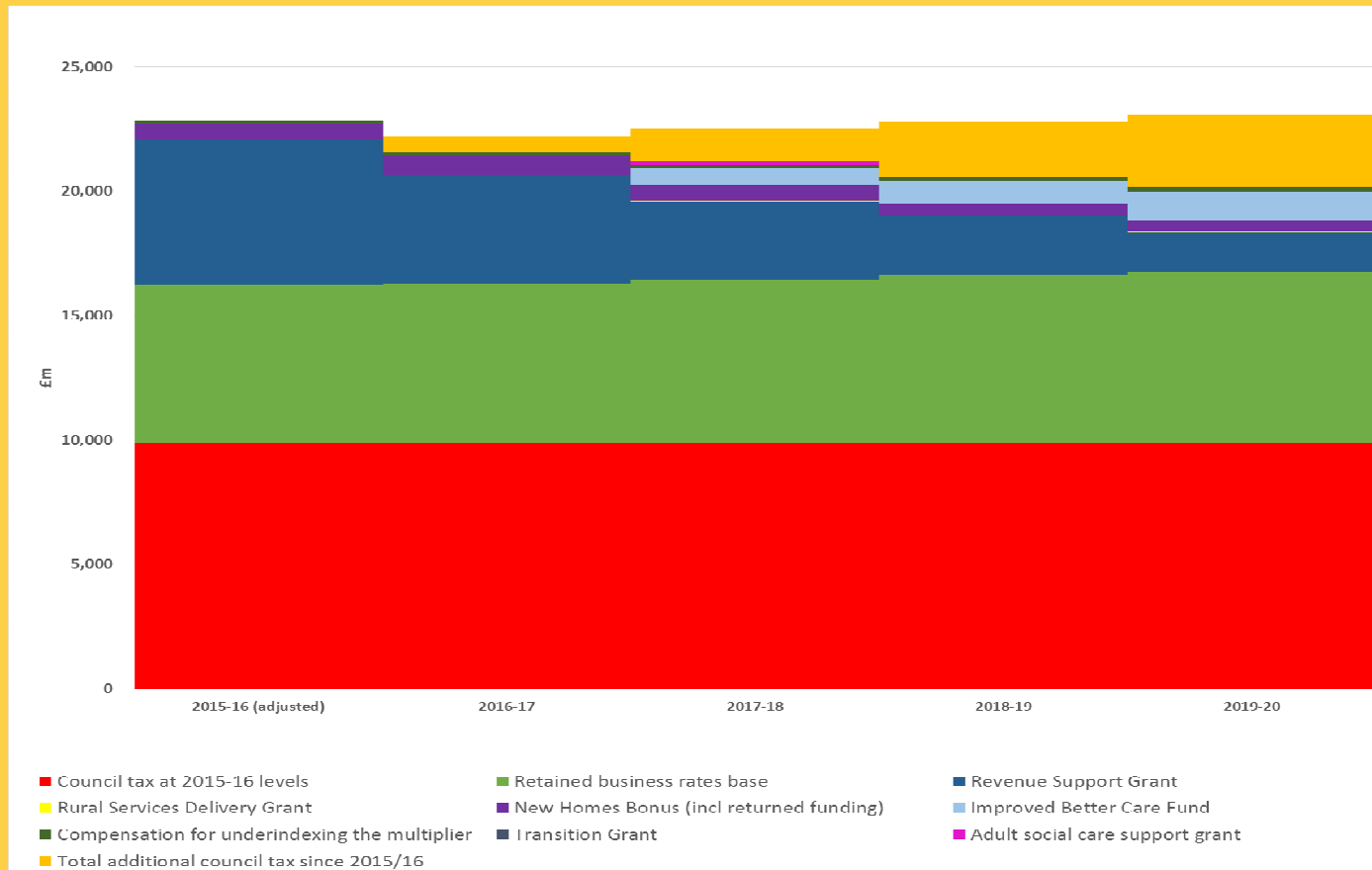


	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Core spending power (Feb 2017)	43,564.2	44,078.6	44,167.8	45,015.3
Core spending power (Dec 2017)	43,729.3	44,271.3	44,934.4	45,622.8
Variance	165.1	192.7	766.6	607.6
Explained by:				
Council tax - including core additional	0.0	-88.0	141.8	392.6
Adult social care precept	0.0	134.0	371.6	12.8
£5 / GLA flexibility	0.0	-3.4	4.7	13.0
Business rates - local share	0.0	0.0	-24.8	-186.4
S.31 grant for underindexing the multiplier	165.1	150.0	250.0	375.5
Revenue support grant	0.0	0.0	0.0	0.0
New homes bonus	-23.1	-24.5	8.2	0.0
New homes bonus - returned funding	23.1	24.5	0.0	0.0
Rural services delivery grant	0.0	0.0	15.0	0.0
Total variance	165.1	192.7	766.6	607.6

Core Spending Power Year-on-year changes



Core Spending Power Mets, London, Unitaries (Dec 2017)



Council tax



- 3% referendum limit
- ASC precept: Up to 3% in 2017/18 and 2018/19, up to 2% in 2019/20.
- No more than 6% overall
- Shire districts: the higher of £5 or 3% Band D
- PCCs / GLA police - £12 limit
- Directly elected mayors precept – by agreement
- No referendum limit for town and parish councils for next 3 years

- Assumed growth in council tax in Core Spending Power:
 - 3% pa ASC Precept in 2018/19, max possible in 2019/20
 - Referendum limit
 - Growth in base based on last four years (average 2% per annum but localised)

Other announcements



- New Homes Bonus
 - Bonus paid for 4 years (reduction expected)
 - Plans to increase the threshold did not happen
 - Adjustment for homes approved by the Planning Inspectorate is not going ahead
- £35 million top slice to fund the safety net
- Adjustment to tariffs and top-ups for dealing with appeals
- Flexibility to use new capital receipts on revenue projects extended for three years, beyond 2020
- The Rural Services Delivery Grant will be £65 million in 2018/19

Business Rates Retention



- 75% Business Rates Retention in 2020/21
- Grants rolling in: RSG, RSDG, Public Health, GLA capital
- 75% growth retained
- Reset in 2020/21 and new funding baselines
- Other improvements e.g. appeals
- 2017/18 pilots to continue.
- Extended London pilot announced in Autumn Budget 2017
- 10 new pilot areas (Berkshire, Derbyshire, Devon, Gloucestershire, Kent & Medway, Leeds, Lincolnshire, Solent, Suffolk, Surrey)
- 2019/20 pilots
- Fair Funding Review implementation in 2020/21
- Fair Funding consultation published – deadline 12 March

key messages



General

- Disappointing the Government has failed to tackle the £7.1 billion funding gap – use BRR or new funding
- Additional council tax flexibility helps but:
 - 88 shire districts do not benefit
 - Places burden on households
 - Raises different amounts around the country, unrelated to need
 - Not enough to meet the funding gap
 - Referendums are an unnecessary burden
- Rises in pay and prices since accepted 4 year deal
- Cliff edge in 2020/21
- Announce settlements earlier

key messages



Social Care

- Extremely disappointing that Government has failed to find any new funding for children's and adults social care
- Adult social care precept continues to provide some flexibility but:
 - Places burden on households
 - Raises different amounts around the country, unrelated to need
 - Not enough to meet the funding gap
- Commitment to publishing Green paper on ASC welcome but funding needed in interim

key messages



Business Rates

- Welcome ten new pilots to test 100 per cent business rates retention in 2018/19
- Pilots must not negatively impact other councils
- Work with Government on further retention, fair funding review and a better way to deal with appeals

Fair Funding Review- reminder of work (not in response)

- Principles
- Needs models
- Resources equalisation models
- Transition models
- Updating the data

key messages



New Homes Bonus

- The NHB makes up a considerable part of funding for many shire district authorities
- Good news that the Government has not amended the system – e.g. by increasing the baseline even further or holding back based on planning decisions
- The baseline of 0.4 per cent could remove incentive and penalise low growth areas
- Don't increase the baseline and fund this from outside the settlement



Any Questions?