

# CABINET

Agenda Item: 6

**Ward:** All

**Portfolio:** Finance

**Report Author(s):** Paul Deal  
Corporate Financial Advisor (S151)

**Meeting Date:** 10 October 2016

**SUBJECT:** Four Year Financial Settlement Offer

	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
<b>Report Sign off</b>	Legal	N/A	
	Finance	Paul Deal	28 September 2016
	Procurement	N/A	
	Group Manager	GMG	
	Portfolio Holder	Cllr Parham	28 September 2016
	Ward Member(s)	All	
<b>Summary:</b>	The report summarises the implications, process and timeline for the four year financial settlement offer and seeks approval of the offer.		
<b>Recommendation:</b>	<b>Cabinet is recommended to accept the four year financial settlement offer.</b>		
<b>Direct and/or indirect impact on service delivery to our customers and communities:</b>	The financial health of the Council may impact on all priorities when the Council needs to make funding decisions for future years.		
<b>Legal Implications:</b>	None as a direct result of this report.		
<b>Financial Implications:</b>	The financial implications arising from this report are all included in detail in the main report. Accepting the offer provides greater certainty of funding around the Medium Term Resource Strategy (MTRS) period.		
<b>Value for Money:</b>	The MTRS is the vehicle that plans and allocated resources and enables the Council to demonstrate and achieve value for money in its operations.		
<b>Equalities Implications:</b>	None as a direct result of this report.		
<b>Risk Assessment and Adverse Impact on Corporate Actions:</b>	The key risk is the failure to align the available resources to the priorities of the Council, resulting in the needs of residents not being met.		
<b>Scrutiny Recommendation</b>	N/A		

## 1. INTRODUCTION

1.1. The offer to all local authorities was announced by Greg Clarke MP in the 2016/17 Provisional Local Government Finance Settlement and confirmed in the Final Settlement. The offer was of a guaranteed – although significantly reduced and reducing - level of funding to every Council able to demonstrate efficiency savings for each year of the current Parliament (to 2019/20). Local authorities have been given until Friday 14 October to confirm whether they wish to accept the offer. This report therefore seeks to gain Cabinet’s approval to accept the offer.

## 2. THE FOUR YEAR FINANCIAL SETTLEMENT OFFER

2.1. The ‘offer’ itself currently only includes Revenue Support Grant (RSG), Transitional Funding and the Rural Services Delivery Grant. For Mendip District Council, this equates to the following funding allocations:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Revenue Support Grant	1.403	0.772	0.382	0.000
Transitional Funding				
Rural Services Delivery Grant	0.242	0.195	0.150	0.195
<b>TOTAL</b>	<b>1.645</b>	<b>0.967</b>	<b>0.532</b>	<b>0.195</b>

When put into context, the 2016/17 guarantee represents approximately 13% of the 2016/17 Net Budget. By 2019/20, the offer is negligible.

2.2. The offer also states that for those that accept the four year offer there will be no changes to the Business Rates tariffs or top-ups, these will “not be altered for reasons related to the relative needs of local authorities”. Therefore, the following are also ‘guaranteed’:

Business Rates Tariff	-10.043	-10.240	-10.542	-10.879
Business Rates Tariff Adjustment	0.000	0.000	0.000	-0.054
<b>TOTAL</b>	<b>-10.043</b>	<b>-10.24</b>	<b>-10.542</b>	<b>-10.933</b>

It is important to note that in 2019/20 the allocation of RSG ceases, and a new additional business rates tariff is implemented. This is effectively negative RSG and allocates a greater proportion of locally raised funding to other authorities across the country. Although at £54k this is relatively small, the precedent is set and the calculation in future years could be higher.

## 3. ADVANTAGES / DISADVANTAGES

3.1. Accepting the offer could provide the following benefits:

- Greater financial certainty (through certainty of the above grant income);
- Protection from distributional changes to funding;
- Potentially greater protection from future cuts;
- Protection from changes to assessment of needs.

3.2. However, acceptance of the offer does not guarantee protection from:

- Additional responsibilities and functions that might need to be accepted by local government as part of the move towards 100% business rates retention;
- Any future transfer of functions to or between local authorities;
- Other unforeseen events (with no specific examples provided).

3.3. Should it be decided not to take up the offer, Mendip will remain subject to the traditional annual cycle of settlements and may be affected by further deficit reduction plans.

## 4. EFFICIENCY PLAN

4.1. If the offer of a four year settlement is accepted then an Efficiency Plan would need to be produced and published by the 14 October 2016. Whilst DCLG do not intend to provide guidance on what the efficiency plan should contain, they have stated that they should:

- Show how the greater certainty can bring about opportunities for further savings;
- They should cover the full four year period;
- Be open and transparent about the benefits/impacts to the council and community.

4.2. Efficiency plans do not need to be a separate document. DCLG is happy for them to be combined with the MTRS and will be expected to show how a four year settlement will bring about opportunities for further savings.

4.3. At this stage it is not known how many authorities will accept the four year offer. Indications, gathered purely from conversations with other Councils, are that many feel it would be safer to accept than to reject the offer. This is mainly because the Autumn Statement may bring further cuts to Local Government and it is believed that signing up to the offer gives some protection against that.

## 5. RECOMMENDATION

5.1. **Cabinet is recommended to accept the four year financial settlement offer.**

## 6. REASONS FOR RECOMMENDATIONS

6.1. It is important to bring certainty to our financial outlook by signing up to the Government offer for a four year settlement. Although this means accepting significant financial challenges as the government reduces its overall funding to the Council, the understanding of the level and pace of this reduction means that an improved strategic approach can be developed to mitigate the impacts.

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**List of background Papers (available upon request):**

- The 2016/17 Provisional Local Government Finance Settlement
- <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017>