

Briefing Note on the Four Year Settlement

Background

The Government made an offer of a fixed, four-year Local Government Finance Settlement in February 2016, covering the years 2016/17 to 2019/20. The offer to each local authority is conditional on the authority producing and publishing on its website an Efficiency Plan that will outline how it will achieve its objectives within the available resources set out in the settlement. Efficiency plans do not need to be a separate document and they can be combined with the Medium Term Financial Strategy.

The multi-year settlement proposed for Epsom and Ewell was:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £000	2019/20 £000
Final Settlement					
Revenue Support Grant	1,006	417	0	0	0
Retained Business Rates - Baseline	1,289	1,435	1,324	1,364	1,407
Transition Grant	0	93	83	0	0
Tariff Adjustment	0	0	0	0	-624
Forecast Funding	2,295	1,810	1,407	1,364	783

The settlement had a front loaded cut on the Revenue Support Grant as opposed to the widely anticipated phased reduction over the four years.

The Government has not set out a template for the Efficiency Plan. The Secretary of State for Communities and Local Government has stated that the offer and the production of an Efficiency Plan are intended to be:

‘as simple and straightforward as possible . . . [it] is not about creating additional bureaucracy’.

However, it is required to cover the full four-year period and be open and transparent about the benefits this will bring to both the Council and the community. There is also the suggestion that the Council should collaborate with local neighbours and public sector partners and link into devolution deals where appropriate.

Regardless of the Government’s requirements, it is suggested that the Council would wish for its own satisfaction to be assured that the Efficiency Plan is robust and sufficiently detailed and credible to demonstrate that the authority can manage within the projected levels of funding.

To accept the offer a local authority must send a letter or email (to Multiyearsettlements@communities.gsi.gov.uk) by 5pm on Friday 14th October and include a link to the published efficiency plan.

A local authority is not obliged to accept the offer set out in the four-year local government finance settlement. However, the risk in not accepting the offer is that any subsequent year's annual settlement may be less favourable than that outlined in February 2016. This risk applies equally to authorities in receipt of Revenue Support Grant (RSG), and those like Epsom and Ewell that are not scheduled to receive RSG in future years.

Available Options

A local authority is not obliged to accept the offer set out in the four-year local government finance settlement or to prepare an Efficiency Plan. The options are therefore:

- (1) Do nothing – do not accept the Government's funding offer and continue to receive an annually determined settlement
- (2) Submit the MTFS / Efficiency Plan and accept the funding offer.

It could be argued that, as the Council is not due to receive RSG after 2016/17, there is nothing to be gained by accepting the funding offer. However, there is nevertheless a risk of a more unfavourable outcome for Councils that do not accept the offer. For example, this Council is already due to be subject to a 'tariff adjustment' to business rates retained by the Council in 2019/20, which is effectively negative RSG. This tariff adjustment could be increased if the amount of overall local government funding were to be revised downwards and those authorities that had not accepted the funding offer were to bear a disproportionate share of the cut.

An advantage of accepting the four year settlement would be the removal of uncertainty in levels of funding from central Government. This has traditionally placed a strain on resources around December and January to make revisions to the budget in time for Committee meetings. The certainty of funding would allow for a more predictable budget setting and the ability to get to known positions earlier in the process.

After 2019/20, the business rates retention regime is likely to change, with the local authority share of business rates increasing from 50% to 100%.

Advice on the contents of the Efficiency Plan is still emerging.

The majority of those authorities with a business rate tariff adjustment appear to be accepting the settlement.

Potential Next Steps

- (1) That the approved cost reduction plan is renamed the Efficiency Plan and the MTFS is retitled MTFS and Efficiency Plan.

- (2) Any further amendments required to the MTFS and Efficiency Plan can be made by the Chief Executive following consultation with the Chair and Vice Chair of Strategy and Resources.
- (3) That should Members wish to accept the multi-year settlement that a link is provided to the retitled MTFS and Efficiency Plan document.
- (4) That Members and Leadership Team develop our Efficiency Plan during October to January as part of the 2017/18 Budget Process.