



Full Council

10 October 2016

Subject: 4 Year Settlement Agreement

Report by:

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Contact Officer:

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Purpose / Summary:

To consider the Governments invitation to agree a 4 year financial settlement.

RECOMMENDATION(S):

- 1 - That Corporate Policy and Resources Committee approve that the Council pursue a 4 Year Settlement and provide a supporting Efficiency Plan.
- 2 – That members of this committee recommend to Council the submission of the attached efficiency plan along with the MTFP agreed in March 2016
- 3 – That members delegate to the Chief Executive and Director of Resources in consultation with the Leader any presentational changes deemed appropriate before submission.

IMPLICATIONS

Legal: None

Financial : FIN/50/17

The Medium Term Financial Plan (MTFP) 2016/17 – 2020/21 was based on the 4 year indicative settlement figures. The financial position will therefore remain in line with the MTFP and by accepting a 4 year settlement this provides some level of certainty.

Staffing : Efficiencies within the MTFP will affect staff, and this will be managed effectively and in accordance with our policies.

Equality and Diversity including Human Rights :

West Lindsey District Council has a commitment to equal opportunities and any staff affected will be treated fairly.

Risk Assessment :

Accepting the deal will reduce the risk of settlement funding volatility. We should be aware that there remains uncertainty around the impact of the retention of NNDR and New Homes Bonus scheme.

Climate Related Risks and Opportunities : None

Title and Location of any Background Papers used in the preparation of this report:

Medium Term Financial Plan 2016/17

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Introduction

As part of the local government final settlement in February 2016, the DCLG offered Local Authorities the opportunity to sign up to a four year deal regarding the three elements of grant within the announcement. Those grant areas are, Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and Transition Grant (TG)

The four year profile provided for these grants is as follows:

(£m)	2016/17	2017/18	2018/19	2019/20
RSG	1.387	0.761	0.371	0.0
RSDG	0.471	0.381	0.293	0.381
TG	0.0	0.0	0.0	0.0

The summary of our MTFP for 2016/17 is as follows:

Net Funding Gap	0.0	0.382	0.683	0.703
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The current proposals to balance the future years are:

New Income	0.0	0.110	0.151	0.183
Streams				
Increased Tax	0.0	0.030	0.051	0.063
New Efficiencies	0.0	0.044	0.202	0.330
Organisational Restructures				
2017/18		0.200	0.200	0.200
2019/20			0.100	0.200
Total Savings	0.0	0.384	0.704	0.976

The level of reductions to our bottom line exceed the net funding gap for the years 2018/19 and 2019/20 as we are have a requirement in 2020/21 of £1,065k. Our proposals are therefore geared to deliver a balance over 4 years not just the four years required by DCLG.

Options

1 – To submit an efficiency plan (expected to be a summary of the MTFP providing detail behind the proposals above) to DCLG and fix the levels of grant for the next four years.

2 – To choose not to submit an efficiency plan and run the risk of the grant levels being changed by Government.

3 – To write expressing our commitment to delivering a balanced position over the four year period but not submitting an efficiency plan.

Considerations

In making a decision on submitting a four year efficiency plan and agreeing the level of government funding set out in the settlement for 2016/17 the following matters should be taken into account.

Revenue Support Grant (RSG)

The RSG will no longer exist by 2019/20 and in our own circumstances we cease to receive RSG within three years. By agreeing to a four year deal it is proposed that this arrangement will not change, i.e. the time period will not be shortened.

Rural Service Delivery Grant (RSDG)

This grant was substantially increased in the revised settlement in February. Our settlement provided the following levels of grant over the next four years: 2016/17 £ 471k, 2017/18 £381k, 2018/19 £293k, 2019/20 £381k . The four year deal would secure this income stream for the four years.

WLDC Strategy

As an Authority West Lindsey District Council is committed to being independent of RSG in the next four years. The Government's commitment would provide some certainty over that period whilst we put provision in place to deliver that strategy. A commitment to DCLG will require that we are confident of our plans to secure a balanced budget over the medium term.

Risks

At this time there is no indication of any monitoring to be undertaken by DCLG and therefore this is a low maintenance arrangement. However we must be conscious that with the changes in government this may change.

The new government has made no announcements regarding this proposition and we are therefore assuming it is still committed to the four year deal arrangements. However, it is known that the new Chancellor will deliver his first autumn statement on the 23rd November which will set the new government's financial strategy for the remainder of the current political term.

At the same time as offering a four year deal on revenue funding, the Government is committed to devolving 100% of NNDR (Business Rates) to Local Government. This is a delegation to the Sector and not for each Authority to retain its own NNDR collected. This devolvement will carry with it additional responsibilities for the sector equal to £13bn of expenditure currently undertaken by central government. This will build in additional risk to the finances of the Authority and at the moment we are not in a position to estimate the level of those risks. In addition, the treatment of NNDR with regards to needs assessment and the retention of growth is also unknown at this time.

The negotiations to leave the EU are have yet to be initiated and create additional uncertainty at this time.

Conclusions

There is great uncertainty around the country's financial and economic position and it is not possible to predict just how the Country will respond or change as we make arrangements to leave the EU.

Therefore if the Government is able to continue its commitment to the current grant provisions then it would be better to have entered into the arrangement than to find ourselves with changes that do not affect all Authorities.

Recommendation

Members are therefore asked to consider the attached efficiency plan document and recommend to full Council to enter into a four year grant agreement with the Government.

Members are also asked to delegate to the Chief Executive and Director of Resources in consultation with the Leader any presentational changes that may be considered appropriate before submission.