

Provisional Settlement 2017/18 – Briefing note

The provisional local government finance settlement was announced by the Secretary of State for Communities and Local Government, Sajid Javed, on 15 December. Key headlines are as below. A consultation has been published and a response will be prepared for submission by the 13 January deadline. The Final Settlement will then be confirmed in early February.

Key Messages

- The four year settlement has been confirmed for authorities who submitted an Efficiency Plan, including Hertfordshire. However, total Core Spending power has reduced by 1.14% nationally, due to changes in the New Homes Bonus.
- No new money from central government has been included in the settlement. The Government has, however, created more flexibility by allowing the social care precept to rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2 per cent to 3 per cent), on condition that the total increase to 2019/20 does not exceed 6 per cent. As the total allowable precept increase over the remaining years of the Spending Review remains the same, there is no additional funding by 2020 – although the frontloading could be helpful in meeting immediate pressures. Nationally, the precept will raise different amounts of money for social care in different parts of the country unrelated to need, and will add an extra financial burden to council tax payers.
- A new Adult Social Care Support Grant has been announced for 2017/18, using savings of £241 million from the reform of the New Homes Bonus. This is not new money but a redistribution of funding already promised to councils. Within Hertfordshire, the reduction in New Homes Bonus was £1.3m for HCC and £5.3m for Districts. HCC has gained £4.153m ASC Support Grant – a net outflow of £2.4m across the county, the third highest of all Shire counties.
- Changes to New Homes Bonus include reducing the length of time that the bonus is paid from six years to five years in 2017/18; and to four years from 2018/19. A baseline threshold is also being introduced, higher than indicated in last year's consultation: authorities will need to achieve growth of greater than 0.4 per cent before they receive any NHB funding. The Government will not withhold payments in 2017/18 from local authorities that have not submitted their local plan, but will revisit this from 2018/19. It intends to withhold payments for residential development that has been allowed on appeal, from 2018/19.
- Reductions in the public health budget by £84 million were confirmed (£1.234m for Hertfordshire in 2017/18, rising to £3.739m by 2019/20, and coming on top of existing reductions of £3.1m in 2016/17). This will reduce the capacity of authorities to fund preventative activities and improve the public's health and so reduce pressures on adult social care and the NHS.
- All top-ups and tariffs have been recalculated in line with the draft list following the 2017 business rates revaluation. The impact is net neutral nationally. The business rates multiplier has also been adjusted to reflect the new valuations, and includes some provision for increased appeals expected. Estimates of business rates income in Hertfordshire will not be confirmed until end January.

- The government has confirmed its commitment to fundamental changes to local authority funding, through 100% retention of rates. Alongside this, it is also taking forward its Fair Funding review of authorities' needs analysis. We will continue to contribute to DCLG working groups and consultations expected in the New Year.
- We await further details of changes to Education Services Grant (ESG) from 2017/18 to deliver the £600 million reduction in funding announced in Spending Review 2015. Funding for the retained duties element of ESG (£15 per pupil) will be transferred into DSG from 2017/18. The remaining general funding rate element of ESG will be paid at a transitional rate between April 2017 and August 2017, after which it will be replaced by a separate grant covering their statutory intervention functions – only £50m nationally.
- The Government will not at this stage be introducing referendum principles for parish and town councils. They will keep the level of precepts set by town and parish councils under review and may introduce referendum principles in the future.