

SURREY COUNTY COUNCIL**CABINET****DATE: 18 OCTOBER 2016****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL CONSULTATION****SUMMARY OF ISSUE:**

On 15 September 2016 the Department for Communities and Local Government issued a technical consultation paper on the 2017/18 Local Government Finance Settlement.

The consultation covers a number of funding areas and seeks the views of local authorities and their representative bodies. The areas covered particularly affecting Surrey County Council include the four year offer; the methodology for distributing the improved Better Care Fund; council tax referendum principles, the business rates revaluation and more indirectly, the treatment of areas piloting 100% retention of business rates.

As a key part of its financial sustainability strategy, the Council will respond to this consultation and input into other representative bodies' responses. The deadline for responses is 28 October 2016.

RECOMMENDATIONS:

Cabinet is asked to approve:

1. the Council's response to the consultation paper (Annex **Error! Reference source not found.**1 - to follow), and
2. the Leader's covering letter to the Department for Communities and Local Government (Annex 2 - to follow).

REASON FOR RECOMMENDATIONS:

Surrey County Council (SCC) is facing a significant financial challenge in creating a balanced and sustainable budget for 2017/18 and beyond. The methodologies to distribute resources within the Local Government Finance Settlement will have a material impact on the council's funding.

DETAILS:

1. Annex 1 to this report provides the detailed response to the 2017/18 Local Government Finance Settlement technical consultation paper. Annex 2 is the proposed letter from the Leader to the Department of Communities and Local Government setting out the Council's principles that underpin its response.

2. The publication of a consultation document ahead of the Provisional Local Government Finance Settlement is welcomed if it is a genuine opportunity to consult the local government sector on the principles behind the Settlement. This is in contrast to the significant changes to local government funding announced in the Provisional Settlement last year which warranted, but did not include, such a technical consultation meaning that the Council was required to deal with a £20m shortfall in funding at very short notice.
3. The consultation confirms that funding available for councils for the remaining four years of this Parliament will remain broadly flat. As a part of this it reiterates the four year offer of 'guaranteed' funding if the offer is accepted and goes further by asking for suggestions of other grants to include in the offer.
4. There are no proposed changes to the Core Spending Power methodology for distributing the Revenue Support Grant (RSG) introduced in 2016/17, including the negative RSG in 2019/20.
5. The Government announced an improved Better Care Fund for local authorities as a part of the 2016/17 Finance Settlement with the intention that this will be phased in from 2017/18 rising to £1.5 billion nationally by 2019/20. Under the proposed methodology SCC would not receive any funding in 2017/18 and 2018/19 and £1.5m in 2019/20 which is 0.1% of the national total.
6. The consultation proposes for 2017/18: a 2% threshold for council tax referendums for the core council tax, and a further 2% adult social care precept.
7. The next business rates revaluation will take effect from 1 April 2017. This is intended to be a revenue neutral exercise where local authorities will neither gain nor lose out by changes to the rates valuations of businesses in their area.

CONSULTATION:

8. The Council's Section 151 Officer has consulted with the Leader and Deputy Leader of the Council in preparing the response to the Department of Communities and Local Government.

RISK MANAGEMENT AND IMPLICATIONS:

9. Risk implications are stated throughout the report and annex. The leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council.

Financial and Value for Money Implications

10. The Finance Settlement, including the distribution of the improved Better Care Fund, will have material financial implications for the Council due to the impact on its key sources of funding.

Section 151 Officer Commentary

11. The methodologies used in the Finance Settlement have a significant and material impact on the Council's finances. The response to the consultation is therefore carefully considered to make the financial case for the Council.

Legal Implications – Monitoring Officer

12. There are no legal implications or risks raised in this report.

Equalities and Diversity

13. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

WHAT HAPPENS NEXT:

14. The response to the consultation will be sent to the Department for Communities and Local Government by the deadline of 28 October 2016. The Provisional Local Government Finance Settlement is expected to be in the weeks following the 2016 Autumn Statement on 23 November 2016.

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Consulted:

Leader of the Council, Deputy Leader of the Council, Chief Executive..

Annexes:

- Annex 1 – Surrey County Council Response to the 2017/18 Local Government Finance Settlement Technical Consultation.
- Annex 2 – Covering letter to the Response from Leader of the Council.

Sources/background papers:

None

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