

Provisional Local Government Finance Settlement 2017/18 – 2019/20

This note summarises the key points to come out of the Provisional Local Government Finance Settlement announced on 15 December 2016 and an initial indication of the impact for Birmingham.

Headlines:

- Ability to raise an extra £3.1m in 17/18 and £6.3m in 18/19 from Social Care Precept but no extra in the long term
- Reductions in New Homes Bonus and introduction of Adult Social Care Support Grant cancel one another out in 17/18
- Adult Social Care Support Grant one off in 17/18 only
- Net loss of £1.8m in 18/19 from changes in New Homes Bonus
- Improved Better Care Fund allocations confirmed, as per our financial plans
- 100% Business Rates Retention Pilot in the West Midlands announced

A summary of the main financial impacts of the announcement are shown in the table below:

(Increase)/Reduction in Grant from Current Financial Plans	2017/18 £m	2018/19 £m	2019/20 £m
SFA	(0.3)	(1.2)	(2.4)
Adult Social Care Support Grant	(5.6)	0.0	0.0
New Homes Bonus	5.6	3.0	2.8
Subtotal	(0.3)	1.8	0.4
Additional 1% Adult Social Care Precept	(3.1)	(6.3)	(0.0)
Net Position from Announcements	(3.4)	(4.5)	0.4

Further Detail

- This is the 2nd year of the multi-year settlement accepted by Birmingham, which includes Revenue Support Grant and Business Rates Top up Grant.
- The table overleaf shows the figures announced for Birmingham in today's settlement which, although it wasn't expected that these would be different from those signed up to earlier this year, they are showing favourable variations. The reason for the difference is unclear and it is hoped that further information will become available over the next few weeks.

	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (SFA) (LGFS Dec 2015)	512.0	488.1	464.9
Settlement Funding Assessment (SFA) (LGFS Dec 2016)	512.3	489.3	467.3
Variation	(0.3)	(1.2)	(2.4)

NB. Figures have been adjusted to take into account business rates revaluation with a net neutral effect.

- New Homes Bonus - A growth baseline of 0.4% of the council tax base will be introduced for 2017/18, which means that no New Homes Bonus grant will be paid on any housing growth up to that level, whereas previously it has been paid on all growth. The Government may adjust the baseline in future years if housing growth increases significantly. The scheme is also being revised so that grant is being paid for 5 years instead of 6 in 2017/18. The combined effect of these changes is to reduce the grant Birmingham will receive in 2017/18 by £6.4m. The Government has said that any reduction in NHB funding will be retained by local government, as a whole, to fund adult social care. Local authorities will receive this in 2017/18 only as the Adult Social Care Support Grant. From 2018/19, the Government will have the ability to withhold NHB grant if they feel that an authority is not planning effectively for housing growth. At present it is thought that the 0.4% growth baseline will only be in place for 2017/18 and therefore the grant will be paid on all growth from 2018/19 onwards. However, the number of years for which payments will be made will reduce further to 4 years. This is expected to reduce NHB by £3m less than what is in the current plan.
- New Homes Bonus – Returned Funding –The Government topsliced funding from local government to fund New Homes Bonus. However, any funding that is not needed for NHB is returned to local authorities. The Council will receive £0.8m of returned funding in 2017/18.
- A summary of the changes in New Homes Bonus funding is shown in the table below:

New Homes Bonus Funding	2017/18 £m	2018/19 £m	2019/20 £m
Current Assumptions	20.6	13.8	13.2
LGFS Dec 2016	15.0	10.8	10.4
Variation	5.6	3.0	2.8

- Adult Social Care Support Grant – This new grant is being funded from the reductions in NHB funding. £240m is available nationally. Allocations to local authorities have been made based on relative need. Birmingham is expected to receive £5.6m. **However, this grant is only being paid in 2017/18.**
- The Improved Better Care Fund allocations announced in last year's settlement have now been confirmed. With Birmingham receiving £6.7m in 2017/18, increasing to £52.4m

by 2019/20. It is disappointing that this has not been brought forward, as repeatedly lobbied for, to meet cost pressures in adult social care that are happening now.

- Adult Social Care Precept – local authorities have been granted the ability to increase council tax to fund adult social care by up to 3% in 2017/18 and 2018/19 but by no more than 6% in total over the three year period. Local authorities will need to demonstrate that this is spent on adult social care including how the additional 1% is being planned to improve social care. The Government will write to local authorities with the conditions of the scheme in the near future. The table below shows the additional income, over and above that already in our financial plans, that would be generated by the additional 1% increase in 2017/18 and 2018/19 but this would mean that the 2019/20 increase for adult social care would have to be reduced from 2% to 0%. This also includes a revised tax base calculation taking into account the estimated impact on council tax support.

	Additional Council Tax Income from additional 1% increase
2017/18	£3.1m
2018/19	£6.3m

- Council Tax Referendum Principles – A local authority's council tax increase is deemed excessive if it is 5% or more than its relevant basic amount of council tax for 2016/17. This increase comprises a 3% increase for adult social care expenditure and 2% for other expenditure).
- 100% Business Rates Pilot – It was announced in the settlement that the West Midlands would be piloting 100% retention of Business Rates from April 2017. Figures (net neutral) will be revised in the final settlement to reflect this.