



EXECUTIVE - MINUTE 538 REFERS

Final 2016-17 Local Government Finance Settlement

BRIEFING NOTE

Changes from Provisional Settlement

The Provisional Local Government Finance Settlement was published on 17 December 2015. This was used as the basis for setting the budget for 2016/17 and the MTFP until 2019/20. Following the publication of the Provisional Settlement the DCLG began a period of consultation on their proposals. East Herts Council submitted a response to the consultation along with 277 other respondents.

The Final Settlement was published on 8 February 2016. Following the consultation a number of changes to the Provisional Settlement have been announced which have an impact on the financial position of East Herts Council. These are:

- Additional Transition Grant funding of £120k in both 2016/17 and 2017/18.
- The limit for all District Councils to increase Council Tax (at Band D equivalent) without triggering a referendum increased to a flat £5 each year from 2016/17, rather than a limit of 1.99%.
- The additional Non Domestic Rates tariff in 2018/19 has been eliminated (a.k.a. Negative RSG).

The 'efficiency savings to be identified' line in the MTFP presented with the original Budget Report (ERP B) can be split into permanent, on-going savings and one-off savings, shown in the table 1 below:

Table 1: Original Budget Report Efficiency Savings

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Cumulative Efficiency Savings - MTFP	-	(728)	(1,689)	(1,338)	(1,338)
To be achieved by:					
Efficiency Savings – Permanent	-	(728)	(610)	-	(1,338)
Efficiency Savings – One-off achieved	-	-	(351)	-	(351)
Efficiency Savings – One-off reversed	-	-	-	351	351
Total Efficiency Savings	-	(728)	(961)	351	(1,338)

Therefore, if permanent savings of £1,338k are achieved by 2018/19 no further savings would be required in 2019/20.

The impact of the Transition Grant funding on the efficiency savings is shown in table 2 below:

Table 2: Application of Transition Grant Funding in year of receipt

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Cumulative Efficiency Savings - MTFP		(608)	(1,689)	(1,338)	(1,338)
To be achieved by:					
Efficiency Savings – Permanent: Gross	-	(728)	(610)	-	(1,338)
Transition Grant received	-	120	-	-	120
Transition Grant reversed	-	-	(120)	-	(120)
Efficiency Savings – Permanent: Net		(608)	(730)		(1,338)
Efficiency Savings – One-off	-	-	(351)	-	(351)
Efficiency Savings – One-off reversed	-	-	-	351	351
Net Savings to be identified	-	(608)	(1,081)	351	(1,338)
Transition Grant received*	120	-	-	-	-

*In 2016/17 East Herts has a balanced budget and the positive balance shows a surplus rather than an efficiency savings target. This could be used as one-off funding against future efficiency savings.

It is proposed that rather than apply the Transition Grant in the year of receipt it is added to a new earmarked reserve to be used to reduce the amount of one-off savings required in 2018/19. This is illustrated in the table below:

Table 3: Application of Transition Grant funding in 2018/19

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Cumulative Efficiency Savings - MTFP	-	(728)	(1,449)	(1,338)	(1,338)
To be achieved by:					
Efficiency Savings – Permanent	-	(728)	(610)	-	(1,338)
Efficiency Savings – One-off: Gross	-	-	(351)	-	(351)
Transition Grant applied	-	-	240	-	240
Efficiency Savings – One-off: Net	-	-	(111)	-	(111)
Efficiency Savings – One-off reversed	-	-	-	111	111
Net Savings to be identified	-	(728)	(721)	111	(1,338)
Transition Grant received*	120	120	-	-	-

* Transition Grant transferred to reserve in 2016/17 and 2017/18 to be applied in 2018/19.

Supplementary ERPs

As a result of the Final Settlement publication, the following ERPs have been amended to reflect the financial impact of the Transition Grant funding described above:

- ERP B: Medium Term Financial Plan
- ERP K: The Council's Reserves Policy and forecast position

Additional Recommendation

There is an additional recommendation for Council to consider at their meeting on 17 February 2016:

(J) That an additional MTFP Transition Funding Reserve is created and the Transition Grant funding received in 2016/17 and 2017/18 is held in this reserve to be used in 2018/19 to reduce the amount of one-off savings required.