



Understanding the Implications of the 2017/18 Provisional Local Government Finance Settlement

Outline for the briefing today

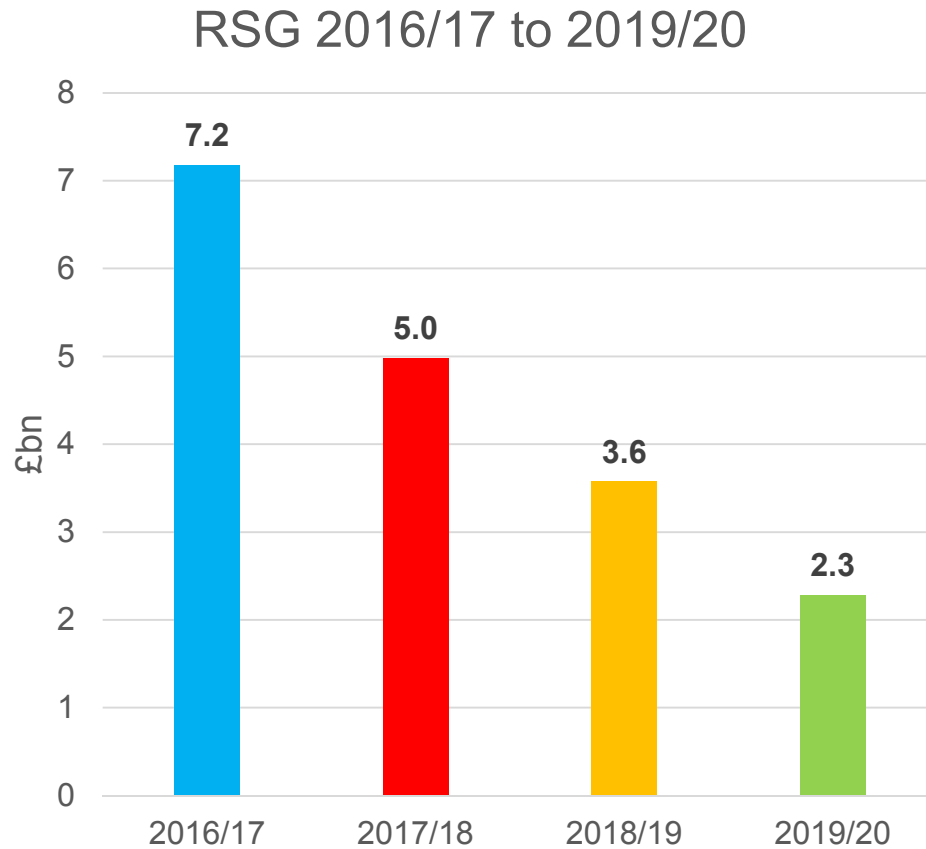
- 2017/18 Provisional Settlement
 - Including New Homes Bonus Revised Scheme and future projections
- Business Rates Retention
 - Including Revaluation, NNDR1 2017/18 and 100% BRR

2017/18 Provisional Settlement

Provisional Settlement 2017/18

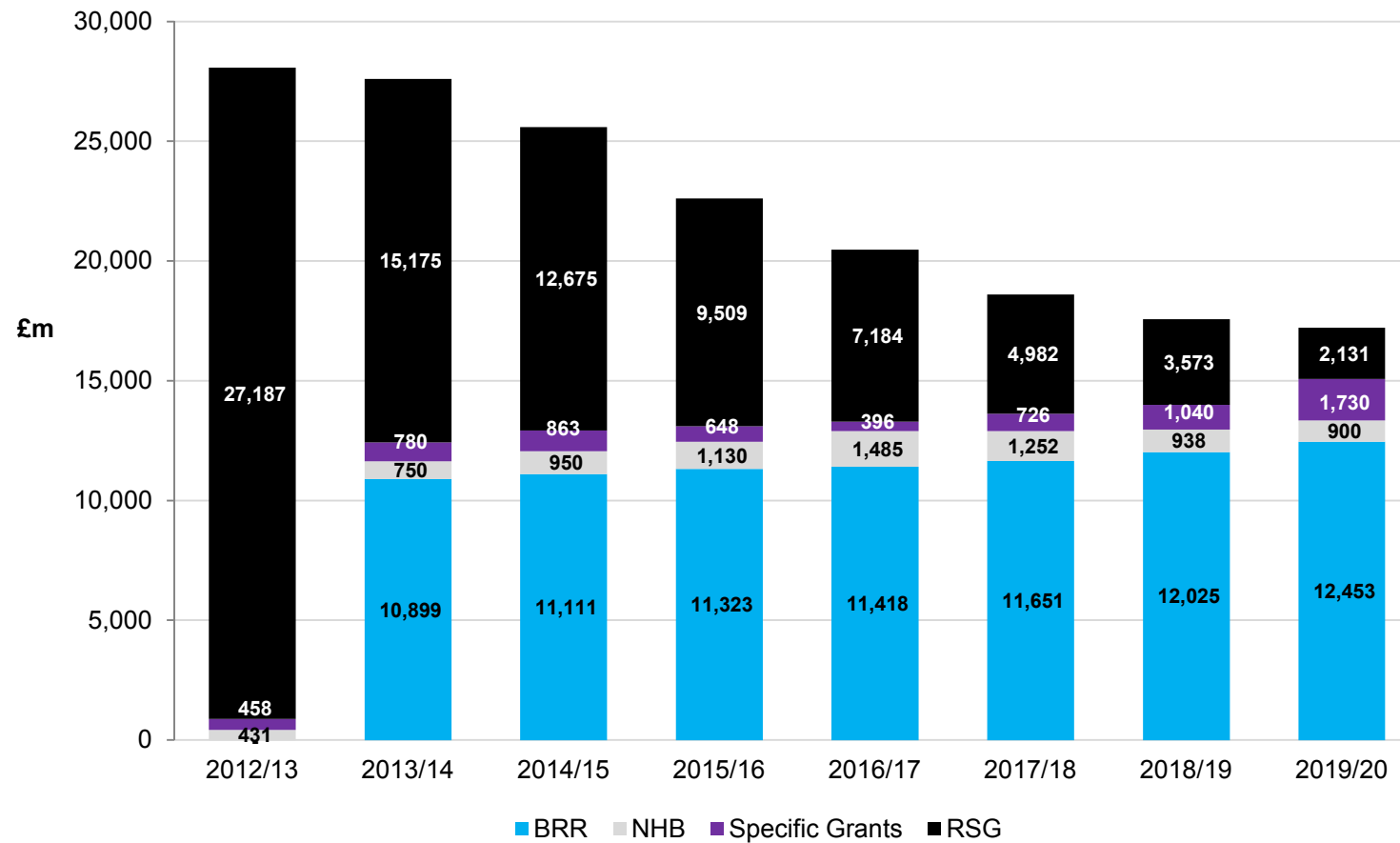
- Announced on 15 December 2016
 - 2017/18 provisional
 - 2018/19 to 2019/20 indicative
- Confirmation of continuing cuts to RSG
- Updated Core Spending Power
- Projections of council tax income increased on 2016/17 Settlement
- Additional flexibility on Social Care Precept / new Adult Social Care grant
- New approach to distributing NHB
- Adjusted business rates baselines and tariff / top ups
- **Nothing** on next stage of consultation on 100% BRR – hoped for in near future in 2017

The biggest missing headline - confirmation of continuing large cuts to RSG



- Continued major reductions to RSG – as pre-announced easy to forget this is **the** major story!
- A cut of £2.2bn or 31% 2016/17 to 2017/18
- A cut of £4.9bn or 68% 2016/17 to 2019/20

Funding 2012/13 to 2019/20



- Funding reduced from £28.1bn to £17.2bn over the period (38%)

Shift in Funding from Districts

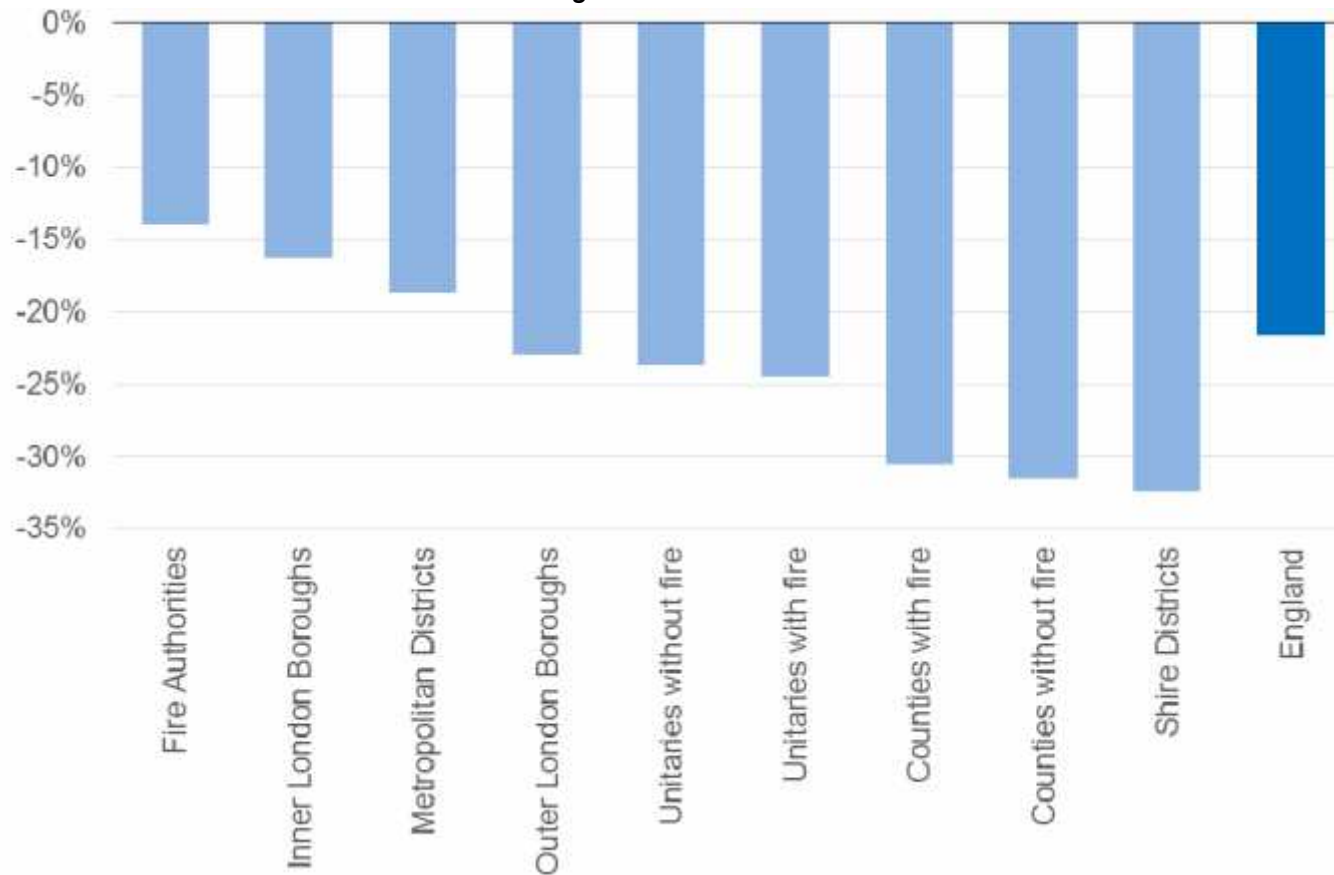
- A feature of the settlement has been the shift in funding from lower to upper tier services. Both within the control totals and more explicitly with the creation of the Improved Better Care Funding and the reduction in value to NHB.

Authority group	Services			Change in SFA from previous year			
	Lower tier	Upper tier	Fire	2017/18	2018/19	2019/20	Cumulative change between 2016/17 and 2019/20
Unitaries without fire	✓	✓		-11.3%	-6.9%	-7.4%	-23.6%
Metropolitan Districts	✓	✓		-9.0%	-5.4%	-5.5%	-18.7%
Inner London Boroughs	✓	✓		-7.9%	-4.6%	-4.7%	-16.3%
Outer London Boroughs	✓	✓		-11.0%	-6.7%	-7.2%	-23.0%
Unitaries with fire	✓	✓	✓	-12.0%	-7.4%	-7.5%	-24.5%
Counties with fire		✓	✓	-14.9%	-9.6%	-9.7%	-30.6%
Counties without fire		✓		-15.1%	-9.8%	-10.6%	-31.5%
Shire Districts	✓			-15.1%	-7.8%	-13.7%	-32.4%
Fire Authorities			✓	-8.9%	-4.0%	-1.5%	-13.9%
England				-10.6%	-6.2%	-6.5%	-21.6%

Shift in Funding from Districts

Cumulative change in SFA by class of authority

Cumulative change between 2016/17 and 2019/20



Information provided by DCLG

- Updated Core Spending Power including split by grant source
- Key Information for local authorities i.e. SFA split
- Calculators for NHB and Business Rates Revaluation
- Referendum limits and rules

Core Spending Power: England

- Firstly 2016/17 Provisional Settlement
 - RSG cuts took into account taxbase and tax rate locally (i.e. ability to raise money locally)
 - Top Up / Tariff Adjustment introduced. Nothing to do with the business rates system (does not grow with RPI, alter the safety net or impact on the levy calc) = Negative RSG
 - Top Up / Tariff Adjustment. Occurs when funding needs to be cut and there is no RSG left i.e. Baseline Need = SFA. To start in 2017/18 with increased numbers of authorities affected by an increasing amount by 2019/20
 - NHB Consultation launched
 - Improved Better Care Fund launched (and funded mostly by cutting NHB)
 - Social Care CT Precept launched – up to 2% per annum for the next four years
 - Up to £5 increase in CT for districts in the lower quartile for CT rate
 - A four year offer around stability (of some kind) launched

Core Spending Power: England

And then . . .

- 2016/17 Final Settlement
 - Transition Grant introduced to protect authorities worst affected by the new method to cut RSG in 2016/17 and 2017/18
 - Top Up / Tariff Adjustment abandoned for 2017/18 and 2018/19. No changes for 2019/20 (as it is hoped the new system will remove the problem! And the associated cost of financing a U-Turn)
 - Up to £5 increase in CT extended to all districts

And since . . .

- Brexit, New Prime Minister, New DCLG Minister, working groups on the change to 100% BRR, the Reset and updating the needs assessment
- The last ever Autumn Statement
- Increasing pressure on Social Care
- But no news on NHB!

Core Spending Power: England

- 2017/18 Provisional Settlement
 - NHB Consultation Outcome
 - Top Up / Tariff Adjustment still in place for 19/20
 - Increased freedoms on the Social Care Precept
 - Funding Reduction for NHB in 2017/18
 - New funding source – 2017/18 Adult Social Care Support Grant
 - Top Ups / Tariff amounts adjusted for Revaluation 2017

Core Spending Power: England

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
Settlement Funding Assessment	21,250	18,601	16,632	15,599	14,584
Council Tax	22,036	23,247	24,623	26,082	27,629
Improved Better Care Fund			105	825	1,500
New Homes Bonus	1,200	1,485	1,252	938	900
Rural Services Delivery Grant	16	81	65	50	65
Transition Grant		150	150		
The 2017-18 Adult Social Care Support Grant			241		
Core Spending Power	44,501	43,564	43,069	43,494	44,678
Change %		-2.1%	-1.1%	1.0%	2.7%
Cumulative change %		-2.1%	-3.2%	-2.3%	0.4%

Core Spending Power: England

	2017-18	2018-19	2019-20
	£m	£m	£m
Settlement Funding Assessment	+9	+40	+85
Council Tax	+164	+229	+276
Improved Better Care Fund	0	0	0
New Homes Bonus	(241)	0	0
Rural Services Delivery Grant	0	0	0
Transition Grant	0	0	0
Adult Social Care Support Grant	+241	0	0
Core Spending Power	+172	+269	+360

Higher Business Rate Bills Forecast

More residents paying council tax

Money from districts (and some single tier LAs) to counties and other single tier LAs

Key Information (one authority)

- Shows the breakdown of the SFA amount in Core Spending Power (£m) plus key figures within the BRR scheme

Key Information for Local Authorities				
	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m
Settlement Funding Assessment	2.35	1.80	1.86	1.17
of which:				
Revenue Support Grant	0.58			
Baseline Funding Level	1.77	1.80	1.86	1.93
Tariff/Top-Up**	-14.21	-15.00	-15.48	-16.03
Tariff/Top-Up adjustment		-0.010	-0.361	-0.75
Safety Net Threshold	1.63	1.67	1.72	1.78
Levy Rate (p in £)	0.50	0.50	0.50	0.50

Top Up / Tariff adjustment

- 2019/20 Top up tariff adjustment - to be or not to be.....
- If 100% BRR in for 2019/20:
 - It will be lost in the changes
 - More grants rolled in, so it could actually be lost to an actual reduction to the top up / tariff of the authority, but.....
 - Damping, based on 2018/19 funding may reduce the loss, at least in the short term; plus
 - Some of the LAs incurring the loss may gain from the new system anyway (although technically, gains from the need assessment should not impact on this cut)
- If 100% BRR in for 2020/21
 - It will either go ahead as is, or government will need to find £153m

Why has SFA increased?

- RSG remains the same, but SFA has increased, due to the increase to the RPI forecasts in 18/19 and 19/20. These would be actual increases to resources. If a cap was placed on them (unlikely) S31 grant should be used to offset the loss. **But they are only forecasts!**

	2017-18	2018-19	2019-20
Provisional 2017/18 Figures £m	11,651	12,025	12,453
2016/17 Figures £m	11,642	11,986	12,369
Variance £m	+9	+40	+85
RPI - actual / revised forecasts	2.0%	3.2%	3.6%
RPI - 2016/17 Forecasts	2.0%	3.0%	3.2%
Variance	0.1%	0.3%	0.4%

Council Taxbase Growth Assumptions – CLG inconsistency

- CLG have made following assumptions for changes in the taxbase
 - Average annual growth 2013-14 to 2016-17 up to 2019/20
 - Increases in line with maximum up to referendum limits

Assumptions of growth in council taxbase	2017/18	2018/19	2019/20
Per Settlement 2017/18	2.1%	2.1%	2.1%
Per OBR AS 2016	1.3%	1.1%	1.1%

- CLG method increases Spending Power by:
 - 2017/18: £0.2bn
 - 2018/19: £0.4bn
 - 2019/20: £0.7bn

Council Taxbase Growth Assumptions - implications

- Likely less council tax income – up to £0.7bn less by 2019/20
- Change to Core Spending Power 2015/16 – 2019/20 would be -£0.5bn or -1.1% (CLG +£0.2bn or 0.4%)
- Impact of overestimate split unevenly across authorities – both on actual tax base growth and future reductions on CTS
- Which is more realistic – OBR or CLG?
 - But OBR “Council tax base growth in England is based on a forecast provided by the Department for Communities and Local Government”

Social Care Precept changes

The precept

- Was originally 2% per annum for 4 years
- For remaining 3 years 2% per annum or up to 3% per annum for 2 years (0% in year 3)

The process

- Guidance at 2016/17 Settlement
- Additional guidance at 2017/18 Settlement
- Including - the government intend to provide further guidance to adult social care authorities on the conditions of the scheme in the near future

The practicality

- Consultations and plans to date
- Ease to change vs the benefits of change

Social Care Precept - “used entirely for adult social care” – practical guidance

2016/17

- Authorities asked to write to SOS indicating whether they intend to use additional flexibility
- Requirement to submit information demonstrating additional sum allocated to ASC – within 7 days of budget being set
- After 2016/17 that funding continues to be allocated to ASC
- Amounts reflected in RA and RO forms
- Taxpayers informed on face of council tax bill and in information

2017/18

- Councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services
- Signed off by the Chief Finance Officer (section 151 officer)
- Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017/18 must also show how they plan to use this extra money to improve social care

Practical approach

- What did you do in 2016/17?
- What feedback did you get in 2016/17?
- Do 2017/18 ‘requirements’ change what you did?
- What might future government guidance say? When might it be issued (Final Settlement?)
- How onerous do gov’t want to make the compliance regime?
- Any regime will be open to interpretation and creativity

Adult Social Care Grant

- £241m for one year only
- Funded from 'release of funding from NHB' – funded by local authorities themselves
- Distributed proportionate to Adult Social Care RNF
- No direct connection to Social Care Precept or IBCF

- £75m reductions to District NHB payments compared to 2016/17 Final Settlement
- £166m through reductions to Upper Tier NHB compared to 2016/17 Final Settlement

- So winners ... Brighton lose £0.4 NHB but gain £1.2m in ASC grant
- And losers .. York lose £1.5m NHB but gain £0.7m in ASC grant

- But **don't know what the actual gains/losses are** because we do not know what the NHB award would have otherwise been in 2017/18

The Four Year Offer

- 97% accepted the offer
 - Only 10 didn't apply
 - Did any apply and were not given it?
 - Was there any written confirmation?
- What was the practical effect?
- Now have a three year settlement but each year certainty reduced as the four years progress
- You have now passed the moment of greatest certainty ... it is downhill from here!

New Homes Bonus 2017/18 onwards

2015 New Homes Bonus Consultation Overview

- Proposal to reduce legacy payments
 - To 4 years of payment (the preferred option)
 - With potential transitional year in 2017/18 of 5 years
 - But further alternative of 2 – 3 years of payments

2015 New Homes Bonus Consultation Overview

- Proposal to 'improve the incentive'
 - Local Plan:
 - Withholding payment where no Local Plan (the preferred option), with no new payments (protection for legacy) – saving of £34m
 - 50% payment where Plan not yet submitted to SOS
 - Possible fixed percentage loss based on date of Plan
 - Role for County Council Plan in the District Local Plan
 - Reducing payments for homes built on appeal (the preferred option) using data produced by Planning Inspectorate
 - Loss at between 50% (exemplified option) or 100% or some other alternative – saving of £17m
 - Introduction of a national baseline – possibly set at 0.25%
 - Possible local average used, but possible perversity
 - Flexibility to increase the deadweight where significant and 'unexpected housing growth'

New Homes Bonus 2017/18 – Key Points

- Reduction in the New Homes Bonus funding allocation for 2017/18 of £241m, reducing allocations from £1,493m to £1,252m. The £241m has been used to fund a new grant, the “Adult Social Care Support Grant”
- Future year allocations of £938m in 2018/19 and £900m in 2019/20 remain unchanged at this point
- For 2017/18 onwards, only growth above 0.4% will attract New Homes Bonus payments
- A move to 5-year payments for both existing and future NHB allocations in 2017/18 and then to 4 years from 2018/19
- The government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth
- It will not introduce the proposals to withhold payments for areas without a local plan in 2017/18; however, it will revisit this issue for 2018/19
- The gov’t asks if it should consider transitional arrangements to limit the impact?

Core Spending Power vs Gov't preferred options: the sting in the tail?

	2017/18 £m	2018/19 £m	2019/20 £m
Core Spending Power 2016/17 Settlement	1,493	938	900
Gov't preferred option at Consultation	1,197	880	798
Core Spending Power 2017/18 Settlement	1,252	938	900

- Achieved most of the financial required reduction in 2017/18 despite only reducing legacy payment by 1 not 2 years
- Did so by having a deadweight of 0.4%
- Doing it this way has created greatest uncertainty, surprise and differentiation of impact

New Homes Bonus – Future Year Allocations (1)

	2015/16	2016/17	2017/18	2018/19	2019/20
2011/12	199.3	199.3			
2012/13	232.6	232.6	232.5		
2013/14	236.5	236.5	236.5	236.5	
2014/15	248.6	248.6	248.6	248.6	248.6
2015/16	250.3	250.3	250.3	250.3	250.3
2016/17		294.5	294.5	294.5	294.5
2017/18			197.0	197.0	197.0
2018/19				197.0	197.0
2019/20					197.0
Total (£m)	1,167.3	1,461.9	1,226.9	938.8	885.4
Funding Available (£m)	1,200.0	1,485.0	1,252.0	938.0	900.0

- By using 0.4%, are DCLG also looking to future years?
- If the in-year allocation for 2017/18 was repeated in 2018/19, the total allocation would be £938m, matching the funding available for that year; and for 2019/20 it would remain within funding available of £900m
- Whilst there are further complexities to this issue, such as further deductions around local plans and appeals, the number of new homes, and their distribution across authorities, there would appear to be evidence to suggest that the 0.4% baseline could be broadly consistent in future years

New Homes Bonus – Future Year Allocations (2)

Implications for actual future allocations

- The New Homes Bonus amounts within the Core Spending Power figures for 2018/19 and 2019/20 are based upon each authority's share of the 2017/18 allocation, multiplied by the control total for each year
- Whilst, previously, this method would provide reasonably accurate results (as the following year on had 1/6 of the impact on the allocation plus would largely be consistent with the previous years), this will no longer be the case
- The main reasons for this are:
 - Each new year is now worth a quarter, rather than a sixth of the overall allocation
 - There could be large variations between years, especially between the years being lost (with no baseline) and the new years' allocations with a baseline
- Therefore modelling / re-modelling for your authority now crucial to compare to actual Core Spending Power illustrations

New Homes Bonus: LG Futures Model - 3 examples

Ashford	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CSP	3.4	2.6	2.5	-
Model	3.4	3.0	3.8	4.2
Difference	0	+0.4	+1.3	-
Basildon	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CSP	3.5	2.6	2.5	-
Model	3.5	2.1	2.1	1.5
Difference	0	-0.5	-0.4	-
Babergh	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CSP	1.2	0.9	0.9	-
Model	1.2	0.7	0.4	0.3
Difference	0	-0.2	-0.5	-

New Homes Bonus – Future Year Allocations (3)

Impact of major new initiatives

- ‘First ever garden villages named with government support’
 - 14 new garden villages and 3 new garden towns
 - Following on from 7 garden towns already announced
 - Total of almost 200,000 new properties
- ‘Green light for construction of thousands of new Starter Homes’
 - To support construction of 30,000 starter homes
- How much spin, how much reality and how much overlap
- Potential to further impact on **relative distributions** of future NHB
- Not just what you are doing (or not) but what other new major developments progress elsewhere

NHB Model

- LG Futures have developed a model that will be sent to all subscribers to help understand the impact of the NHB changes (and forecast future income).
- The Model shows:
 - 2017/18 calculation
 - Projections for future years' income (based on 17/18 growth levels).
- It allows the user to alter the dead weight % to see the impact in current and future years locally and nationally.

NHB Model

Local Authority England

Baseline 0.40%

2017/18 Growth (Band D Units)

Base

2017/18 Baseline

Units Rewarded above baseline

Band D Rate x local share £ 1,530

Affordable homes

Affordable homes rate x local share £ 350

A

B

C = B x Baseline %

D = A - C

E

F = D x E

G

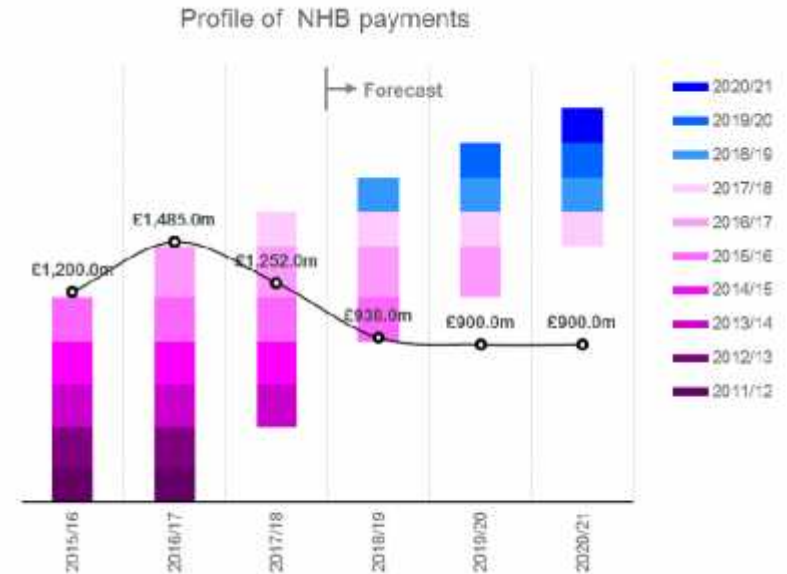
H

I = G x H

J = F + I

Total

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m	£m
2011/12	199.3	199.3				
2012/13	232.6	232.6				
2013/14	236.4	236.4	236.4			
2014/15	248.6	248.6	248.6			
2015/16	250.7	250.7	250.7	250.7		
2016/17		294.2	294.2	294.2	294.2	
2017/18			197.0	197.0	197.0	197.0
2018/19				197.0	197.0	197.0
2019/20					197.0	197.0
2020/21						197.0
Annual NHB grant	1,167.6	1,461.9	1,226.9	938.8	885.1	787.8
Scaling Amount (if needed)	0.000	0.000	0.000	-0.807	0.000	0.000
NHB Returned (if applicable)	32.363	23.146	25.072	0.000	14.895	112.150
Overall Allocation	1,200.0	1,485.0	1,252.0	938.0	900.0	900.0



Funding additional to the settlement (1)

Housing benefit subsidy administration

- HB S10/2016 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/579835/s10-2016.pdf
- £201.5m in England in 2017/18, reduced from £223.8m in 2016/17 a 10% reduction
 - 5.55% DWP efficiency saving
 - Universal Credit savings in GB of £11.3m have been deducted
- Total reduction of £69.2m or 26% since 2015/16 funding of £270.7m brought about by:
 - Efficiency savings of 6.05% (16/17) and 5.55% (17/18)
 - Reduction of £30.5m for transfer of Local Authority Housing Benefit fraud staff
 - Universal Credit Savings

Funding additional to the settlement (2)

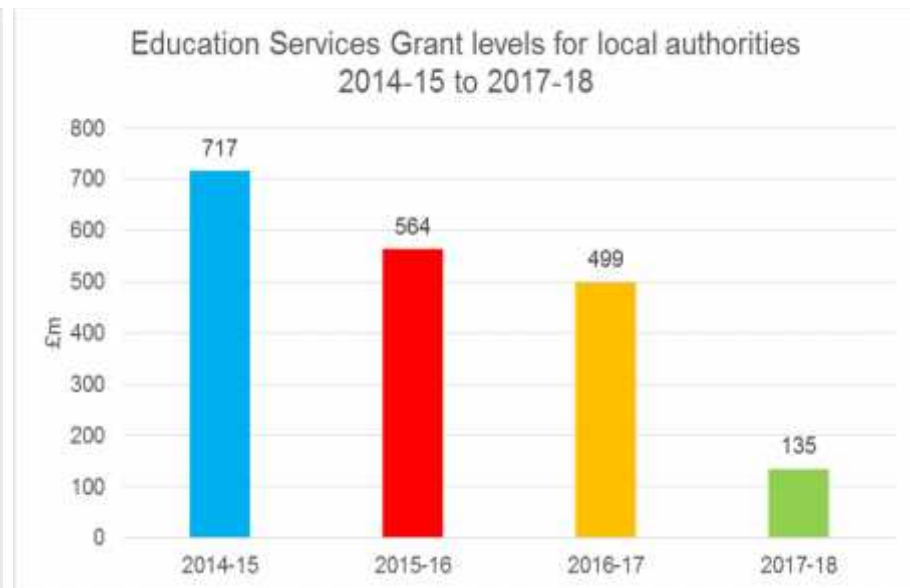
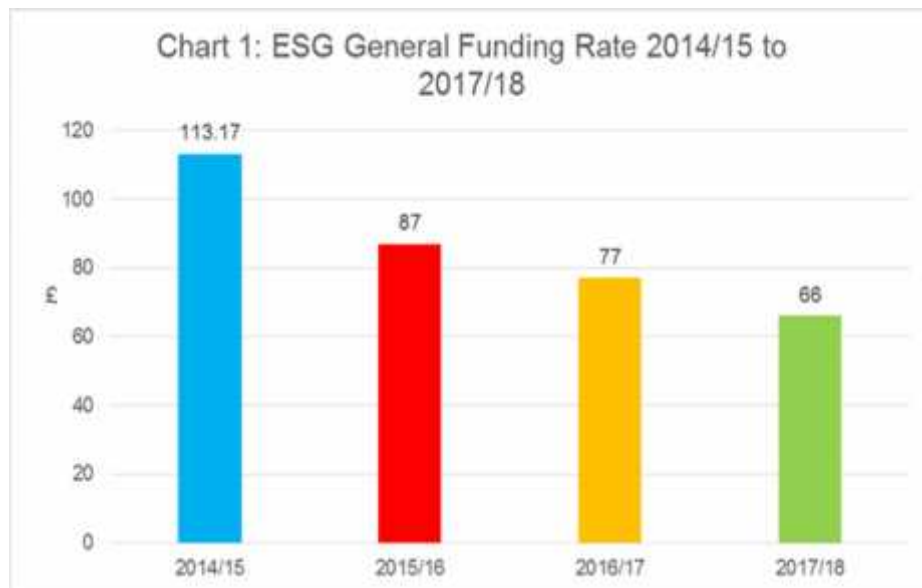
- **Council tax support administration**
 - £77m in 2016/17 (included rolling in of new burdens funding)
 - But no details as yet on 2017/18

Funding additional to the settlement (3) – Schools Funding

- Stage 2 of the consultation on the Schools' National Funding Formula;
- New funding formula
- 18 questions on detailed composition of new formula
- New central school services block will include funding for responsibilities previously included within ESG and responsibilities previously funded through centrally retained DSG. The government will make the necessary changes to the financial regulations and conditions of grant in order to make this possible
- High Needs Funding stage 2 consultation also issued

Funding additional to the settlement (4) – ESG funding reductions

- On 20th December the government published ESG funding for the period April to August 2017 up until the removal of the general funding rate from September 2017
- The funding rate for local authorities is set at a financial year rate of £66 per pupil in mainstream schools and as the grant is for the period April to August 2017 only, the rates to be paid are 5/12ths of the financial year amount – £27.50 per pupil



Summary - session 1

- A cut of £2.2bn or 31% 2016/17 to 2017/18 to RSG and a cut of £4.9bn or 68% 2016/17 to 2019/20
- New Homes Bonus
 - Significant reductions in 2017/18 and for many greater than cuts to RSG
 - NHB forecasts for many show significant continuing decline in grant
 - NHB Core Spending Power projections unreliable – detailed modelling needed
 - LG Futures providing modelling tool to subscribers
- SFA has marginally increased but due to upwards revision to inflation
- CLG inconsistent on projecting future tax base growth a cost of £0.7bn to local government by 2019/20 – is this to show growth in Core Spending Power when it will decline?
- 2017/18 Adult Social Care Grant – of £241m, £166m or 69% recycled from upper tier authorities (based on 2016/17 Settlement information)
- Further cuts to Housing Benefit Administration Subsidy and Education Services Grant (leading to end in September 2017) – significant future financial and workforce modelling needed
- All against a backdrop of rising projected RPI

Business Rates Retention - update

Business Rates Retention Update

- Business Rates Revaluation
 - Risks
 - Impact on LAs / Pools
- NNDR1 2017/18
 - Appeals
 - S31 Grant
 - Section 4
- NNDR3 2015/16
- Technical Paper
 - Possible Contents

Business rates revaluation

- Effective April 2017
- Supposed to be revenue neutral for local government, but there are at least three issues that will result in losses or gains locally. These and the associated risk levels assessed below

1) RV Change not adequately taken into account

- There is to be an offsetting change to authorities' top up / tariff amounts to offset the gain / loss from RV values changing. This is initially based on 2015/16 actuals, but will eventually be based on 2016/17 actuals
- *Whilst the methodology is not perfect (for reasons such as it fails to adequately take into account reliefs when altering top ups and tariffs + business rate income fluctuates between years); it does appear to be the only realistic solution, plus the impact of any short comings of the approach should be marginal for most authorities*
- **Low Risk**

Business rates revaluation

2) DCLG have allowed 4.7% for subsequent losses on appeal

- The multiplier has been increased by 4.7% more than needed to offset the increase in RV, in order to take into account future appeal losses. This adjustment has been done for all previous revaluations
- *Based on our analysis, the figure of 4.7% is the lowest that has been allowed for over the past four revaluations. Although, the RV increase for Revaluation 2017 is the lowest increase over this time (and there would appear to be a link between the two)*
- *Officers that we have spoken with are considering a provision of at least this amount*
- *Having a new appeals system in place will add a further layer of complexity onto this issue*
- **Medium Risk**

Business rates revaluation

3) All authorities get the same 4.7% provision

- The increase to the multiplier of 4.7% means that all authorities get the same percentage allowance for appeals loss. This system is far from ideal (DCLG would accept this) and is perhaps why the working groups are exploring alternatives to dealing with appeal loss e.g. regional pots
- *The marked difference between successful appeal rates between authorities since 2013/14 illustrates why this flat rate approach will create winners and losers locally*
- *Whilst high RV do not necessarily mean that a high number of successful appeals will follow, for an authority with 20% RV increases (and therefore average bill increases of 15%+), human nature suggests that more appeals will follow than areas where bills have gone down*
- **High Risk**

Business rates revaluation

- As the levy is determined by the NDR Baseline and Baseline Need, the changes from revaluation does alter the levy rate for authorities

Therefore

- For those between 0% and 50% (i.e. NDR Baseline is equal to or up to double Baseline Need) there will be a change in the rate. Of course an authority needs to be paying a levy (have income above its NNDR Baseline) for this to be relevant

However

- For those with a levy above 50% (that stays over 50%) there is no impact
- For those with a negative levy (i.e. Top Up) there is no impact

Business rates revaluation

Example 1	2016-17	2017-18	2018-19	2019-20
Baseline Need	48.26	49.24	50.83	52.63
NNDR Baseline	84.29	99.28	102.48	106.12
Tariff/Top-Up**	-36.03	-50.04	-51.65	-53.49
Safety Net Levy	44.64	45.55	47.01	48.69
Levy Rate	43%	50%	50%	50%

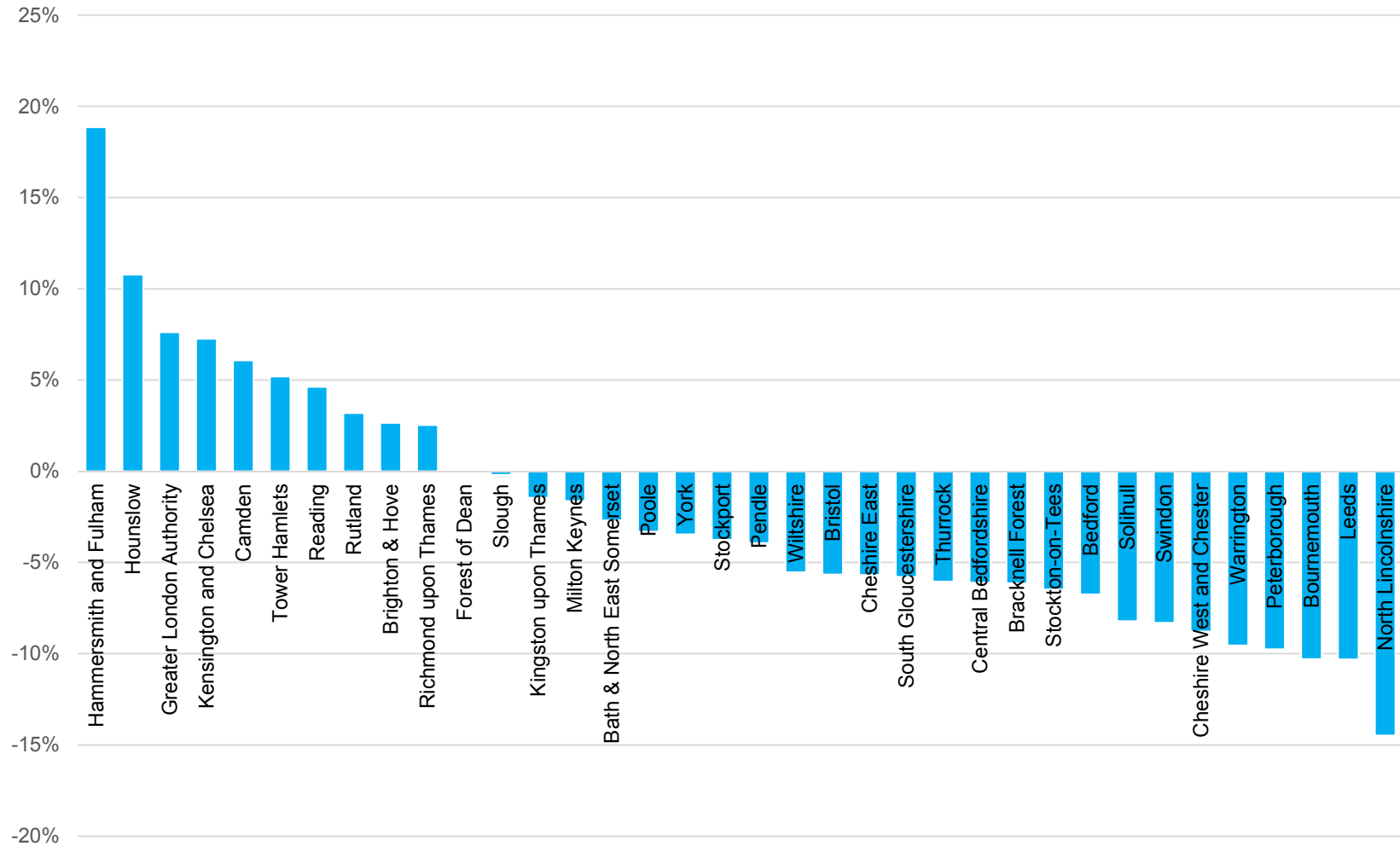
The levy rate has increased from 43% to 50%

Example 2	2016-17	2017-18	2018-19	2019-20
Baseline Need	28.93	29.52	30.47	31.55
NNDR Baseline	33.38	30.45	31.43	32.54
Tariff/Top-Up**	-4.45	-0.93	-0.96	-0.99
Safety Net Levy	26.76	27.30	28.18	29.18
Levy Rate	13%	3%	3%	3%

The levy rate has decreased from 13% to 3%

Business rates revaluation

Changing levy rates



Business rates revaluation

- Provisional Settlement 29 Pools with 2017 local authorities
- Whilst there are a limited number of authorities that this has an impact on, it can have an impact when authorities pool.

2016/17	Baseline Funding Level	Safety Net Threshold	Tariffs and Top-Ups	Levy Rate
Cotswold	1.72	1.59	-10.31	86%
Stroud	2.26	2.09	-7.70	77%
Cheltenham	2.60	2.41	-19.24	88%
Forest of Dean	2.37	2.19	-2.37	50%
Gloucester	3.39	3.14	-16.64	83%
<u>Gloucestershire</u>	<u>69.34</u>	<u>64.14</u>	<u>48.71</u>	<u>0%</u>
Gloucestershire Pool	81.69	75.56	-7.55	8%

2016/17 levy rate = 8%

2017/18	Baseline Funding Level	Safety Net Threshold	Tariffs and Top-Ups	Levy Rate
Cotswold	1.75	1.62	-10.72	86%
Stroud	2.31	2.13	-7.39	76%
Cheltenham	2.65	2.45	-17.82	87%
Forest of Dean	2.42	2.24	-2.44	50%
Gloucester	3.46	3.20	-15.25	82%
<u>Gloucestershire</u>	<u>70.76</u>	<u>65.45</u>	<u>50.67</u>	<u>0%</u>
Gloucestershire Pool	83.35	77.10	-2.96	3%

2017/18 levy rate = 3%

Business rates revaluation

- We believe that the levy rates published at the 17/18 provisional settlement will not be those that are eventually applied when calculating the 2017/18 levy / safety net calc. i.e. the post revaluation Top Up / Tariff amounts published at the settlement are based on 15/16 actuals. The final figures will be based on 16/17 actuals
- For some authorities the completion of 2016/17 NNDR3 will have increased significance i.e.
 - It will fix their top up / tariff amount for 2 to 3 years (depending on the Reset)
 - It will fix their levy rate for the same period
- The level of importance will increase the further away from the national average they are for RV change

Business rates revaluation

- The two factors in the calculation are:

16/17 actuals X % Change in business rate income

Table 1 - Change in RV

Draft Rateable Value 2017 (£)	163,208,000
Rateable Value 2010 (£)	158,202,000
Change (£)	5,006,000
Change (%)	3.2%

Table 2 - Change in business rates income (gross)

2017 RV	163,208,000	X	0.436	=	71,158,688
2010 RV	158,202,000	X	0.484	=	76,569,768
Change (£)					(5,411,080)
Change (%)					-7.1%

Business rates revaluation

- RV below the national average = Tariff decreasing or top up increasing (and levy decreasing)
- Therefore, the higher 16/17 actuals are, the better off the authority will be in future years (also need to consider levy / safety net interaction)
- RV above the national average = Tariff increasing or top up decreasing (and levy increasing)
- Therefore, the lower 16/17 actuals are, the better off the authority will be in future years (again subject to levy / safety net interaction)
- Given the importance of 2016/17 NNDR3 (and the need to potentially convince your auditor of a certain position), 2017/18 NNDR1 also has an increased role (i.e. in section 4)

2017/18 NNDR1 - Appeals

Existing elements

- Amount forecast to be repaid from 2017/18 income for appeals currently outstanding e.g. 5% of amount under appeal
 - Part 3
- Adjustment to backdated element of appeals outstanding, including 16/17 in year element
 - Part 4

PART 3: COLLECTABLE RATES AND DISREGARDED AMOUNTS

You should complete column 1 only

Column 1

BA Area (exc. Designated areas)

Complete this column

NET RATES PAYABLE

£

1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs

0

(LESS) LOSSES

2. Estimated bad debts in respect of 2017-18 rates payable

0

3. Estimated repayments in respect of 2017-18 rates payable

0

BUSINESS RATES CREDITS AND CHARGES

2. Business rates credited and charged to the Collection Fund in 2016-17

0

3. Sums written off in excess of the allowance for non-collection

0

4. Changes to the allowance for non-collection

0

5. Amounts charged against the provision for appeals following RV list changes

0

6. Changes to the provision for appeals

0

2017/18 NNDR1 - Appeals

New Element

- Amount forecast to be repaid from 2017/18 income for appeals yet to be raised
- Part 3 again
- This will reflect appeals post 2017 revaluation (which may reflect substance of outstanding appeals)
- It will be the 2017/18 income element of these only.
- No appeals to base this on.
- Government have allowed 4.7%
- We already know some areas that are considering a much higher level.
- Local concern especially where there has been higher than average RV increases (and therefore potentially double digit increases to bills).

PART 3: COLLECTABLE RATES AND DISREGARDED AMOUNTS

You should complete column 1 only

Column 1

BA Area (exc. Designated areas)

Complete this column

NET RATES PAYABLE

1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs

£

0

(LESS) LOSSES

2. Estimated bad debts in respect of 2017-18 rates payable

0

3. Estimated repayments in respect of 2017-18 rates payable

0

Risks

- Paying a levy on amounts need to pay for appeals in the future
- Budgeting at the wrong amount (lower or higher)
- = Significant uncertainty

2017/18 NNDR1 – S31 Grant

- S31 grant for SBRR is set to increase due to the increase in the thresholds
- This should see business rate income falling by an equal and opposite amount
- The S31 grant for the 2015/16 multiplier cap will be paid
- DCLG have put the warning at the bottom re the S31 grant amount shown on the form needs to be adjusted for the impact of the cap on the authorities Tariff / Top Up amount (as before – it will be lowered for Tariff authorities and increased for Top Up)

2015-16 Multiplier Cap

27. Cost of 2% cap on 2015-16 small business rates multiplier

Small Business Rate Relief

28. Cost of doubling SBRR & threshold changes for 2017-18

29. Cost to authorities of maintaining relief on "first" property

"New Empty" Property Relief

30. Cost to authorities of giving relief to newly-built empty property

"Long Term Empty" Property Relief

31. Relief on occupation of "long-term empty" property

Additional retained growth in Pilot Areas

32. Amounts of growth retained in "additional growth" pilot areas

Enterprise Zone qualifying relief in 100% pilot areas

33. Amount of qualifying relief

TOTAL FOR THE YEAR

34. Amount of Section 31 grant due to authorities to compensate for reliefs

NB To determine the amount of S31 grant due to it, the authority will have to add / deduct from the amount shown in line 32, a sum to reflect the adjustment to tariffs / top-ups in respect of the multiplier cap

S31 Grant SBRR

- The change to the thresholds for SBRR are not being picked up through the NNDR1 form currently re S31 grant to recompense. DCLG have highlighted this issue in the guidance. i.e.
- *Line 28 calculates the s.31 grant due as a result of the doubling of the small business rate relief. It is based on the data entry made in part 2 (see Part 2 lines 12 and 13). The calculation takes no account of the “threshold changes” that are to be made to small business rates relief from 2017-18. For the purposes of “on-account” s.31 payments, we will simply reflect the “doubling” of the relief, as we have done in previous years. We are in discussions with local government about the best way of dealing with the compensation due as a result of changes to thresholds.*

S31 Grant SBRR

- *Once the methodology has been finalised, we may make a further “on-account” s.31 payment to reflect the difference between the payment made against the NNDR1, as calculated below and the payment that would have been made against the NNDR1, if it had been calculated on the revised methodology. In either case, we will ensure that the final payments calculated on the back of audited NNDR3s reflect the methodology that is agreed with the sector.*
- The impact of this will be to understate S31 grant, both for relief being given and the reduced amount being collected through the small business rate supplement. The amount to be refunded needs to be determined locally (i.e. before and after the threshold changes). Authorities that have done this are finding material amounts e.g. £0.9m for a small unitary. However, ultimately it depends on the profile of business size for your authority.

2017/18 NNDR1 – Section 4

- Section where errors have occurred in previous years and / or under used.
 - Cost of collection
 - Wrong opening balance
 - Confusion over levy / safety net interaction
 - Movement on appeals the wrong way
- Indicator of a variance for 16/17, can correct future collection fund issues earlier.
- Something to show the auditor in April / May re consistency

Local Authority : ZZZZ

PART 4: ESTIMATED COLLECTION FUND BALANCE

	£	£
OPENING BALANCE		
1. Opening Balance (From Collection Fund Statement)		0
BUSINESS RATES CREDITS AND CHARGES		
2. Business rates credited and charged to the Collection Fund in 2016-17	0	
3. Sums written off in excess of the allowance for non-collection	0	
4. Changes to the allowance for non-collection	0	
5. Amounts charged against the provision for appeals following RV list changes	0	
6. Changes to the provision for appeals	0	
7. Total business rates credits and charges (Total lines 2 to 6)		0
OTHER RATES RETENTION SCHEME CREDITS		
8. Transitional protection payments received, or to be received in 2016-17	0	
9. Transfers/payments to the Collection Fund for end-year reconciliations	0	
10. Transfers/payments into the Collection Fund in 2016-17 in respect of a previous year's deficit	0	
11. Total Other Credits (Total lines 8 to 10)		0
OTHER RATES RETENTION SCHEME CHARGES		
12. Transitional protection payments made, or to be made, in 2016-17	0	
13. Payments made, or to be made, to the Secretary of State in respect of the central share in 2016-17	0	
14. Payments made, or to be made to, major precepting authorities in respect of business rates income in 2016-17	0	
15. Transfers made, or to be made, to the billing authority's General Fund in respect of business rates income in 2015-16	0	
16. Transfers made, or to be made, to the billing authority's General Fund; and payments made, or to be made, to a precepting authority in respect of disregarded amounts in 2016-17	0	
17. Transfers/payments from the Collection Fund for end-year reconciliations	0	
18. Transfers/payments made from the Collection Fund in 2016-17 in respect of a previous year's surplus	0	
19. Total Other Charges (Total lines 12 to 18)		0
ESTIMATED SURPLUS/(DEFICIT) ON COLLECTION FUND IN RESPECT OF FINANCIAL YEAR 2016-17		
20. Opening balance plus total credits, less total charges (Total lines 1, 7, 11 & 19)		0

NNDR3 2015/16

- Collection Fund balances
- NNDR3 2013/14 to 2015/16
- Balances on appeals

2015/16 NNDR3: Collection Fund distributions

	2013/14 £bn	2014/15 £bn	2015/16 £bn	2016/17 £bn
Rates overpaid	1.2	0.8	0.7	n/a
Deficit distributed		0.5	0.5	1.3

Main messages

- At Jan 2016 it was estimated that rates overpaid for 2015/16 was £0.3bn, this was an underestimate by £0.4bn
- So there is an initial C/F deficit to distribute in 2017/18 of £0.4bn before variances to 2016/17 NNDR1
- In all 3 full years there has been an overpayment of business rates at NNDR1

NNDR3 2013/14 to NNDR3 2015/16

	2013/14 £bn	2014/15 £bn	2015/16 £bn	Change £bn
Gross Rates Payable	25.6	26.0	26.7	1.1
Net Rates Yield	22.5	22.8	23.2	0.7
Income from Rates Retention	20.5	21.6	22.4	1.9

Main messages

- There was an extra £1.1bn of gross rates payable in 2015/16 compared to 2013/14, which was an increase of 4.1%. However the business rates multiplier increased by 3.9% over the period
- Within the above, net 'losses on appeals' in 2015/16 were £1.5bn less than in 2013/14
- Rating income from the rates retention scheme increased by £1.9bn representing an increase of 9.1% compared to the increase in the business rates multiplier of 3.9%
- The increase in income from rates retention after taking into account the increase in the multiplier, i.e. £1.1bn, is less than the reduction in the 'losses on appeals'

Appeals analysis at NNDR3 – balance at year end

	2013/14 £m	2014/15 £m	2015/16 £m
All England	1,744	2,515	2,806
Westminster	163	297	393
England excluding Westminster	1,581	2,218	2,413

Main messages

- All England balances at a high at end March 2016 of £2.8bn so remains a **huge potential variable even before Revaluation**
- Westminster makes up 14% of the year end balances at end March 2016 (9% March 2014)
- Increase in end of year balance between March 2014 to March 2016
 - 52% England excluding Westminster; and
 - 141% in Westminster

100% Business Rates Retention

- Latest from Steering Group and sub-groups
 - Clear, will be ongoing through and after consultation
- Predictions of issues covered in Consultation Paper
 - Could be January or February, but then it could have been November
 - NHB consultation outcome took a year to be announced!
- Working Groups
 - Steering Group: 1 December
 - Needs and Distribution: 10 November
 - Accounting & Accountability: 21 November
 - Systems Design: 25 November
 - Responsibilities: 17 November
 - Business Interests: 15 November

Technical Paper – possible contents

- Period of the Resetting Business Rates
 - 5 to 10 years
 - Exclusions vs partial vs rolling

Generous
Safety Net
- longer

No Levy –
Shorter?

- Determining the NDR Baseline
 - Nationally (not covered)
 - Locally
 - Number of years
 - Choice of years
 - Data used

Higher than
RPI

2013/14
Baseline

Revaluation

Spreading

Outcomes!

Technical Paper – possible contents

- Appeals – LA / Regional / National
- Grants to transfer over
- Safety Net **Funding** **Reset period**
- Splits in two tier areas / fire authorities



- Period of adjusting need **Separate Issues**
- New formulae

The Future (maybe!)

Levy	No, but there should be		
Safety Net	96.25% of Baseline Need		
Resets	Rolling / Partial	Not taking all local growth	Every 10 years
Appeals	Retained locally	Option at regional level	
Split	Up to 10% CA	Districts 20% Counties 80%	GLA 40% LBs 60%
NDR Baseline	No info on National £	Locally 2010/11 to 2016/17	However, it will depend on the results!

Summary - session 2

- **Revaluation** – making a complex system worse
 - Not the final position
 - Open to influence (2016/17 NNDR3)
 - Impact on the levy rates of LAs and pools
- **NNDR1 Appeals 2017/18**
 - Need to reflect the three elements
 - Revaluation 2017 impact needs to be considered carefully
 - Section 4 of the form is being under used (leading to larger variances on NNDR3)
 - S31 grant: similar to previous years
- **NNDR3 2015/16**
 - £0.4bn additional deficit in 2015/16
 - Growth in income from rates retention between 2013/14 and 2015/16 after RPI is below reductions to annual set asides for provisions appeals
 - £2.8bn left in provision for appeals at end March 2016
- **100% BRR Technical Paper**
 - Things to look out for
 - Two most important aspects
 - Setting the national NDR Baseline
 - Setting LAs share of the NDR Baseline



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