

SUMMARY

To advise Executive on a response to the Consultation on the 2018-19 Local Government Finance Settlement Technical consultation paper

PORTFOLIO	Finance	Date signed off: 28/09/17 Cllr Brooks
WARDS AFFECTED	Not applicable	

RECOMMENDATION

The Executive is advised to:

- (i) NOTE and COMMENT on the proposed Consultation response;**
- (ii) DELEGATE to the Chief Executive in consultation with the Leader the completion and submission of the final consultation response**

1. RESOURCE IMPLICATIONS

- 1.1 The Technical consultation contains a number of proposals which could impact the Council's finances. These are as follows:

Grant Settlement

- 1.2 The settlement for 2018/19 will be in line with the multi-year settlement agreed in 2016/17. As Surrey Heath lost all its Revenue Support Grant in 2017/18 there is only a minor reduction of £37k excepted for 2018/19 compared to the current year.
- 1.3 No further information has been provided in respect of the negative grant of £933,000 which is expected to be charged in 2019/20;

New Homes Bonus

- 1.4 Last year the Government decided to reduce the incentive given to Council to provide new homes. This was done by firstly restricting payments to 4 years rather than the previous 6 and secondly by deducting a baseline housing delivery expectation (0.4% of the tax base) from the actual number of houses built before calculating the incentive paid.
- 1.5 The Government intends to review the baseline deduction later this year and this will be published in December.
- 1.6 The Government is also proposing to clawback New Homes Bonus (NHB) in relation to applications refused but then granted on appeal. For example if out of 100 applications 10 are refused and then 3 of the 10 are overturned on appeal there would be a 3% reduction in NHB paid. If adopted this will make it very important that applications are only refused on sound planning grounds which are unlikely to be overturned on appeal.
- 1.7 The Government has also said that for 2018/19 they will not link the NHB to a Local Plans however they are considering linking the bonus to housing delivery or housing need for 2019/20. Further details will be provided in due course.

Council Tax

- 1.8 It is proposed that there will be a referendum limit of 2% with Districts being allowed to levy an increase of up to £5 if higher. The Special precept for Adult Social Care would also be maintained.
- 1.9 The Government is still considering whether to apply referendum principles to Parishes.

2. KEY ISSUES

- 2.1 The Government has asked for comments on its proposals through a number of consultation questions. A recommended response is attached to this paper.
- 2.2 The consultation commenced on the 14th September and ends on the 26th October 2017. The final settlement is expected to be announced around Christmas 2017

3. RISK MANAGEMENT

- 3.1 No issues form this paper although the Government's proposals do increase funding risk to the Council.

4. EQUALTIES IMPLICATIONS

None

5. OPTIONS

- 5.1 The Executive can decide to amend the consultation or not respond

6. PROPOSALS

It is proposed that the Executive:

- (i) NOTE and COMMENT on the proposed Consultation response;
- (ii) DELEGATE to the Chief Executive in consultation with the Leader the completion and submission of the final consultation response

ANNEXES	Annex A – Draft Consultation response
BACKGROUND PAPERS	DCLG – The 2018/19 Local Government Finance Settlement – Technical Consultation Paper
AUTHOR/CONTACT DETAILS	Kelvin Menon – Executive Head of Corporate Finance 01276 707257 Kelvin.menon@SurreyHeath.gov.uk
HEAD OF SERVICE	As above

CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted
Resources		
Revenue	✓	✓
Capital	-	-
Human Resources	-	-
Asset Management	-	-

IT	-	-
Other Issues		
Corporate Objectives & Key Priorities	✓	✓
Policy Framework	-	-
Legal	-	-
Governance	-	-
Sustainability	-	-
Risk Management	-	-
Equalities Impact Assessment	-	-
Community Safety	-	-
Human Rights	-	-
Consultation	-	-
P R & Marketing	-	-



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Mr R Palmer,
Department for Communities and Local Government
2nd Floor, Fry Building,
52 Marsham Street
LONDON
SW1P4DF

25th September 2017

Dear Mr Palmer,

RESPONSE TO THE CONSULTATION ON THE TECHNICAL CONSULTATION PAPER FOR THE 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

I am responding to the above consultation on behalf of Surrey Heath Borough Council. This response was tabled at the Council's Executive meeting on the 3rd October and has been endorsed by Councillors.

Our answers to your questions are as follows:

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

Whilst the multiyear settlement has provided certainty for 2018/19 the Government has still not addressed the issues surrounding the introduction of a negative tariff in 2019/20. Whilst as a Council we were willing to lose all our grant as our contribution towards the nation's deficit we did not agree with what is effectively a £933,000 charge on our residents from 2019/20. It is also worthwhile stating that there appears to be very little "certainty" in respect of grants such as New Homes Bonus which are not only subject to annual review but in addition will not be fixed until the final settlement each year.

Question 2: Do you agree with the New Homes Bonus allocations mechanism set out above?

The original purpose of the New Homes Bonus was to encourage development by giving money to communities affected by that development. The changes last year together with the one proposed has the effect of making the bonus less of an incentive for development and therefore making it hard to deliver housing in local communities. As this Council made clear in an earlier consultation we do not agree with a system that effectively "punishes" Councils for what are deemed "wrong" decisions taken by elected

members in a democratic and open process. That said however if the Government is intent on pursuing this policy then we would consider that a deduction should only be made for applications granted on appeal which went against officer advice. This would ensure that the penalty would only apply where members take decisions which cannot be substantiated by planning law. In addition it should be noted that permission is sometimes refused on outline applications because the detail is not always available and so these appeals should be excluded. We would remind Government that the granting of planning permission does not always lead to the building of houses and so we would urge the Government to look at penalising developers who have permission granted but then do not undertake the development. This fine could equal for example the NHB forgone because the development has not been delivered.

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

This is a sensible approach that minimises data collection but we do not agree with the principle of a deduction.

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

Yes

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

There is an underlying assumption that a decision that is subsequently overturned on appeal is of poor quality. This is not necessarily the case as the interpretation of planning law and advice is by its nature subjective

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

Although the mechanism outlined in para 3.3.4 is simpler to manage and therefore preferable neither mechanism takes account of the fact that New Homes Bonus is only awarded when housing is actually built. Under both of the mechanisms suggested Councils would lose NHB based on *planning decisions* but this will not take account of the fact that these houses *may not actually be built* and therefore would never attract NHB. For such a deduction to be equitable the Government would need to award NHB based on permissions granted rather than houses built. Alternatively houses built on appeal could be excluded from the NHB calculations.

Question 7: Do you think that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

No comment

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

No.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

There should not be any referendum principles at all. The decision on the level of Council Tax should be left to locally elected members who are answerable through the ballot box to their residents. It should also be noted that a 2% increase is actually a real terms cut given that inflation is in excess of this figure.

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

County Councils in two tier areas receive less from the Adult Social Care precept than those in unitary areas as Districts cannot apply this precept. This anomaly needs to be addressed as part of the settlement.

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

No comment

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

No comment

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

The continued reductions in Government funding as evidenced by the reductions in New Homes Bonus proposed in this paper together with the negative grant in 2019/20 will have a disproportionate impact on services delivered to vulnerable and protected members of our community as they are the greatest users of Council services.

If I can provide you with any further information please do not hesitate to contact me

Yours sincerely,

Mrs Karen Whelan
Chief Executive – Surrey Heath Borough Council