

**BUSINESS SUPPORT
OVERVIEW & SCRUTINY COMMITTEE
25 AUGUST 2016**

**GOVERNMENT CONSULTATION:
100% BUSINESS RATES RETENTION**

Report from: Phil Watts, Chief Finance Officer

Author: Phil Watts, Chief Finance Officer

Summary

On 1 July the Government commenced consultation on proposals for local authorities and their preceptors to retain 100% of the business rates collected, in return for the cessation of central grant support to local government. This report seeks the committee's views on the Council's response to these proposals and the 36 questions asked by Government prior to consideration by Cabinet on 6 September, where a final response to the consultation will be agreed.

1. Budget and Policy Framework

1.1. The Council has the ultimate responsibility for determining the budget, both capital and revenue, and setting the council tax level. The Government proposals for local authorities to retain 100% of business rates raised locally will form an important part of future budget considerations.

2. Background

2.1. By the end of this Parliament, local government will retain 100% of taxes raised locally. This will give local councils in England control of around an additional £12.5 billion of revenue from business rates to spend on local services. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities, and some Whitehall grants will be phased out.

2.2. At the beginning of July, Government published a consultation document seeking views on a number of issues to be considered in designing a new system of local government finance. This includes how the reformed system recognises the diversity of local areas and the changing pattern of local

governance arrangements. There could be more ambitious devolution of responsibilities in areas which have already taken steps to reshape their governance and Greater Manchester and the Liverpool City Region are already piloting 100% business rates retention as part of their devolution deals. The offer to pilot the approach to business rates retention is open to any area that has ratified its devolution deal.

- 2.3. It also considers how the design of the new system can provide the right level of incentive and reward to those councils – particularly those working closely with local businesses and together as Combined Authorities – that pursue policies that drive additional growth in their areas. For example, the Government has already announced that the levy on growth within the current 50% rates retention scheme will be abolished in the new system. In addition, seven councils have already agreed new powers to shape the operation of the business rates tax in their area.
- 2.4. Finally, this consultation seeks views on how business rates income might be shared across different tiers of local government. There is a balance to be struck between providing a strong incentive for growth in local areas and considering the distribution of funding between local authorities. There will still need to be some system of redistribution between councils so that areas do not lose out just because they currently collect less in local business rates. The consultation seeks views on how this should work, including the extent to which the design of the system should seek to enable places to retain the rates they collect.

3. Timetable for Reform

- 3.1. The Government's timetable is outlined below:

Summer 2016	Consultation on the approach to 100% business rates retention. We are inviting responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	We expect that Government will undertake a more technical consultation on specific workings of the reformed system.
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. We expect the legislation to be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100% business rates retention to begin.
By end of Parliament	Implementation of 100% business rates retention across local government.

4. Current System

- 4.1. The move to 100% business rates retention builds on the current system, in which local government as a whole retains 50% of locally collected business rates. That system was introduced in April 2013. Before then, all business rate income collected by councils formed a single, national pot, which was then distributed by government to councils in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep half of business rate income in their area by splitting business rate revenue into the 'local share' and the 'central share'.
- 4.2. The central share is redistributed to councils in the form of revenue support grant and in other grants. The local share is kept by local government, but is partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution ensures that areas do not lose out just because their local business rates are low compared to their assessed needs.
- 4.3. Within the current system, councils keep up to 50% of growth in their business rate receipts arising from new or expanding businesses. Local authorities that pay tariffs are also liable to pay a levy of up to half of this type of growth. The money raised from this levy is then used to fund a safety net system. This system protects those councils which see their annual business rate income fall by more than 7.5% below their 'baseline funding level'.

5. Government Proposals for 100% Business Rates Retention

- 5.1. The Government thinks that 100% business rates retention will have some strong similarities with the existing system. For example, there will continue to be a level of redistribution between authorities similar to the current system of 9 tariffs and top-ups. In addition, there will continue to be protection in the system to insulate authorities from shocks or significant reductions in their income.
- 5.2. There will also be some important differences. The Government has already announced that the levy on growth will be scrapped under 100% business rates retention, and that authorities will have additional flexibilities around the operation of the multiplier. In addition, we expect that the design of the new system will take account of the changing shape of local government, including the role of Combined Authorities.
- 5.3. In advance of this consultation, the Government has been working closely with the LGA and other representatives of local government to develop the principles that the reform package will be based upon. This has included a joint LGA/DCLG chaired Steering Group and set of Technical Working Groups to look at every aspect of how the new system should work, alongside which responsibilities should be devolved. This work has considered the following themes:
 - The devolution of responsibilities;
 - The operation of the system, including how growth is rewarded and risk is shared;
 - Local tax flexibilities;

- Assessment of councils' needs and redistribution of resources;
 - Accountability and accounting in a reformed system.
- 5.4. As part of the 2016/17 Local Government Finance Settlement, the Government announced a Fair Funding Review of councils' relative needs and resources. The last needs assessment carried out in 2013/14 largely focussed on updating the data used in the assessment. The formulae themselves have not been thoroughly reviewed for over a decade and there is good reason to believe that the demographic pressures affecting particular areas, such as the growth in the elderly population, have affected different areas in different ways, as has the cost of providing services. The Fair Funding Review will address the following questions:
- What do we mean by relative 'need' and how should we measure it?
 - What are the key factors that drive relative need?
 - What should the approach be for doing needs assessments for different services?
 - At what geographical level should we do a needs assessment?
 - How should 'resets' of the needs assessment be done?
 - How, and what, local government behaviours should be incentivised through the assessment of councils' relative needs?
- 5.5. The outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention, in the context of current local government services. The distribution of funding for new responsibilities will be considered on a case by case basis.
- 5.6. In order to strike a balance between incentivising business growth in local areas and maintaining a fair distribution of funding between local authorities, Government proposes to 'reset' the system on a fixed basis. The spectrum of possible models is wide, however this consultation focuses on three options:
- Full reset of the system, frequently (every five years);
 - Full reset of the system, infrequently (every 20 years);
 - Partial reset of the system, frequently (every five years).
- 5.7. The Office of Budget Responsibility estimates that the value of additional business rates revenue available to local government from locally collected rates in 2019/20 will be around £12.5 billion. While most business rates are collected locally, rates for properties on the 'central rating list' are collected directly by government. The central ratings list contains the rating assessments of networked properties including major transport, utility and telecommunications undertakings and cross-country pipelines. This income is paid into the Consolidated Fund, with the statutory obligation under the Local Government Finance Act 2012 that an equivalent amount be redistributed to local government through grants. The estimated value of central list income in 2019/20 is circa £1.5 billion.
- 5.8. In Budget 2016, following the conclusion of the business rates review, the Government announced a range of measures to reduce the burden of business rates on ratepayers, and to modernise the system. These included:

- permanently doubling Small Business Rate Relief (SBRR) from 50% to 100% and increasing the thresholds to benefit a greater number of businesses;
- increasing the threshold for the standard business rates multiplier to a rateable value of £51,000, taking 250,000 smaller properties out of the higher rate;
- announcing that as of April 2020, taxes for all businesses paying rates will be cut through a switch in the annual indexation of business rates from RPI, to be consistent with the main measure of inflation, currently CPI.

5.9. In addition, the Government announced that it will modernise the administration of business rates, aiming to revalue properties more frequently and make it easier for businesses to pay their rates.

5.10. It is also clear that the process for appeals is in urgent need of reform. Too many rating appeals are made with little supporting evidence and are held up for too long, creating costs and uncertainties for businesses and local authorities. In October 2015 the Government published a consultation paper which set out proposals for a three-stage approach to resolving appeals: 'Check, Challenge, Appeal'. It is hoped that these reforms will introduce a more structured, rigorous and transparent system which will be easier for ratepayers to navigate.

6. Devolution of Responsibility

6.1. The Government has announced that the move to 100% business rates retention will be fiscally neutral. To ensure this, the main local government grants will be phased out and additional responsibilities will be devolved to local authorities in order to match the additional funding from business rates. Views are being sought as to what should be devolved as part of these reforms. The LGA and DCLG have compiled a list of options for consultation, based on four guiding principles:

- Devolution of responsibility should build on the strengths of local government, providing opportunities for greater integration and removing barriers to innovation.
- Devolution of responsibility should support the drive for economic growth, through a clear link to employment, skills or infrastructure.
- Devolution of responsibility should support improved outcomes for local people.
- Devolution of responsibility should be made with consideration for the medium-term financial impact on local government, allowing time for planning followed by a period of stability and predictability.

6.2. The range of options for devolution of responsibilities are summarised in Appendix 2.

6.3. The Government have already agreed a number of devolution deals with different parts of the country, including devolution of a range of functions and associated budgets, pooled at Combined Authority level within single investment funds. Views are sought on the range of associated funds that could be pooled in this way. Current deals include the following:

- All mayoral devolution deal areas have an agreed Investment Fund, which is a grant-based fund specific to each deal, which is paid in annual instalments for 30 years. However, only the first five years' funding is confirmed with the remainder subject to five-year reviews.
- At present, nine devolution deal areas have agreed the devolution of the Adult Education Budget from 2018/19. The devolution of this budget is subject to the satisfaction of a number of 'readiness' conditions set out in the deals.
- All devolution deal areas receive consolidated funding for Transport which is made up of a number of grant streams, for example highways maintenance funding and, in some areas where bus franchising is implemented, the associated commercial bus service operators grant.
- All devolution deal areas have the flexibility to incorporate the Local Growth Fund awarded to Local Enterprise Partnerships in their area into their Combined Authority single investment funds.

6.4. The consultation also presents options for a number of local tax flexibilities, some of which are only likely to continue to be available to Combined Authorities. These include the ability to increase or reduce the business rates multiplier and the power to impose an infrastructure levy.

7. Accountability and Accounting

7.1. Finally, the consultation will examine the impact of the reforms on the balance of local and central accountability, as well as seeking views on the current method of accounting for business rates through the Collection Fund.

8. Proposed Corporate Response to the Consultation

8.1. Officers within the Finance division have analysed the proposals contained within the consultation document and considered how the Council should respond, both in the interests of local government nationally and more importantly in terms of Medway Council's own best interests. The 36 consultation questions and the Council's proposed response to each are laid out at Appendix 1 for Members consideration and comment. Appendix 2 does not form part of the proposed consultation response, but has been included as useful context for Members in considering this report.

9. Risk management

9.1. Whilst the Government maintains that the move to 100% business rates retention and the corresponding cessation of central grant support in 2020 will have a neutral effect on local government finances, there is clearly significant risk facing individual local authorities, which may or may not be adequately addressed through top-ups and tariffs.

Risk	Description	Action to avoid or mitigate risk	Risk rating
That the Council receives insufficient funding to deliver core services	The proposed move to 100% business rates retention and accompanying loss of grant, could leave the local authority financially worse off.	Remain informed and contribute to the national debate. Prepare robust financial plans that can be flexed in response to changing financial projections.	A1

10. Consultation

10.1. This report invites Business Support Overview and Scrutiny Committee to comment on the proposed response to this consultation and these comments will be taken into account by Cabinet on 6 September 2016, when it considers its response.

11. Financial implications

11.1. At this stage of the consultation process the Government's proposals are not clearly enough defined to undertake a meaningful evaluation of the impact on an individual local authority's finances. There are a number of variables in addition to the rateable value, including the impact of resetting the baseline, a full revaluation of the ratings list, the impact of the fair funding review and crucially the impact of the decisions made regarding which central grants and responsibilities will in future be funded through 100% rates retention. Appendix 2 provides some information about the extent to which Medway currently benefits from these specific funding streams.

12. Legal implications

12.1. Local Authorities have a legal obligation to set a balanced budget under S32 of the Local Government Finance Act 1972 with the scale of change being proposed and, in particular, the concerns over whether the proposals will achieve fiscal neutrality in real terms, there will be a level of risk generated by these proposals. At this stage in the process, with any legislative changes being unknown as yet, it is not possible to provide a definitive view of the legal implications for Medway.

13. Recommendations

13.1. The Committee is asked to consider the proposed response to this consultation, as laid out at Appendix 1, and recommend it to Cabinet.

Lead officer contact

Phil Watts, Chief Finance Officer, Gun Wharf, 01634 332220
phil.watts@medway.gov.uk

Appendices

Appendix 1: Proposed response to the consultation

Appendix 2: Possible devolution of responsibilities to local government
to be funded from retained business rate

Background papers

For more information about the work of the LGA/DCLG chaired Steering Group and the Technical Working Groups, go to <http://www.local.gov.uk/business-rates>

The consultation itself and the accompanying Fair Funding Review can be found at <https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention>.

**Proposed Response to the Government Consultation:
“Self-sufficient Local Government: 100% Business Rates Retention”**

Question 1: Which of the grants and responsibilities identified at Appendix 2 do you think are the best candidates to be funded from retained business rates?

Proposed Response: In keeping with the principle of fiscal neutrality, Medway Council would NOT expect the transfer of grants and responsibilities to local authorities under these proposals to fundamentally alter the balance of funding between national taxation and locally collected tax revenues. Whilst the Council might have a view about the appropriateness of certain responsibilities falling within the business rates retention scheme, more important are the principles around how they are rolled in and the need for absolute transparency regarding the amounts involved and the assumptions for future years.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Proposed Response: See response to question 1 above.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

Proposed Response: With the devolution agenda focused on investment in employment, skills and infrastructure, it would make sense for Combined Authorities to pool resources targeted at stimulating economic growth. Skills funding, LGF and transport grant would be wholly appropriate for pooling.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Proposed Response: Yes, Medway Council believes devolution deal commitments could be funded through retained business rates, but only if devolved alongside significant flexibility over tax raising powers.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Proposed Response: Yes, the new burdens doctrine should continue post-2020, as local government will be making financial plans for the medium term and in an already increasingly uncertain funding landscape, responding to new burdens within planned resources would be difficult.

Question 6: Do you agree that we should fix reset periods for the system?

Proposed Response: Yes, reset periods should be fixed and the Council is supportive of a five year cycle, as anything that brings a degree of predictability to a system that is inherently uncertain is to be welcomed.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Proposed Response: If a local authority invests in skills and infrastructure and the housing to support that growth, then it should be entitled to benefit from the increased taxation that this generates in order to provide improved services and opportunities for local people. However, the system also needs to recognise that not all geographical or administrative areas have the same natural advantages as others.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Proposed Response: The aspiration in allowing local government to retain its business rates income is that it will encourage proactivity in generating business growth, benefitting the UK economy. However, sometimes an individual local authority can be affected by circumstances outside of its control, such as the closure of the Chatham Dockyard in the 1980's and more recently the decommissioning of power stations in Grain. A partial reset would provide a measure of protection for local authorities affected in this way. Also by resetting the system every five years, it should mean that the impact of resets would not be as dramatic as they would be if carried out every twenty years.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Proposed Response: In resetting the base for 100% business rates retention, the current methodology of top-ups and tariffs is fine, but again it is important that the accompanying Fair Funding Review establishes a robust baseline.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Proposed Response: The most sensible approach would be to align the timing and frequency of general revaluations with the timetable for resetting the business rates retention system. On that basis five years feels about right.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Proposed Response: No, Mayoral Combined Authorities should not be given that opportunity for additional powers and incentives, as Medway Council disagrees with the Government's requirement that elected Mayors are a condition of Combined Authority devolution deals.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

Proposed Response: As a unitary authority, Medway Council's view is that the two tier structure of local government is inefficient and anachronistic.

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Proposed Response: The Kent and Medway Fire and Rescue Service is a key public service, protecting both local businesses and residents, and Medway Council

believes that it is appropriate that it continues to be funded through local taxation. The main advantage of removing it from the business rates retention scheme would be to completely remove the precepting arrangements around business rates, however the Council would still need to administer the Council Tax precepts.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Proposed Response: Medway Council would support greater flexibility over tax raising powers for investment in employment, skills and infrastructure.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Proposed Response: Medway Council would not advocate the removal of any hereditaments from local lists, unless the top-up calculation would guarantee 100% reimbursement of the lost income.

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

Proposed Response: Whilst Medway is not contemplating proposals for a Combined Authority, the Council acknowledges that in a Combined Authority context all business rates could be managed as a single list, which would help to de-risk individual Council's NDR tax base.

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

Proposed Response: Medway Council would advocate managing risk associated with business rates appeals locally, as at present. This risk would be significantly less if the Valuation Office were resourced to address the backlog in appeals.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Proposed Response: This risk would be significantly less if the Valuation Office were resourced to address the backlog in appeals.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Proposed Response: Pooling is not considered appropriate for Medway Council at present, although would be a more logical proposition within a Combined Authority setting.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set or defined at area levels?

Proposed Response: Following on from our response to question 19, Medway Council believes that a national level safety net is required for stand alone authorities not operating in a Combined Authority setting.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Proposed Response: Not relevant to Medway Council as a unitary authority.

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

Proposed Response: Medway Council would support any proposal to give local authorities greater flexibility over local tax setting.

Question 23: What are your views on increasing the multiplier after a reduction?

Proposed Response: As in question 22 above, Medway Council would support any proposal to give local authorities greater flexibility over local tax setting and to be accountable for that decision to the local electorate.

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Proposed Response: See the response to questions 22 and 23 above.

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Proposed Response: Medway Council would support any proposal to give local authorities greater flexibility over local tax setting and to be accountable for that decision to the local electorate. Furthermore, flexibilities such as this should not be reserved for Combined Authorities operating under an elected Mayor.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Proposed Response: See the response to question 25 above.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Proposed Response: Medway Council believes this should be a local, rather than regional decision.

Question 28: What are your views on arrangements for the duration and review of levies?

Proposed Response: Medway Council agrees that the duration of a levy should be clearly set out in a prospectus, which also details how the revenues raised by the levy are to be used.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Proposed Response: Medway Council would support any proposal to give local authorities greater flexibility over local tax setting, however agrees that the definition applied to the Community Infrastructure Levy would be sufficiently comprehensive to provide that flexibility.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Proposed Response: A single levy to fund multiple infrastructure projects would be simpler to administer, as well as providing greater flexibility to transfer funds between schemes if necessary.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

Proposed Response: Medway Council believes that flexibilities such as this should not be reserved for Combined Authorities operating under an elected Mayor.

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

Proposed Response: Nothing in addition to the responses made to earlier questions.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

Proposed Response: Medway Council would support local government having greater responsibility and accountability for local services, as long as this was supported by greater flexibility and control over locally raised taxes and other revenues.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

Proposed Response: The Collection Fund Account will remain necessary all the time local authorities remain responsible for collecting local taxes on behalf of precepting bodies.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

Proposed Response: No response proposed.

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

Proposed Response: Medway Council does not have a strong view on this matter.

**Possible devolution of responsibilities to local government
to be funded from retained business rate**

Funding Stream	Current Position	Could it be funded from retained business rates?
Revenue Support Grant	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service and is established through the local government finance settlement.	RSG is currently the principal component of the local government settlement and should logically be funded through 100% business rates retention. By 2019/20 RSG would only represent around £6m to Medway Council, having reduced from £40m in 2015/16.
Rural Services Delivery Grant	This grant is distributed through the local government finance settlement to the top-quartile of authorities ranked by super-sparsity, based on the Rural Services Delivery Grant methodology for 2015-16.	The grant currently forms part of the core spending power, however Medway is not ranked in the top quartile for super-sparsity.
Greater London Authority Transport Grant	This grant is used for capital improvements to relieve congestion, improve reliability on key routes and provide a good fit with UK transport policies. The Chancellor announced in the Spending Review that the Greater London Authority Transport Grant would be devolved into retained business rates.	This grant does not directly apply to Medway Council.
Public Health Grant	Public Health Grant provides funding for the discharge of public health functions defined in section 73(B)(2) of the National Health Service Act 2006. The ring-fence on the public health grant will be maintained in 2016-17 and 2017-18. Further consideration will be needed on how best to promote stability and improvements in public health from the proposed new funding arrangements.	Public Health Grant is funded by the Department of Health. Medway currently receives over £18m of ring-fenced Public Health Grant and this seeks to address historic underfunding of public health in Medway.
Improved Better Care Fund	The funding for the Improved Better Care Fund goes directly to local government to ensure that health and social care services work together to support older and vulnerable people. It is our intention that any	The Improved Better Care Fund is currently funded by the Department of Health. Medway does not currently receive any funding, however is expecting to receive around £2.3m in

	change to current funding arrangements ensures that the Improved Better Care Fund is used by local government to fund adult social care services.	2018/19 increasing to £4.7m in 2019/20.
Independent Living Fund	The grant for former recipients of the Independent Living Fund (ILF) compensates for the cost pressures caused by the closure of the ILF. This followed the introduction of the Care Act 2014 which ensures that the key features of ILF support, namely personalisation, choice and control, are now part of mainstream adult social care system.	The ILF is currently funded by the Department of Works and Pensions. Medway currently receives £793,000 in ILF compensation grant, based on current recipients.
Early Years	The grant is provided to English local authorities to fulfil their duties under sections 6, 7, 7A, 9A, 12 and 13 of the Childcare Act 2006 and under regulations that will be made pursuant to section 2(1) of the Childcare Act 2016. It is currently part of the Dedicated Schools Grant. Consideration of this grant for devolution would take place after successful delivery and establishment of the Manifesto commitment to 30 hours free childcare from September 2017.	The Early Year Block of the DSG is currently funded by the Education Funding Agency. Medway currently receives £15.2m per annum to fund free childcare for two, three and four year olds.
Youth Justice	The funding provided by the Ministry of Justice to the Youth Justice Board is distributed as a grant to local authorities for the operation of the youth justice system and the provision of non-custodial youth justice services. The Ministry of Justice funding does not include funding from police, probation and health authorities who contribute at a local level to the costs incurred by local authorities in the provision of youth justice services.	The Youth Justice Grant is currently funded by the Ministry of Justice, via the Youth Justice Board. Medway currently receives circa £304,000 per annum.
Local Council Tax Support Administration Subsidy and	Local Council Tax Support Administration Subsidy provides funding towards the administration of local council tax support claims where there is not also a housing benefit application. Housing Benefit	Medway currently receives around £600,000 per annum in administration subsidy, although this has historically been reduced by around 10% per annum. In 2015/16 the reduction was even greater.

<p>Housing Benefit Pensioner Administration Subsidy</p>	<p>Administration Subsidy contributes towards the cost of administering housing benefit on behalf of the DWP. A portion of this subsidy contributes to the administration costs of joint housing benefit and local council tax support claims.</p> <p>Housing Benefit will cease to be paid to working age customers, as Universal Credit, which includes housing costs is rolled out. Housing Benefit for pensioners will remain with Local Authorities for now, and the Government will consult ahead of any proposed changes to that position. Nonetheless, at that point increased support for the higher level of non-joint local council tax support claims will continue to be required and so Local Council Tax Support grant, including the element of Housing Benefit administrative grant for what are currently joint claims, could be considered for devolution.</p>	<p>The rollout of Universal Credit will clearly also have implications over the next couple of years.</p>
<p>Attendance Allowance</p>	<p>As announced in December, the Government will also consider giving more responsibility to councils in England to support older people with care needs – including people who, under the current system, would be supported through Attendance Allowance. This will protect existing claimants, so there will be no cash losers, and new responsibilities will be matched by the transfer of equivalent spending power.</p>	<p>At around £5bn nationally this would represent a significant new burden on local authorities. Based upon circa 4,990 claimants in Medway, receiving £70 per week, the total cost would equate to over £18m.</p>