



Department for  
Communities and  
Local Government

17 December 2015

Dear Chief Executive.

**Council Tax Setting in 2016-17: The Government's Offer to Adult Social Care Authorities**

The Spending Review announced that for the rest of the current Parliament, local authorities responsible for adult social care ("ASC authorities") "*will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care*"<sup>1</sup>. This flexibility is being offered in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets.

Proposed council tax referendum principles for local authorities in England in 2016-17 were published on 17 December, and are attached.

To ensure the flexibility is used in accordance with the Government's intentions, and to ensure transparency for council tax payers, ASC authorities will be required to provide certain information and undertake a number of actions. The Secretary of State will take account of ASC authorities' actions when setting referendum principles in future years.

The council tax flexibility offer is set out at Annex A, and authorities are invited to give their views on its operation. Section 151 officers in ASC authorities are requested to indicate whether their authority is minded to take up the 2% flexibility (in full or in part), **by 5pm on 15 January 2016.**

Comments on the flexibility offer, and confirmation of intent to use the additional flexibility should be sent to:

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The final terms of the flexibility offer will be confirmed after the House of Commons has approved the Local Government Finance and council tax referendum principles reports for 2016-17 in February 2016.

I am copying this letter to the Chief Executives of District Councils, and to the Local Government Association.

**Hulya Mustafa**  
**Deputy Director, Council Tax and Business Rates**

Hulya Mustafa, Deputy Director, Council Tax & Business Rates      Tel : 0303 444 2133  
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## Annex A

### The 'Council Tax Flexibility' Offer to Adult Social Care Authorities

In each year of the Parliament (subject to the approval of the House of Commons), Adult Social Care authorities ("ASC authorities") can increase their council tax by up to 2% more than the core referendum principle applying to them<sup>1</sup>, on the following basis:

1. Spending on ASC in 2016-17 is £x higher than it would otherwise have been, where X = revenue from the additional ASC council tax flexibility. This will be confirmed by the following steps:
  - a. Following the publication of referendum principles alongside the provisional Local Government Finance Settlement in December, Section 151 officers in ASC authorities will be asked to write to the Secretary of State indicating whether they intend to use the additional flexibility.
  - b. Following the House of Commons' approval of the Local Government Finance Report and council tax referendum principles for 2016-17 in early 2016, the Secretary of State will issue a Notice under Section 52ZY of the Local Government Finance Act 1992<sup>2</sup>. This will require Section 151 officers in ASC authorities to provide information demonstrating that an amount equivalent to the additional council tax has been allocated to adult social care. This must be done within 7 days of their authority setting its budget and council tax for 2016-17. In subsequent years of the Parliament, Section 151 officers will be required to confirm that this additional council tax **continues** to be allocated to adult social care. A draft of the Section 52ZY Notice and reply templates is attached for your consideration at Annex B.
  - c. ASC authorities must confirm the level of their average Band D (excluding parish precepts) council tax increase for 2016-17, and the proportion of it attributable to funding for adult social care on the *Council Tax Requirement* form that must be returned to DCLG within 7 days of their council tax having been set. The data provided will form part of the annual statistics release on council tax levels which is usually published in March.
  - d. The amounts allocated to adult social care in steps b and c must be reflected in Revenue Account returns sent to DCLG in April/May 2016; and in the Revenue Outturn forms which will be submitted to DCLG in May 2017.

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<sup>1</sup> By way of illustration, in 2016-17 a county council will be set a 4% referendum principle in the Report presented to the House of Commons for approval. This will consist of a 2% core principle plus 2% additional flexibility for adult social care.

<sup>2</sup> Section 52ZY gives the Secretary of State powers to require local authorities to supply information for the purposes of performing his functions in relation to council tax referendums

e. The above information will be required **each** year that the scheme is in operation. From 2017-18 onwards, the requirement will also encompass the cumulative year-on-year revenue being allocated to adult social care as per paragraph b above.

2. Tax payers must be informed on the face of the council tax bill and in the information supplied with it the part of the increase that is being used to fund adult social care. The Council Tax (Demand Notices) (England) Regulations 2011 will be amended early in the New Year to require
  - a narrative statement on the front of the demand notice highlighting any council tax increases attributable to the funding of adult social care, and signposting to further information; and
  - further information about the council tax increase and spending on adult social care to be provided in the *“Information supplied with the demand notice”*.

In accepting the terms of this offer, ASC authorities agree to pay any costs that might arise. In two-tier areas Government expects county councils with adult social care responsibilities to work with district councils to arrange the necessary changes to bills.

3. The Secretary of State will monitor the use of the additional flexibility and will take authorities' actions into account when determining referendum principles each year.
4. ASC authorities setting a council tax increase which does not make use of the additional flexibility in any year will still be asked to comply with steps 1 and 2 in respect of **any** increases that will be used to fund adult social care services. This will assist the Secretary of State when determining referendum principles as described in step 3.

## ANNEX B

### Draft Letter to be sent on behalf of the Secretary of State at the time of the final Local Government Finance settlement [February 2016]

Dear Section 151 Officer

I am writing on behalf of the Secretary of State, who has authorised me to exercise his powers under Section 52ZY of the Local Government Finance Act 1992 to require you to provide the following details about your authority's budget and council tax levels for 2016-17.

The Spending Review announced that for the rest of the current Parliament, local authorities responsible for adult social care ("ASC authorities") "*will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care*"<sup>1</sup>. This flexibility was offered in recognition of demographic changes which are leading to growing demand for adult social care, which is an increasing pressure on council budgets.

My letter of 17 December 2015 set out the proposed details of the flexibility and the information that authorities would need to provide Government – including in response to this notice.

Following a period for representations, the Secretary of State laid *The Referendums Relating to Council Tax Increases (Principles)(England) Report 2016/17* before the House of Commons on [DATE]. The House has now approved referendum principles for 2016-17, which include the 2% flexibility. These are attached at Annex A together with the final terms of the Adult Social Care flexibility at Annex B. You will note the Secretary of State's intention to take authorities' use of the flexibility into account – including your response to this Notice - when setting referendum principles for future years.

The terms of the flexibility include providing a response to this Notice as soon as reasonably practicable, **but no later than 7 days after your authority has set its budget and council tax for 2016-17.**

You are required to certify

- whether the authority is increasing its council tax above the 2% threshold and therefore using the additional flexibility for ASC.

If so:

- how much is it increasing its council tax by for ASC<sup>2</sup> [% increase in Band D amount]

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<sup>2</sup> NB whilst it is anticipated that many authorities may choose to increase their council tax by 1.99% plus 2% for Adult Social Care, others may elect to increase by different amounts [for example 0%

- the cash amount that the ASC principle will raise; and
- what the authority's ASC budget would have been before and after the flexibility is included

I attached a template and form to assist with your authority's reply.

The Secretary of State expects that the figures provided in the reply will also be reflected in established data returns to this department during 2016-17 including the CTR, RA and RO forms.

Replies should be sent to [name] who is also available to answer any queries that your authority may have.

I am copying this letter to the Chief Executive of your authority.

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plus 2% for ASC, 1% plus 2% for ASC, or 2% plus 1.5% for ASC]. In these circumstances, the key information required is how much of the council tax increase is being used exclusively to fund Adult Social Care. A free-text box is provided in the enclosed template to allow explanatory information.

**Draft Letter template for s151 officer to return to the Secretary of State in respect of 2016-17**

Dear [Name]

In reply to your letter of [date] I am writing to certify that [Insert name of authority] has increased its council tax to fund adult social care services in 2016-17.

[Authority]'s council tax has increased by x% in 2016-17.

In setting this increase, the authority has used the additional flexibility to increase its council tax above the core referendum principle [yes/no].

The increase includes y%, which will generate "£Amount A" additional council tax revenue which [insert name of authority] will use to support delivery of its adult social care duties and responsibilities in 2016/17.

I can confirm that without the y% increase for adult social care, [insert name of authority]'s adult social care budget for 2016/17 would be "£Amount B". With the additional flexibility, the adult social care budget will be "£Amount C". [Where C = A+B].

I expect x% and y% to be reflected in our CTR return, and Amounts A and C to be reflected in our RA and RO returns for 16/17.

Yours

**S151 officer**

Table for s151 Officer to complete and return with the letter.

	<b>2015/16 budget</b>	<b>2016/17 budget (before ASC precept)</b>	<b>% change 2015/16 to 2016/17 (before ASC precept)</b>	<b>2016/17 budget (after ASC precept)</b>	<b>% change 2015/16 to 2016/17 (after ASC precept)</b>
<b>Net Current Expenditure</b>					
<b>Adult Social Care Expenditure</b>					

**Draft Letter template for s151 officer to send to the Secretary of State in respect of 2017/18**

In reply to your letter of [date] I am writing to confirm that [Insert name of authority] has increased its council tax to fund adult social care services in 2017-18.

[Authority]'s council tax has increased by x% in 2017-18.

In setting this increase, the authority has used the additional flexibility to increase its council tax above the core referendum principle [yes/no].

The increase includes y%, which will generate “£Amount D” additional council tax revenue which [insert name of authority] will use to support delivery of its social care duties and responsibilities in 2017/18.

I can confirm that without the y% increase for adult social care [insert name of authority]'s adult social care budget for 2016/17 would be “£Amount E”. With the additional flexibility, the adult social care budget will be “£Amount F”. [Where F = D+E]. This includes revenue attributable to council tax increases specifically for adult social care in 2016/17, which was “£Amount A”

I expect x% and y% to be reflected in our CTR return, and Amounts D, D+A, and F to be reflected in our RA and RO returns for 17/18.

Yours

**S151 officer**

Tables for s151 Officer to complete and return with the letter.

	<b>2016/17 budget</b>	<b>2017/18 budget (before ASC precept)</b>	<b>% change 2016/17 to 2017/18 (before ASC precept)</b>	<b>2017/18 budget (after ASC precept)</b>	<b>% change 2016/17 to 2017/18 (after ASC precept)</b>
<b>Net Current Expenditure</b>					
<b>Adult Social Care Expenditure</b>					

Additional table to complete which shows changes between 2016/17 and 2017/18



	<b>2015/16 budget</b>	<b>2017/18 budget (before ASC precept)</b>	<b>% change 2015/16 to 2017/18 (before ASC precept)</b>	<b>2017/18 budget (after ASC precept)</b>	<b>% change 2015/16 to 2017/18 (after ASC precept)</b>
<b>Net Current Expenditure</b>					
<b>Adult Social Care Expenditure</b>					