

## **DCLG Technical Consultation on the 2018/19 Local Government Finance Settlement**

### **Purpose of report**

For discussion.

### **Summary**

This report sets out the key points contained within the Government's technical consultation on the 2018/19 local government finance settlement and asks members for views on positions to take in the LGA's response.

### **Recommendation**

That the Resources Board discuss the consultation document and provide comments on the LGA's future response to the consultation.

### **Action**

Officers to proceed as directed.

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## **DCLG Technical Consultation on the 2018/19 Local Government Finance Settlement**

### **Introduction**

1. The Department for Communities and Local Government has published a technical consultation on the 2018/19 local government finance settlement. Such consultations are regular events in the local government finance calendar, but normally take place during the summer.
2. The consultation does not include draft grant allocations, but confirms the Government's intention to continue with the four-year funding deal announced in December 2015. The four-year deal covers financial years from April 2016 to March 2020 and covers revenue support grant, business rates top-ups and tariffs (except technical adjustments such as due to the revaluation), transitional grant and rural services delivery grant. The consultation discusses a number of technical matters related to the settlement which are set out below.
3. The consultation was published on 14 September, with a deadline for responses of 26 October. This paper provides some suggested lines the LGA could take in response, based on previous policy lines, for initial comments by members of the Resources Board and sets out the next steps in the development of the response before formal submission in October.

### **Matters discussed in the consultation document**

#### **4. New Homes Bonus (NHB)**

- 4.1 The initial threshold below which NHB will not be paid was set at 0.4 per cent for 2017/18. The baseline for 2018/19 will be set at the time of the provisional settlement, with the implication that it could be increased.
- 4.2 In addition, the Government is considering how to introduce other adjustments to new homes bonus as per its 2016 consultation. In particular, it is consulting on the basis on which adjustments to the new homes bonus should be made to reflect development that was permitted after an appeal and review by the Planning Inspectorate.
- 4.3 One option is to reduce the bonus on the basis of the particular developments that are granted permission upon appeal. Another option is to look at the overall percentage of revised decisions and then apply a reduction to the total new homes bonus for a local authority on this basis. While officers are still analysing what different outcomes the two options could lead to, there is likely to be a distributional consequence depending on the value of developments which are granted permission upon appeal.

The consultation also asks whether these adjustments should apply to National Parks Authority areas, county councils and areas with development corporations.

5. **Council tax referendum principles.** The government proposes to keep the core principle at 2 per cent; and are considering whether this should be extended to mayoral combined authorities (MCAs). The adult social care precept would remain at an additional 2 per cent with additional flexibility to increase the precept by 1 per cent to 3 per cent in 2018-19, provided that increases do not exceed 6 per cent between 2017-18 and 2019-20. Shire districts and the police would be allowed an increase up to the higher of 2 per cent or £5 on a Band D household.
6. **Council tax precepts for Mayoral Combined Authorities (MCAs).** With the agreement of the Combined Authority (with the exception of the West of England), directly elected Combined Authority Mayors can raise a council tax precept from 2018/19, depending on what functions they have. The Government is considering applying referendum principles to MCAs and therefore will set notional amounts for 2016/17 to give a baseline on which to assess increases. The Government will engage with mayors and authorities before setting these.
7. **Transfers of functions to Police and Crime Commissioners (PCCs).** This deals with the situation where a county fire service may transfer to a PCC. This would mean recalculating settlement amounts and would also require alternative notional amounts to separate council tax attributable to the fire service from overall council tax levied by the county council. The Government also proposes a technical adjustment to ensure there is no effect on the adult social care precept in these circumstances.
8. **Adjusting for the business rates revaluation.** This follows on from the 2017 revaluation and the adjustments to top-ups and tariffs made in the 2017/18 settlement. It confirms that the same methodology will be used for 2018/19 settlement. This will mean some adjustment to the 2017/18 tariff and top-up to reflect the final rating list on April 1st 2017 and will also feed into the 2018/19 tariffs and top-ups. The document also confirms that the levy rates will be set on the basis of the recalculated top-ups and tariffs. This could mean some change in levy rates for individual councils.

#### **Initial draft outline LGA response and next steps**

9. Based on previous policy positions, the following are some lines which could be used in the response to the consultation. Some of these lines are contained within the LGA's Autumn Budget submission, expected to be published on the day of the meeting of the Board. They exclude some of the more technical matters, such as those outlined in paragraphs 7 and 8 above.

##### **9.1. Multi-year settlements**

- 9.1.1 The LGA welcomed the principle of the four year settlement offer made in December 2015. We have long called for local government to have the same

planning horizon as central government. Financial certainty for local authorities in the current financial environment is vital.

9.1.2 This is year 3 of the 4 year deal and there is yet no clarity over funding levels in 2020/21 and beyond. This uncertainty hampers meaningful financial planning and is leaving councils in a perilous situation at a time when government grant funding is the lowest it has been for decades and local services are facing a £7.1 billion funding gap by the 2019/20.

9.1.3 It is imperative that the Government provides a clear timeline for when local authorities can expect decisions over funding levels, both nationally and locally, in 2020/21 and beyond and that the draft local government finance settlement and final local government finance settlement for 2018/19 are announced significantly sooner than they have been in recent years.

9.1.4 We continue to believe the offer should include all the other main grants allocated to local authorities. In addition to the grants already included in the multi-year offer, there should be more long term certainty over the following funding streams:

9.1.4.1 Public Health Grant

9.1.4.2 Housing Benefit and Council Tax Administration Subsidy

9.1.4.3 Education Services Grant

9.1.4.4 Extended Rights for Home to School Travel Grant

9.1.4.5 Highways Maintenance Capital Grant (already announced up to 2020/21, but should be included in offer to improve transparency)

## 9.2. **Council tax referenda (including MCAs)**

9.2.1 The LGA has consistently argued against the principle of council tax referenda. Referenda on council tax are an unnecessary and costly burden that will put growth-generating investment at risk. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box.

9.2.2 Under the Localism Act 2011, the Secretary of State has the power not to determine a set of principles for a financial year. The LGA believes the Secretary of State should exercise this power and give local authorities the freedom to set council tax levels at the right level to address pressures. Councils can be trusted to make sensible decisions about council tax increases, taking into account the wishes of local residents.

9.3. **New homes bonus.** The LGA's 2017 Autumn Budget submission calls on the Government to commit to not increasing the baseline housing growth threshold to any individual local authority. However, the LGA needs to develop a position

regarding the reductions to the bonus due to planning applications permitted on appeal and officers would welcome the views of members on this issue.

10. Members of Resources Board are invited to comment on the proposed positions.
11. Following the meeting of the Resources Board, officers will prepare a draft response and consult with local authority stakeholders. In line with the Government's deadline, the final submission will be cleared by Lead Members of Resources Board, and Leadership Board and Executive on 18 and 19 October, respectively.

### **Implications for Wales**

12. This consultation relates only to English local government. The Welsh Local Government Association works with the Welsh Government on similar matters on behalf of Welsh local authorities.

### **Financial Implications**

13. This work forms part of the LGA's core work programme and has been accounted for in the 2017/18 budget.