

LGA response to the technical consultation on the 2018/19 local government finance settlement

26 October 2017



The Local Government Association (LGA) welcomes the opportunity to respond to the technical consultation on the 2017/18 local government finance settlement.

The LGA is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.

This consultation response has been approved by the LGA's Leadership Board, Executive, and Lead members of Resources Board.

Key points

- The LGA welcomes the Government's intention to continue with the four-year settlement to which 97 per cent of all local authorities signed up. However, we note that this is now year 3 of the offer which runs out in 2019/20. Local government is concerned that there is no clarity over funding levels, both nationally and locally, after March 2020. This hampers meaningful financial planning at a time when government grant funding is the lowest it has been for decades. Local services are facing a £5.8 billion funding gap by 2019/20 as well as a £1.3 billion pressure to stabilise the adult social care provider market today, and solving this issue requires bold decisions from the Government, rather than tinkering around the edges of the system.
- The Government acted within the letter, but not the spirit of the four-year deal when it implemented significant changes to the new homes bonus with little prior notice in 2017/18, such as the introduction of the 0.4% housing baseline growth threshold. This must not happen again. The Government must commit to not increasing the baseline housing growth threshold to any individual local authority at the time of the draft local government finance settlement.
- New homes can only be built hand-in-hand with additional investment in infrastructure, local public services and utilities. In this context, the proposals to adjust new homes bonus allocations on the basis of developments permitted after an appeal against the initial decision only add further uncertainty for little financial gain for the Treasury, with the Government's early consultations estimating a £17 million saving. We do not support this proposal, nor should such a move impact on authorities that do not have planning powers.

Submission

- The LGA has consistently argued against the principle of council tax referenda for any local authority. Referendums 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.

Responses to individual questions

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?

The LGA welcomed the principle of the four year settlement offer made in December 2015. We have long called for local government to have a longer financial planning horizon. Certainty in the current financial environment is vital for local authorities.

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 £5.8 billion funding gap by 2019/20 as well as a £1.3 billion pressure to stabilise the adult social care provider market today.

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.

As such, the LGA is disappointed that the Government did not follow through with its commitment to include other funding streams in an expanded offer in the 2017/18 local government finance settlement. In addition, the Government acted within the letter, but not the spirit of the four-year deal when it implemented significant changes to the new homes bonus with little prior notice. This must not happen again; the Government must commit to not increasing the baseline housing growth threshold to any individual local authority.

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 and more certainty over new homes bonus, it should be extended to include the following funding streams:

- Public Health Grant
- Improved Better Care Fund (the Government should also continue to ensure that existing Better Care Fund continues to support social care)
- Housing Benefit and Council Tax Administration Subsidy
- Education Services Grant
- Extended Rights for Home to School Travel Grant
- Highways Maintenance Capital Grant (already announced up to 2020/21, but should be included in offer to improve transparency)

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

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?

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?

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?

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?

The LGA does not support the proposal to adjust new homes bonus allocations on the basis of developments permitted following an appeal against the initial decision. The proposal to remove payments from developments allowed on appeal may unfairly prejudice the planning process. In some cases the decision of the planning authority may be based on representations from other stakeholders, for example utility companies, or statutory consultees, including national agencies, which may result in planning applications being refused.

New homes can only be built hand-in-hand with additional investment in infrastructure and local public services. In this context, the proposals to adjust new homes bonus allocations on the basis of developments permitted after an appeal against the initial decision only add further uncertainty for little financial gain for the Treasury, with the Government's early consultations estimating a £17 million saving.

More broadly, the Government acted within the letter, but not the spirit of the four-year deal when it implemented significant changes to the new homes bonus with little prior notice in 2017/18. This must not happen again. The Government must commit to not increasing the baseline housing growth threshold to any individual local authority at the time of the draft local government finance settlement.

There has been a pleasing shift in emphasis from the Government in building more council homes, but it should now provide local authorities with the tools to help achieve ambitious goals.

The Government can support local government to build additional new homes by:

- Pursuing plans to allow councils to set planning fees locally so that they can recover full cost for processing applications, and in the meantime move quickly to increase national planning fees by 40 per cent for all councils.
- Re-establishing Housing Revenue Account (HRA) self-financing from 2020, lifting the borrowing cap, and providing a sustainable long term financial framework for councils to invest in new homes, of all tenures, through HRAs and other ventures.
- Allowing local authorities to locally retain 100 per cent of Right to Buy receipts to be reinvested in new housing.

- Redefining affordable housing as that costing 30 per cent of household income or less and building a new wave of different affordable housing options linked to this new definition.
- Devolving housing and infrastructure funds to enable councils to join up investments that more effectively target unmet demand, and at a minimum allowing all councils or any combination of councils to access all elements of the Housing Infrastructure Fund.
- Giving councils financial tools to ensure that sites with planning permission get built within a reasonable time frame, such as charging developers council tax on unbuilt homes after a set period.

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

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

We do not support the proposal to make adjustments to new homes bonus allocations on the basis of development permitted following appeal against the initial decision.

However, should the Government go ahead with these amendments, we believe that any local authorities that do not have decision-making powers over planning applications should not be affected.

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

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?

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.

The referenda also present exceptionally bad value for money, costing up to £1 million for an increase in council tax that might be as low as 40 pence per week.

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. Councils can be trusted to make sensible decisions about council tax increases, taking into account the wishes of local residents.

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

Mayoral Combined Authorities should be able to propose their own alternative notional amounts which reflect their circumstances.

More widely, we would refer you to our answer to questions 2 and 3 above in relation to the application of a referendum principle to Mayoral Combined Authorities or any other type of local authorities.

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

The LGA notes the Government's proposed method of making adjustments related to the transfer of functions from county councils to Police and Crime Commissioners, in particular fire and rescue services.

The proposed technical adjustments seems to be a sensible approach preventing any loss of spending power due to function transfer. It is essential that affected local authorities are clear on the technical process and are happy that it does not have an impact on their funding levels or the ability to raise council tax.

Equality Impacts

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 LGA refers DCLG to responses from individual authorities.