

Local government finance settlement 2019 to 2020: technical consultation

Purpose

For comment and agreement

Summary

This report sets out the key points in the Government's technical consultation on the 2019/20 local government finance settlement and asks members for views on the LGA's draft response.

Recommendation

That members of the LGA Executive comment on the draft response and agree to it being forwarded to the Ministry of Housing, Communities and Local Government as the LGA's response to the consultation.

Action

Officers to amend the draft in the light of comments made and forward the finalised submission to MHCLG.

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Introduction

1. This report presents for comment and approval the LGA's submission to the MHCLG [technical consultation](#) on the 2019/20 local government finance settlement. It is also being presented to the LGA Executive at its meeting on 13 September and the Resources Board at its meeting on 14 September.

Detail

2. The MHCLG technical consultation paper on the 2019/20 local government finance was published on 24 July 2018. The closing date is 18 September 2018. The consultation paper sets out the government's intended approach for 2019/20, the final year of the multi-year local government finance settlement. In particular it covers:
 - 2.1. The arrangements for the fourth year of the multi-year settlement offer announced in 2015, which included Revenue Support Grant, business rates tariff and top-up payments and Rural Services Delivery Grant.
 - 2.2. Future arrangements for the New Homes Bonus; where the Government outlines that it expects to raise the 0.4 per cent threshold for the bonus in 2019/20 to keep the bonus within 2015 Spending Review limits. The Government will, in the run up to the next Spending Review period, explore how to incentivise housing growth to reward delivery or incentivise plans that meet or exceed local housing need.
 - 2.3. The Government's proposals for council tax referendum principles for 2019-20 which confirm those set out for 2019/20 as part of the 2018/19 settlement. These are
 - 2.3.1. A core principle of 3 per cent for all single tier and county councils, fire and rescue authorities and the Greater London Authority
 - 2.3.2. A continuation of the Adult Social Care precept of 2 per cent subject to total increases for the Adult Social Care precept not exceeding 6 per cent between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.
 - 2.3.3. Shire district councils in two-tier areas being allowed increases of up to 3 per cent, or up to and including £5, whichever is higher.
 - 2.3.4. A precept increase of £12 for police services.
 - 2.3.5. No referendum principles for 5 of the 6 Mayoral Combined Authorities with powers to raise a precept¹ or for town or parish councils.
 - 2.4. Proposals for dealing with the negative adjustment to tariffs and top-ups known as 'Negative Revenue Support Grant'. The Government's preferred option is to cancel the negative adjustment in 2019/20 for the 168 authorities affected at a total cost of

¹ The West of England Mayoral Combined Authority has no powers to raise a precept

£153 million. Other authorities funding will not be reduced as a result of this proposal nor receive any additional resources.

LGA response

3. The LGA response is attached for comment and approval. The key points are:
 - 3.1. 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, local authorities are now facing rises in pay and prices, which were not forecast when local authorities signed up to the four year offer.
 - 3.2. Local services are facing a £3.8 billion funding gap in 2019/20 rising to £7.8 billion by 2025 and solving this issue requires bold decisions from the Government.
 - 3.3. 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.
 - 3.4. 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. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box. If the Government does still introduce principles, adult social care authorities which cannot increase the adult social care precept further and fire and rescue authorities are likely to make a particular case for additional flexibility, as well as shire districts who do not have any additional flexibility from the increase in the threshold from 2 to 3 per cent as this is below the £5 extra allowed.
 - 3.5. Those authorities affected by 'negative RSG' will welcome the Government's proposal to cancel the adjustment to top-ups and tariffs in the 2019/20 settlement, meaning the 'negative RSG' will be paid for from central government resources. However, all councils face significant funding pressures and huge financial uncertainty over the next few years and into the next decade. The LGA will look to the Autumn Budget, 2019/20 local government finance settlement and the 2019 Spending Review for a settlement which is sufficient and fair to all authorities.
 - 3.6. We would urge the Government not to increase the New Homes Bonus threshold. This would risk putting the brakes on housebuilding schemes and growth-boosting projects at a time when the housing shortage is one of the biggest challenges facing the nation and it would further exacerbate the financial challenges facing some councils. Authorities with New Homes Bonus income will also be concerned at the lack of certainty over the Bonus in 2020/21 and in future years.

Implications for Wales

4. There are no direct implications for Wales arising from this report. The distribution of funding to Welsh local authorities, is a devolved matter in Wales.

Financial implications

5. The work outlined in the paper above is part of the LGA's core programme of work and as such has been budgeted for in 2017/18 and 2018/19 budgets.

Next Steps

6. Officers will amend the draft response in the light of comments made and forward the finalised submission to MHCLG.