

Local Government Finance Settlement 2020 to 2021: Technical Consultation

Purpose

For comment and agreement

Summary

This report sets out the key points in the Government's technical consultation on the 2020/21 local government finance settlement and asks members for views on the LGA's draft response.

Recommendation

That members of the Leadership Board 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 by the closing date of 31 October 2019.

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Local government finance settlement 2019 to 2020: technical consultation

Introduction

1. This report presents for comment and approval the LGA's submission to the MHCLG [technical consultation](#) on the 2020/21 local government finance settlement. The response is also being presented to the LGA Executive at its meeting on 31 October.

Summary of the consultation proposals

2. Following the announcement of the Spending Round on 4 September, [the MHCLG technical consultation paper on the 2020/21 local government finance settlement](#) was published on 3 October 2019. The closing date is 31 October 2019.
3. The consultation paper sets out the government's intended approach to the settlement. To reflect the one-year Spending Round and the decision to delay major reform, including a full reset of business rates retention baselines until 2021/22, the Government is proposing to 'roll forward' the 2019/20 local government finance settlement. In particular this includes:
 - 3.1. Uprating the 2019/20 Settlement Funding Assessment (baseline funding and revenue support grant) in line with the change in the small business non-domestic rating multiplier. The Government says it is minded to pay off negative RSG again in 2020/21.
 - 3.2. A new £1.41 billion Social Care Grant for adult and children's services, including £1 billion of new funding. The consultation sets out a proposed methodology for distribution and indicative allocations.
 - 3.3. Maintaining existing improved Better Care Fund funding at 2019-20 levels, as well as rolling the £240 million which was allocated as Winter Pressures Grant this year, into the improved Better Care Fund, with the same distribution as 2019/20;
 - 3.4. A core council tax referendum principle of up to 2 per cent; an adult social care precept of 2 per cent on top of the core principle; and no referendum principles for parish councils and mayoral combined authorities. There is a question on whether there should be a separate council tax referendum principle of 2 per cent or £5, whichever is greater, for shire district councils in 2020/21.
 - 3.5. Committing to retain the £900 million top-slice of Revenue Support Grant to fund the New Homes Bonus in 2020-21. The government is minded to make a round of 2020/21 New Homes Bonus allocations, to be set out at the provisional settlement, but these will not include future legacy payments.
 - 3.6. Continuing the Rural Services Delivery Grant at £81 million, with all recipients receiving the same amount as in 2019-20.
 - 3.7. Confirmation that, other than the five initial 100 per cent business rates retention pilots in areas with ratified devolution deals which launched in 2017/18, there will be no other business rates pilots in 2020/21. London will operate under the 67 per cent business rates retention scheme as agreed in 2017/18.

LGA response

4. The LGA response is attached for comment and approval. The key points are:
 - 4.1. The 2019 Spending Round has provided councils with much of the funding certainty and stability they need for 2020/21. We will work with the Government to ensure that the 2020 Spending Review builds on the 2019 Spending Round by ensuring sustainable long-term funding for local services.
 - 4.2. The increase in government grant funding for social care recognises our view that the full burden of increasing costs of these vital services should not have to be met by council tax payers. We welcome the consultation on the distribution of the Social Care Grant including the publication of indicative allocations. We will not take a position on the specific proposals for distribution of the grant.
 - 4.3. It is helpful that the Government has clarified its intention to introduce further business rates retention and the Fair Funding Review in April 2021. This will allow time for the remaining decisions over the design of the reforms to be made by the Government including consultation with local authorities. The Government should commit to removing the impact of appeals on local authorities as part of the reforms.
 - 4.4. To enable authorities to effectively plan for the changes, councils need exemplifications of what the reforms mean for their financial position as soon as possible. Appropriate transition mechanisms will also need to be put in place to avoid unsustainable shocks to any one local authority. This includes ensuring that no council sees their funding reduce.
 - 4.5. The LGA has consistently argued against the principle of council tax referendums 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 continues with referendum principles, consideration should be given to a 3 per cent threshold as in previous years, as opposed to a 2 per cent threshold as proposed. We agree that districts should have the extra flexibility of a £5 increase.
 - 4.6. Those authorities affected by 'negative RSG' will welcome the Government's proposal to cancel the tariff/top-up adjustment in the 2020/21 settlement, meaning the 'negative RSG' will be paid for from central government resources.
 - 4.7. We note that the Government is proposing to retain the top-slice of Revenue Support Grant to fund the New Homes Bonus and is minded to make a new round of allocations for 2020/21. The LGA's position has always been that the New Homes Bonus should be funded from outside the settlement. Some member councils will welcome the continuation of the New Homes Bonus in 2020/21 although they will be concerned at the lack of commitment to legacy funding.
 - 4.8. We note that the consultation states that the provisional Local Government Finance Settlement will be published in December 2019. We would urge the Government to keep to the recommendation of the Hudson Review and ensure that it is announced around 5th December.

Implications for Wales

5. 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

6. 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 the 2019/20 budget.