

2020/21 Provisional Local Government Finance Settlement

Purpose of report

For direction.

Summary

This report gives an update on the 2020/21 Provisional Local Government Finance Settlement and on the LGA response which was submitted to MHCLG by the closing date of 17 January having been cleared by the Chairman, Group Leaders and Lead Members of Resources Board

Recommendations

That members note the report.

Actions

Officers to update members on the Final Settlement in due course.

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2020/21 Provisional Local Government Finance Settlement

Introduction

1. This report gives an update on the 2020/21 Provisional Local Government Finance Settlement, which was announced in the form of a written statement on 20 December 2019. The LGA issued an [on the day briefing](#) and a [media statement](#).
2. The consultation on the settlement ran until 17 January 2020. The final settlement is expected to be announced at the end of January or the beginning of February and approved by Parliament later in February.

Background

3. In the 2019 Spending Round, the Chancellor announced a one year roll-forward settlement for the year 2020/21. Further details were provided in a Technical Consultation which ran from 3 October to 31 October 2019.
4. The Hudson Review of Local Government finance structures and processes recommended that the final settlement should be announced no later than 31 January, and the provisional settlement around 5 December. Given the General Election it was not possible to meet that timetable for the Provisional Settlement this year. The LGA lobbied for the provisional settlement to be announced before Christmas.

Key features of the Settlement

5. The Settlement followed the proposals in the technical consultation very closely. In total, assuming that councils use their council tax flexibility to the full, core spending power will rise by 6.3 per cent (£2.9 billion). When this is added to the £780 million for high needs education which was put into the Dedicated Schools Grant, total resources increase by over £3.6 billion.
6. Key features of the Provisional Settlement included the following:
 - 6.1. Uprating the business rates baseline and Revenue Support Grant in line with inflation.
 - 6.2. Continuing the elimination of 'negative Revenue Support Grant' funded through central resources.
 - 6.3. The following council tax referendum principles:
 - 6.3.1. a core council tax referendum principle of up to 2 per cent for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) general precept, and fire authorities;

- 6.3.2. a bespoke council tax referendum principle of 2 per cent or £5, whichever is higher, for shire districts;
 - 6.3.3. continuing the adult social care (ASC) precept at an additional 2 per cent;
 - 6.3.4. setting no council tax referendum principles for mayoral combined authorities (MCAs) or parish councils;
- 6.4. A new social care grant of £1.41 billion in 2020/21 of which £1 billion is new money, most of which is to be distributed using the Adult Social Care Relative Needs Formula but including a sum of £150 million to equalise the impact of the council tax adult social care precept;
- 6.5. Maintaining existing improved Better Care Fund funding at 2019-20 levels (£1.837 billion), as well as incorporating the £240 million which was allocated as Winter Pressures Grant in 2019-20 into the improved Better Care Fund, with the same distribution as 2019/20;
- 6.6. Retaining the £900 million top-slice of Revenue Support Grant to fund a new round of New Homes Bonus (NHB) allocations in 2020-21, in addition to an estimated £7 million from departmental budgets. The 2020/21 element of NHB will be paid for one year only. The legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21. The Government stated that it will consult on the future of the housing incentive in the Spring, including moving to a new, more targeted approach which is “aligned with other measures around planning performance”.
7. Not all details were announced on 20 December. Neither the public health grant nor the Police funding settlement were announced. In addition, there was no mention of further business rates retention or the Fair Funding Review, which are due to be introduced in April 2021.

LGA Response

- 8. [The LGA response was submitted](#) by the closing date of 17 January, having been cleared by the Chairman, Group Leaders and Lead Members of Resources Board.
- 9. The detail of the response was subsequently used to inform the meeting between LGA politicians, representing all political groups, and the Minister for Local Government and Homelessness.
- 10. The key points in the LGA's response are:

- 10.1. The Settlement including a potential increase of £2.9 billion in resources for councils, plus the additional £780 million rise in the high needs block of the dedicated schools grant next year is good news for councils and shows that the Government has responded to the financial pressures local authorities face in meeting rising costs and demand for services, such as adult and children’s social care, and homelessness support.
- 10.2. The additional £1 billion of central government funding for social care, as announced in the 2019 Spending Round will help ensure councils can continue to help older and disabled people live more independently and support our most vulnerable young people. Confirmation that key social care grants will also continue next year provides much-needed stability for local authorities.
- 10.3. The ability of councils to increase council tax and levy an adult social care precept next year gives them the potential to raise £1.6 billion. This will help councils to continue to deliver vital services, but it is not a sustainable solution because increasing council tax raises different amounts of money in different parts of the country, unrelated to need, and adds an extra financial burden on households. The Government needs to deliver on its pledge to bring forward proposals for long term reform of adult social care and how it is funded. The LGA, as a cross-party organisation, has previously offered to host and facilitate cross-party talks and that offer remains open to the Government.
- 10.4. The LGA has consistently opposed nationally set referendum limits. No national tax is subject to a referendum. The council tax referendum limit needs to be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box. Should the Government continue to set referendum limits, we would repeat our call for the following to be taken into account:
 - 10.4.1. Consideration should be given to a 3 per cent core threshold as in previous years, as opposed to a 2 per cent threshold as proposed.
 - 10.4.2. We agree that districts should have the extra flexibility of a £5 increase but this should be the higher of 3 per cent or £5 as it is a “roll-forward” settlement. This flexibility should also be extended to fire authorities.
- 10.5. The Government needs to work closely with councils during its review of the New Homes Bonus, and provide clarity to councils on legacy payments from 2021/22 onwards, as well as the outcome of the review, as soon as possible to allow them to plan their 2021/22 and future budgets.
- 10.6. It is also vital that councils are fully funded for the loss of income due to the business rates reliefs announced in the Queen’s Speech, in line with normal government practice.
- 10.7. The rise in the National Living Wage announced on 31st December 2019 will add pressures on councils estimated at £220 million more than they will have been

forecasting. The LGA considers that additional funding should be provided to councils for this pressure.

- 10.8. It is disappointing that the Government did not provide a progress update on the Fair Funding Review or further business rates retention in the Settlement. With implementation scheduled for April 2021, it is crucial for local authority financial planning that the Government consults on proposals for reform, provides certainty to councils as soon as possible and that no authority loses out as a result of the Review.
- 10.9. We are pleased that in the 2019 Spending Round the Government announced a real terms increase in the public health budget. We call on government to provide councils with clarity on the funding available in 2020/21 as soon as possible. The current delay to the announcement is making it extremely difficult for councils to plan effectively.
- 10.10. We will continue to promote the role councils play in making a huge difference to the lives of our residents and communities. We look forward to working with the Government as a vital partner to help deliver its commitment to levelling up powers and investment in local areas in the run up to the 2020 Spending Review.
- 10.11. The LGA strongly agrees with the recommendation in the Hudson Review that the final settlement should be announced no later than 31 January, and the provisional settlement around 5 December. Clearly it was not possible to meet that timetable for the Provisional Settlement this year. We are pleased that the Government listened to our call for the publication of this Settlement before Christmas. We hope that the final settlement will be published as near to 31 January as possible and that in future years it will be possible to meet the timetable outlined in the Review.

Next steps

11. The LGA will brief Parliamentarians in advance of the debate on the 2020/21 Final Local Government Finance Settlement.

Implications for Wales

12. The 2020/21 Provisional Local Government Finance Settlement is for England only. Local Government Finance is a devolved matter and the Welsh LGA takes the lead on this work in Wales.

Financial Implications

13. This is part of the LGA's core programme of work and as such has been budgeted for in 2019/20 core work programme budgets.