

LGA response to the technical consultation on the 2020/21 local government finance settlement

31 October 2019

The Local Government Association (LGA) welcomes the opportunity to respond to the technical consultation on the 2020/21 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 and Executive.

Key points

- As the LGA said when it was announced, the 2019 Spending Round has provided councils with much of the funding certainty and stability they need for 2020/21. We look forward to working with the Government to ensure that the 2020 Spending Review builds on this Spending Round by ensuring sustainable long-term funding for local services.
- 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 publish the provisional settlement as soon as possible after 12th December and no later than Parliament rising for the Christmas recess.
- The increase in government grant funding for social care recognises our view that the full burden of the 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.
- 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.
- 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.

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. 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 referenda 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.
- 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.
- We note that the Government is proposing to retain the top-slice of Revenue Support Grant to fund New Homes Bonus in 2020/21 at £900 million 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 welcome the continuation of the Bonus in 2020/21 although they will be concerned at the lack of commitment to legacy funding.

Responses to individual questions

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?

Question 2: Should central government eliminate negative RSG in full through forgone business rates receipts?

We note that the methodology for allocating Revenue Support Grant (RSG) in 2020/21 is unchanged from 2019/20. The LGA does not take a formal view on distribution in recognition of the different views of our member authorities.

We recognise that the Government is consulting on whether to continue to cancel the negative adjustment to top-ups and tariffs known as 'negative RSG' in 2020/21. The affected authorities will support the continuation of this approach from the 2019/20 settlement.

Councils continue to face significant funding pressures in 2020/21 and beyond and huge financial uncertainty into the next decade. We call on the Government to commit to a full assessment of the overall funding needs of local government in the 2020 Spending Review and guarantee to fully fund them.

Question 3: Do you think that there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21?

Question 4: Do you have views on the proposed package of council tax referendum principles for 2020-21?

The LGA has consistently argued against the principle of council tax referenda. Referenda 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.

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 Secretary of State has announced that he is minded not to set principles for mayoral combined authorities and parish and town councils. The LGA believes the Secretary of State should give all 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 priorities and wishes of local residents.

If the Secretary of State is minded to set the principles as outlined in the consultation document we would make the following points:

- 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.
- 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 given that this is a rollover settlement.

Question 5: Do you agree with the Government's proposals for social care funding in 2020-21?

Question 6: Do you agree with the Government's proposals for iBCF in 2020-21?

An additional £1 billion for social care (children's and adults) is very welcome and shows that the Government has listened to our, and our partners', repeated calls for urgent investment to stabilise these vital services. Councils have a deep understanding of their local communities' needs and therefore need maximum discretion to direct this new funding. Therefore, we welcome the clarification that the funding will be un-ringfenced.

As the £1 billion comes on top of existing grants, this confirms that key grants, including the improved Better Care Fund and winter pressures funding, will continue next year. This is very helpful and provides the much-needed certainty of funding that we and our member councils have been calling for.

Whilst 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.

However, with people living longer, pressures will continue to rise. If people of all ages are to fulfil their potential, maximise their independence and live the lives they want to lead then we need national solutions to how we fund care and support for the long-term. The Government must publish its proposals for the future of adult social care at the earliest opportunity and work on a cross-party basis to spark a truly nationwide public debate about the value of social care and how, as a nation, we will pay for it in the years ahead.

The issue of relatively low pay in the social care sector is highlighted regularly and this settlement provides resources to begin to address this challenge. In the long term the low pay issues needs to be addressed as part of the arrangements for the future funding of both adult and children's social care.

Question 7: Do you agree that there should be a new round of 2020-21 New Homes Bonus allocations for 2020-21, or would you prefer to see this funding allocated for a different purpose, and if so how should the funding

be allocated?

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 Bonus in 2020/21 although they will be concerned at the lack of commitment to legacy funding for 2020/21 allocations and the possible change to the threshold. They will be looking for certainty that the existing legacy payments should be paid, as councils will be planning for this income.

The lack of certainty about New Homes Bonus makes it difficult to plan effectively. This risks 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 could further exacerbate the financial challenges facing some councils, particularly those in high growth areas. Even with the New Homes Bonus the cost of delivering services to new homes is not met in full. We therefore urge the Government to publish its proposals for incentivising housing growth in the future as soon as possible.

Question 8: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?

We note that this is an unchanged methodology from last year. Authorities which are in receipt of this funding will welcome it, however the funding should come from the Government and not at the expense of other councils.

Question 9: Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

The LGA refers MHCLG to responses from individual authorities.