

# Motion relating to Local Government Finance Report 2020/21

12 February 2020



## Key messages

- We welcome the publication of the Final Local Government Finance Settlement, which gives councils much of the certainty they need about how local services will be funded in the coming year. We are pleased that the Government listened to our calls and published the final Settlement before the February recess.
- The Settlement indicates that core spending on local services has the potential to increase by £2.9 billion over the next year<sup>i</sup>, which is good news for councils. The further addition of over £780 million to the high needs block of dedicated schools grant to fund the rising costs of meeting special educational needs brings the total of potential additional resources to over £3.5 billion, as announced in last year's Spending Round.
- The Settlement includes an additional £1 billion of central government funding for social care, as announced in the 2019 Spending Round. Confirmation that key social care grants will also continue next year provides stability for councils. The ability of councils to increase council tax and levy an adult social care precept offers the potential to raise £1.6 billion. This will help councils to continue to deliver vital services, but it is not a sustainable solution. 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.
- The National Living Wage was increased by 6.2 per cent on 31 December 2019.<sup>ii</sup> Whilst councils welcome this increase, it will add additional cost pressures on councils estimated at £220 million more than they will have been forecasting in adult social care alone. Additional funding should be provided to councils for this pressure.
- We are pleased that the 2019 Spending Round the Government announced a real-terms increase in the public health budget. We call on the Government to provide councils with clarity on the funding available in 2020/21 as soon as possible by publishing the 2020/21 grant allocations for councils.
- Councils also need urgent clarity on the Government's plans for its Fair Funding Review and further business rates retention. With implementation scheduled for April 2021, it is crucial for local authority financial planning that the Government consults on proposals for reform and provides certainty to councils as soon as possible.
- The Government has confirmed the referendum limits for 2020/21. We continue to call for a 3 per cent core threshold as in previous years, as opposed to a 2 per cent threshold. 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. Fire authorities should also have access to this flexibility.
- 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 Spending Review later this year.

# Briefing

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## **FURTHER INFORMATION**

### ***The Local Government Finance Settlement 2020/21***

The Local Government Finance Settlement is the annual determination of funding to local government from central government. The provisional Settlement for 2020/21 was published on 20 December 2019.<sup>iii</sup> Following consultation on the provisional Settlement, the final Settlement was published on 06 February 2020. We are pleased that the Government listened to our call and published the final Settlement before Parliament rose for the February recess.

The Settlement indicates that core spending on local services has the potential to increase by £2.9 billion in the coming year, which is an average 6.4 per cent in cash terms (or 4.4 per cent in real terms). This 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. The further addition of over £780 million to the high needs block of dedicated schools grant to fund the rising costs of meeting special educational needs brings the total of potential additional resources to over £3.5 billion as announced in the Spending Round.

As we approach the Budget on 11 March and the multi-year Spending Review later this year, we 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.

### ***Adult and children's social care***

The additional £1 billion for social care (children's and adults), on top of the continuation of existing social care funding package, is welcome and shows that the Government has listened to our, and our partners', calls for urgent investment to stabilise these vital services. Councils understand their local communities and it is positive that the Government has clarified that the new funding for social care will be un-ringfenced.

Social care authorities will be able to increase their council tax by up to 2 per cent, in addition to a core council tax rise of up to 2 per cent as an increase to the adult social care precept. While the adult social care council tax flexibility is welcome, it is unfair to shift the burden of tackling a national crisis onto councils and their residents. The adult social care council tax precept policy has a different effect in different areas as authorities with a weaker tax base will not be able to raise as much income through this flexibility as those authorities with a stronger tax base which may be unrelated to need.

The Government has repeatedly committed to building a cross-party consensus on solutions for the long-term funding of adult social care, including at the Queen's Speech.<sup>iv</sup> The funding for social care confirmed in the Settlement is an important foundation from which to build solutions for the long-term. The upcoming Spending Review provides a crucial opportunity to lay the ground for the reforms that are needed and deliver long-term, sustainable funding. 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. Local government is eager to see and support meaningful and lasting change for the benefit of all people who use and work in adult social care and support.

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 need to be addressed as part of the arrangements for the future funding of both adult and children's social care.

### ***Special educational needs and disabilities (SEND)***

Increasing numbers of children are receiving support for SEND, including more now being educated in settings other than mainstream schools. Alternative and non-mainstream settings are, by their very nature, more expensive than mainstream provision.

The £780 million increase to schools' high needs funding in 2020/21 will go some way towards meeting the funding deficit arising from SEND related support, however the review and a sustainable long-term funding Settlement to deal with ongoing pressures must follow hand in hand.

### ***National Living Wage***

The Government has announced that, as of 1 April this year, the new National Living Wage for over 25-year-olds will increase by 6.2 per cent from £8.21 to £8.72. It is good news that the work of the lowest paid staff is being recognised with an increase in their pay.

Councils welcome this increase however, it will add additional cost pressures on councils estimated at £220 million more than they will have been forecasting in adult social care alone. Additional funding should be provided to councils for this pressure.

### ***Public health***

The 2019 Spending Round included a real-terms increase in the public health budget. It will continue to be paid through a ring-fenced grant in 2020/21. However, the Settlement includes no information about the national total, or individual council allocations, of the public health grant for 2020/21.

We urge the Government to publish the public health grant as soon as possible. This will allow councils to properly plan their provision of services which help people stay healthy, while reducing the strain on the NHS and social care.

In the long term, we will continue to work with the Government to secure sufficient ongoing funding to ensure all councils can continue to meet their public health responsibilities beyond 2020/21. This should include the reversal of reductions in public health grant since 2015.

### ***Business rates retention and the Fair Funding Review***

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 provides early exemplifications and consults on options as soon as possible. It is crucial that no authority loses out from the review.

There are still 54,000 business rates appeals outstanding from the 2010 list, most of these relate to ATMs. We call on the Government to ensure that all outstanding appeals from the 2010 rating list are dealt with as soon as possible. Separately, we are working with the Government to find a better way to deal with business rates appeals under the Business Rates Retention system. This would free up provisions for local authorities to

spend on vital local services. This will be relevant in the run-up to the next revaluation, due in 2021.

It is positive that the Government is continuing to fully compensate councils for the loss of income from previously announced centrally determined reliefs, including rural rate relief, small business rates relief and the increase in retail, local newspapers and pubs reliefs for 2020/21, confirmed by the Treasury on 27 January 2020.

Any relief reduces the buoyancy of the tax base by impacting upon the amount of business rates income and the growth in business rates. This is one of the issues for the LGA and councils to discuss with the Government as we move to further business rates retention. We would like to work closely with Government on its review so that we can share our analysis and insights in the future of the system.

### ***New Homes Bonus***

£907 million for the New Homes Bonus (NHB) has been included in Core Spending Power in 2020/21. The bonus will be funded through £7 million in grant with the rest (£900 million) in top-sliced funding.

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 but it is not clear if these will continue to be paid in future years. The threshold over which the bonus is paid will remain at 0.4 per cent. The Government will consult on the future of the housing incentive in the Spring.

The NHB makes up a considerable part of funding for some councils, particularly shire district authorities. They will welcome the decision not to increase the threshold in 2020/21 but they will be concerned about the decision to pay the bonus for 2020/21 for one year only, as well over the uncertainty of legacy payments from previous years' housing growth, which they had been led to expect would continue for a period of four years.

The LGA has always been of the view that the NHB should be funded outside the Settlement. The Government needs to work closely with councils as part of its review of housing incentives in order to ensure that the review results in the delivery of more homes and that the revised scheme works for local government.

It is important that clarity about legacy payments from 2021/22 onwards, as well as the outcome of the review, is provided to councils as soon as possible to allow them to plan their 2021/22 and future budgets. Even with the NHB, the cost of delivering services to new homes is not met in full. We would welcome the opportunity to continue working with the Government on how we can support housebuilding and looks forward to being involved in the Review.

### ***Council tax***

We recognise that the Government proposes confirming the basic referendum principle for 2019/20 at 2 per cent, with the exception of all shire district authorities, for which a higher limit of either 2 per cent or £5 (on a Band D bill) applies. Social care authorities will also be able to raise a precept of up to 2 per cent on top of this.

This is not a sustainable solution as increasing council tax, or introducing a social care precept, raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on already struggling households.

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.

Although the Government has now confirmed the referendum limits for 2020/21, we continue to call for:

- Consideration being 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. Fire authorities should also have access to this flexibility.

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<sup>i</sup> <https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021>

<sup>ii</sup> <https://www.gov.uk/government/news/government-announces-pay-rise-for-28-million-people>

<sup>iii</sup> <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021>

<sup>iv</sup> <https://www.gov.uk/government/speeches/queens-speech-december-2019>