

# **Proposed Decision to be made by the Deputy Leader (Finance and Property) on or after 14 September 2018**

## **Responding to the 2019-20 Local Government Finance Settlement (Technical Consultation)**

### **Recommendations**

That the Deputy Leader (Finance and Property):

- 1) Approves Appendix A as Warwickshire County Council's formal response to the 2019/20 Local Government Finance Settlement Technical Consultation.
- 2) Delegates authority to the Joint Managing Director (Resources) and Head of Finance to make any final amendments.

### **1. Background**

- 1.1. The Government's current intention is that the 2019-20 settlement will confirm the final year of the multi-year settlement that has provided certainty for four years. The 2019 Spending Review will confirm overall local government resourcing from 2020-21, and the Government is working towards significant reform in the local government finance system in 2020-21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines.
- 1.2. Prior to these reforms in 2020-21, the Government is committed to testing aspects of the new system, and will be implementing a further round of Business Rates Retention pilots in 2019-20. A separate report on this agenda asks the Portfolio Holder to approve Warwickshire's application to be one of those pilots.
- 1.3. The 2016-17 multi-year settlement offered local authorities greater certainty over elements of their funding across the spending period and was accepted by 97% of local authorities. The Government proposes to allocate funding in 2019-20 in accordance with the agreed methodology announced by the Secretary of State in 2016-17, which ensures that local councils delivering

similar services receive a similar percentage change in settlement core funding for those services

## **2. Responding to the Government's Consultation**

2.1. Prior to publishing the 2019-20 Provisional Local Government Finance Settlement by the end of 2018, the government are consulting on specific aspects of local government funding:

- Final year of the multi-year settlement offer
- Council Tax referendum principles in 2019-20
- Negative Revenue Support Grant in 2019-20

### Final year of the multi-year settlement offer

2.2. In response to the final year of the multi-year settlement offer, the authority is taking the opportunity to ask the Government to urgently address the uncertainty of local government funding post 2019-20 by introducing rolling multi-year settlements to support medium-term financial planning.

### Council Tax referendum principles in 2019-20

2.3. The government is proposing to continue with a core principle of up to 3% Council Tax increase and a 2% flexibility for the Adult Social Care precept, subject to total ASC precept increases not exceeding 6% between 2017-18 and 2019-20. The draft response welcomes the flexibility to increase core council tax by up to 3% before incurring a referendum. However, the response also strongly opposes de-facto council tax capping as the Warwickshire stance is that the decision to raise council tax should be wholly the responsibility of locally elected members.

### Negative Revenue Support Grant in 2019/20

2.4. Negative Revenue Support Grant is the name given to a downward adjustment of a local authority's business rates top-up or an upward adjustment to its tariff. This occurs as a consequence of changes to the distribution methodology adopted at the 2016-17 settlement, which formed the basis of the multi-year settlement.

2.5. The 2016-17 methodology allocated central resources in a way that ensures local authorities delivering similar services receive a similar percentage change in 'Settlement Core Funding' for those services. Under this methodology, for many authorities, the required reduction of Core Funding exceeded their available Revenue Support Grant. To deal with this, it was proposed that business rates tariffs and top-ups would be adjusted so that an

increased amount of business rates were redistributed away from the authority and towards other authorities (as RSG is funded from the government's share of business rates). This adjustment has since become colloquially known as 'Negative RSG'.

- 2.6. The government are proposing to remove Negative RSG in 2019-20 via foregone business rates, by not reflecting the downward Negative RSG adjustment of an authority's business rates tariffs and top-ups. This funding will be met from the Government's share of business rates. WCC's response agrees with this proposal.
- 2.7. The WCC responses in Appendix A address all these issues in greater detail. The deadline to respond to the consultation is 18 September 2018.

### 3. Background Papers

- 3.1. None.

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**18 September 2018**

### **The 2019-20 Local Government Finance Settlement – Technical Consultation Paper**

#### **Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?**

We welcome the intention by Government to continue with the fourth and final year of the four-year settlement.

In response to previous consultations as well as in meetings on the future of local government finance we have asked the Government to address the uncertainty post 2019-20 as a matter of extreme urgency. Since then the Government has not made any substantial announcements to alleviate this uncertainty, which 12 months on is felt even more acutely and is impacting negatively on our ability to undertake robust medium term planning.

The cliff edge local authorities currently face in 2019-20 could be managed more effectively if rolling 4-year settlements were introduced and extended to cover more local government funding streams, including those from other departments. This would support medium-term planning at a time when Government grant funding has been cut to its lowest levels in recent memory, requiring careful management and planning.

We therefore reiterate our request for the uncertainty post 2019-20 to be addressed as a matter of extreme urgency and systems and measures put in place to avoid such cliff edges in the future.

Whilst a rolling four-year settlement would provide greater medium-term funding “surety”, measures to provide more timely information during the annual settlement process would also be strongly welcomed. We understand that MHCLG are planning to publish the provisional 2019-20 settlement earlier this year. We would encourage the Ministry, as well as other Departments, to publish 2019-20 funding allocations to local authorities as early as possible. This would support the delivery of a cohesive approach to local government funding and enable both local and central government to truly understand the cumulative impact of the annual settlement.

#### **Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?**

We remain firmly opposed to referendum limits being imposed on council tax. We have always felt that accountability for local taxation should rest with the locally elected members, who are democratically elected to deliver services in their areas.

Current legislation means that proposed increases in council tax above the threshold must be voted on by local residents. However, given the wording and presentational requirements in the existing legislation, this would almost certainly lead to local authority money being wasted. Crucially, these arrangements serve neither local residents nor local services but instead further constrain local authorities in their duty to provide sustainable and vital public services.

We welcome the move from a 2% to 3% Band D increase as this gives more flexibility for locally elected councillors when considering council tax income levels against the need to spend on services for local people.

We would also like to take this opportunity to reiterate the calls for a long-term funding solution to adult social care. We do not consider the ASC precept a suitable long term solution and await the government's Green Paper.

**Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?**

As an authority with negative Revenue Support Grant in 2019-20 we agree with the Government's simple and transparent approach to removing this anomaly from those councils affected by negative Revenue Support Grant, whilst ensuring settlement allocations for the remaining local authorities are unaffected.

**Question 4: If you disagree with the Government's preferred approach to Negative RSG please express your preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.**

We do not disagree with the Government's preferred approach.

**Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

As a shire county authority with social care responsibility a significant proportion of our budget is spent on providing care to vulnerable people. Uncertainty of funding in the medium term could affect the level of service these people receive as authorities consider how to provide services in response to losing certainty of future funding.