**Society of District Council Treasurers**

**Local Government Provisional Finance Settlement 2021/22 Consultation Response**

***Question 1: Do you agree with the Government’s proposed methodology for the distribution of Revenue Support Grant in 2021-22?***

Yes, it is a reasonable and consistent methodology although very few district and borough Councils receive any Revenue Support Grant funding now. It should also be noted that the uplift of 0.55% is low and does not address overall funding gap.

SDCT also recognises that the current methodology is now out of date and we would urge the government to outline their plans regarding the Fair Funding review as early as possible during 2021/22. Looking ahead to the 2021 Spending Review, this must be a multi-year review, and districts must have the information they need as soon as possible to enable them to plan for the coming years.

On a broader point, the Spending Review announced £200m for indexation which consisted of two elements - inflationary increase for RSG and compensation for the RPI cap on business rates income and baselines.

The RSG increase is funded through redistribution of NHB, so the £13m cost of doing this shouldn’t form part of this £200m. The settlement contains an increase of £150m for compensation on BR (£500m in 20/21 increasing to £650m in 21/22) so it would appear that the £200m announced in the SR has not been fully reflected in the settlement. (Mark – is this the point you wanted to make?)

***Question 2: Do you agree with the proposed package of council tax referendum principles for 2021-22?***

No.

SDCT does not support referendum limits. Instead, Council Tax levels should be a local decision based on funding and service pressures. If the government decides to continue with referendum limits, then a cash limit of £10 would be more appropriate and give district councils the flexibility to investment in their communities where needed. This level would also be more consistent with the increases that can be applied by social care authorities and Police and Crime Commissioners. Shire districts are disadvantaged in relation to the 2% cap on council tax compared to unitary authorities and county councils. Both unitary and county councils can generate an additional 3% for social care whilst districts do not have the same opportunity to raise any additional precept to fund their vital welfare, housing and leisure roles which contributes to the wider public health and preventative agenda. PCCs can increase their precept by up to £15, representing an average precept increase of 6.84% for next year.

***Question 3: Do you agree with the Government’s proposals for the Social Care Grant in 2021-22?***

Yes. SDCT supports this funding but would urge the government to consider a more sustainable funding framework for social care as part of the next Spending Review.

We would also call on the government to provide new funding to the sector for social care rather than recycling £150m of the £278m New Homes Bonus surplus for this purpose, which in previous years has been returned to the sector through the Start-Up Funding Assessment.

***Question 4: Do you agree with the Government’s proposals for iBCF in 2021-22?***

Yes. The methodology in unchanged and so consistent with previous years.

We would continue to call for the Disabled Facilities Grant funding to revert to being paid directly to district councils as there seems no rationale for the current arrangements.

***Question 5: Do you agree with the Government’s proposals for New Homes Bonus in 2021-22?***

New Homes Bonus is a critical funding source for district councils and whilst we welcome another round of allocations for 2021/22, we do not agree with the way that the surplus has been used.

NHB has been part-funded by a top-slice from Revenue Support Grant (since 2013-14), and it has always been intended that any unused amounts will be returned pro rata to the original top-slice.

However, the £278m surplus on the scheme for 2021/22, is proposed to fund new and increased grants including:

* the uprating of RSG,
* the new Lower Tier Services Grant,
* the increase in the Rural Services Delivery Grant and
* a contribution to the Social Care grant.

SDCT are supportive of a proportion of the surplus being distributed to support district councils to ensure that they do not see a reduction in the core spending power as the New Homes Bonus scheme is withdrawn, but we do not agree with the significant proportion of the surplus being used to fund rural services and social care pressures. There is no clear rationale for funding these pressures from New Homes Bonus funding and instead new funding should have been directed to these areas.

We note the government’s intention to consult on fundamental reform to the NHB scheme during 2021. We would urge the government to issue this consultation in the first quarter of the year so that district councils can adequately plan and manage the impact of any changes on their Medium-Term Financial Plans.

***Question 6: Do you agree with the Government’s proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?***

Yes, we are supportive of this grant and would ask that it is built into funding baselines for future years. Whilst the additional funding is welcome for 2021/22, one-off funding is not helpful for longer term planning.

***Question 7: Do you agree with the Government’s proposals for Rural Services Delivery Grant in 2021-22?***

Yes. SDCT welcomes the increased funding, although we are of the view that new funding should have been identified for this rather than recycling the NHB surplus. We would ask that the funding is built into funding baselines for future years. However, there are continued concerns about the methodology that has been used to distribute the RSDG as there are some authorities with large rural areas who do not receive any RSDG allocations and this should be addressed.

***Question 8: Do you have any comments on the Government’s plan not to publish Visible Lines?***

We support the decision not to publish Visible Lines because they lacked credibility within the sector.

***Question 9: Do you have any comments on the impact of the proposals for the 2021- 22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.***

No

**COVID-19 Funding for Local Government – Consultation Response**

**Question 1 - Do you agree with our proposed approach to distributing the £670m of local council tax support grant? If not, why, and do you have an alternative proposal?**

Yes. Whilst the data being used may not fully reflect the impact of COVID on caseload, waiting for later data would delay funding allocations and cause issues for Councils in setting their 2021/22 budgets.

*(there are some distributional issues here but I don’t think we’ll get a solution that fits everyone so may be best not to comment on that)*

**Question 2 – Do you agree that we should use 2020-21 budgeted income as a baseline for the SFC scheme? If not, we welcome alternative proposals.**

Yes, this is the only viable methodology.

**Question 3 – Do you agree that we should use a quarter of 2020-21 baseline budgets to assess SFC losses? If not, we welcome alternative proposals.**

Yes, although the funding package will need to be kept under review if COVID pressures continue after June 2021. It is unlikely that SFC income will revert back to pre-COVID levels by then. (are there any unusual budget profiles that we would need to flag up where this methodology wouldn’t work??)

**Question 4 – Do you have views for how we ask local authorities to report their COVID-related pressures in 2021-22? Do you have a view on the frequency of the collection cycle in 2021-22? We welcome your views and alternative proposals on the above.**

This depends on how the pandemic progresses. If pressures continue at the same rate during 2021/22 then we accept that the current monthly frequency gives local government a way to demonstrate these pressures to MHCLG and provides an evidence base to support any call for further funding. If the vaccine roll-out is successful and meets the current targets then there may be a rationale for reducing the frequency to quarterly.