**Society of District Council Treasurers Response to the Provisional Local Government Finance Settlement 2020/21**

**General Comment**

The Society is in broad agreement with the Government’s proposals, particularly the one-year extension of the current arrangements given the current progress with the Fair Funding Review and Reforming the Business Rates system. The decision to uprate the Settlement Funding Assessment in line with the small Business Rate multiplier is reasonable as is the proposed treatment to remove Negative Revenue Support Grant, which is consistent with the approach taken in previous years. However, the Society is concerned about the lack of funding certainty beyond April 2021 which makes effective medium term financial planning very difficult.

We still have some reservations about the whole local government funding process and specific reservations about the provisional settlement. Shire districts, along with the rest of local government, have suffered significant reductions in external funding over the past decadeand have significant cost pressures to tackle, particularly homelessness. Whilst there was an announcement of £54m of additional funding in the Spending Round, there has been no further information on how this is to be allocated. Whilst the announcement on 23rd December of further Flexible Housing Support Grant and New Burdens was welcome, the funding does not go far enough and is also short term, which isn’t helpful when Council’s need to plan longer term preventative measures.

Shire Districts continue to play a critical role in the regeneration of our town centres, promoting local communities and the provision of social and affordable housing. The recent increase in PWLB rates has had an adverse impact on the ability to raise capital funding which is compounded by ongoing pressure on revenue budgets.

Shire districts are facing significant uncertainty beyond 2020/21 due to pending decisions on the future of the Fair Funding Review, Business Rates Retention and New Homes Bonus. It is critical that Central Government take decisions on these as soon as possible so that all sectors of local government can undertake meaningful medium term financial planning – whilst we recognise that individual allocations from 2021/22 will not be available for some time – early notification of any transitional arrangements would be appreciated and clarification that New Homes Bonus and growth from the Business Rates Retention Scheme forms part of any damping calculation.

With specific reference to the provisional settlement we welcome the settlement using the same funding parameters as 2019/20 but have concerns over the following:

* We do not agree with the principle of a Council Tax referendum although if they are deemed necessary they should have been based on a cash increase rather than a percentage increase. Failing that any minimum limit for shire districts should have been 3% in line with the principal of 2020/21 being a roll-over settlement. The 2% limit only benefits 17 of the 201 shire districts.
* It is regrettable that the Government continues to ignore the potential contribution of shire districts to preventative adult social care work by not extending the principle of a 2% preventative levy.
* Although New Homes Bonus is being continued for a further year the indications are that there will be no legacy payments relating to 2020/21 and the future of this major funding stream for shire districts remains uncertain after that year. It is essential that councils are given the earliest notice of any proposed transitional arrangements in connection with the introduction of a future housing incentive scheme.
* We are disappointed that the Government does not intend to extend the 75% business rates pilot schemes beyond 2019/20. With the delayed introduction of changes to the Business Rates Retention Scheme this would have provided an opportunity to extend the existing pilots or even to consider a different structure in order to further test their effectiveness ahead of the reforms. This now means that any alternative system will not have been piloted before becoming operational, which is disappointing and brings risk to the sector.
* The Society also has some concerns that the recently announced fundamental review of business rates and the continued extension of various reliefs, conflicts with the principle of business rates retention and local government having an increasing reliance on a tax stream that may be subject to significant change.

We also wish to raise an issue that is not specifically covered in the consultation on the Provisional Local Government Finance Settlement. This concerns the extension of business rates relief to small retailers, public houses, cinemas and music venues as set out in the Conservatives’ manifesto. We understand the Government intend that these reliefs are included in the initial billing for 2020/21. However, we are not aware that there has been any consultation with local authorities on this matter and there is currently no enabling legislation. Local authorities will be sending out business rates bills in the next few weeks and we are concerned that they would be expected to include these reliefs even though there would not be any legislation or regulations in place to support them. It is unreasonable to expect local authorities either to act now upon retrospective legislation or to undertake revised billing once the legislation has been put in place. The Government must give serious and urgent consideration to this matter and commit to funding local authorities any costs incurred in awarding this relief (including software costs and any costs associated with rebilling if required).

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

**Response –** The Society welcomes the Government proposals to keep the existing mechanism for determining tariff and top-up payments in 2020/21 and the proposal that all local authorities will receive a uniform change in Settlement Funding Assessment in 2020/21, uprated in line with the change in the small business non-domestic rating multiplier. To adopt any other approach with the impending fundamental reforms to the system could potentially have led to wide fluctuations in the level of support to individual authorities between the three years from 2019/20 to 2021/22.

We are however still concerned that, while the Government has taken some steps towards addressing the significant funding shortfalls for upper tier authorities through additional resources for Social Care Grant, there are no corresponding measures to address the financial pressures facing lower tier authorities. In particular, the Government needs to address the significant financial pressures facing shire districts from homelessness and the increased demand for temporary accommodation. The Homelessness Reduction Act, Welfare Reform and Universal credit has led to a significant financial impact for many district councils and whilst there is £54m included in the Spending Round which is welcome, this will not be sufficient to meet this pressure. The short-term nature of the Flexible Housing Support Grant and New Burdens grant for Homelessness is also not helpful when Councils need to put in place longer term preventative measures.

Aside from this, Shire districts only have an inflation linked increase to the Settlement Funding Assessment and Council Tax. Any additional financial pressures above inflation increases and increased demand on services that are facing lower tier authorities will have to continue to be met from reserves or by making further savings. This situation cannot continue indefinitely.

**Question 2: Do you agree with the Government’s proposal to eliminate negative RSG?**

 **Response –** The Society welcomes and fully supports the Government’s decision to eliminate negative RSG

**Question 3: Do you agree with the proposed package of council tax referendum principles for 2020-21?**

**Response –** The Society does not support the principle of council tax referendums. It believes that as Councils are democratically elected they should be accountable for their local tax decisions rather than these being determined by Central Government.

We are disappointed with the Government’s interpretation of the response to the technical consultation on the issue of the separate principle for shire districts. 80% of the respondents supported this principle and the parameters of 2% of £5 whichever is the greater. However, of the 158 respondents supporting this only 81 (51%) were actually shire districts.

We still believe that there should be greater flexibility than the 2% threshold or £5 limit for shire districts. As a minimum, and in order to be consistent with treating 2020/21 as a roll-over year, the referendum limit should have been increased to 3% as in previous years. The criteria for a referendum should also be based on an increase in cash amounts rather than on a percentage increase. Using a percentage increase will only serve to widen the gap in council tax between those councils at the higher and lower ends of the scale.

In the technical consultation we pointed out that only 17 shire districts would come into the scope of a 2% increase being greater than £5, (this is less than 10% of all Districts) so the inclusion of a percentage increase set at that level for a referendum would seem superfluous.

We still fail to understand why Combined Mayoral Authorities continue to enjoy exemption from the referendum principle. The Government’s only reasoning is that ‘mayors would exercise restraint’ but we are unsure why the Government does not believe that local councils would not do the same.

We are also disappointed that the District Councils’ Network proposal for a prevention council tax precept (a 2% prevention levy for shire districts) to reflect the key role that districts play in prevention and demand reduction across the county has been ignored. There continues to be a lack of recognition of the contribution districts are making to the broader health and wellbeing preventative agenda through our leisure facilities and activities, parks and open spaces, provision of good quality housing

We agree that it is sensible not to extend the referendum principle to town and parish councils. There is a significant administrative cost to councils in holding a referendum and these could be greater than the amounts that are the subject of the referendum. The requirement for a referendum would also stifle local councils’ ability to undertake one off larger scale projects.

**Question 4: Do you agree with the Government’s proposals for the Social Care Grant in 2020-21?**

The Society agrees with the proposals. The Council does not have any further observations on the distribution of this amount but we would re-iterate comments that we have made in previous consultations that the Government recognise the role that shire districts could undertake in preventative adult social care work in areas such as housing and housing adaptations, sport and leisure provision and environmental health.

**Question 5: Do you agree with the Government’s proposals for iBCF in 2020-21?**

The Society agrees with the proposals.

**Question 6: Do you agree with the Government’s proposal to fund the New Homes Bonus in 2020-21 with the planned £900 million from Revenue Support Grant, with additional funding being secured from departmental resources, and to allocate the funds in line with previous years but with no legacy payments?**

We agree with the proposals and note that the Government are funding the additional £7 million from departmental resources. It is disappointing that there will be no legacy payments relating to the 2020/21 allocation. In our response to the technical consultation we outlined our concern over the future of NHB or of any subsequent arrangements and these have not been allayed by the final settlement. We would also like to reiterate that councils should be given an early indication of any future housing incentive scheme and any transitional arrangements.

**Question 7: 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 agree with the Government’s proposals although as we noted in our response to the technical consultation the distribution method is rather arbitrary and we hope that the Fair Funding Review will result in a more satisfactory method. The fact that nearly 40% of the respondents to the technical consultation expressed concern over the allocation method highlights a weakness with the distribution method. A system that has an arbitrary cut-off is not helpful.

 **Question 8: 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, and on the draft equality statement published alongside this consultation document? Please provide evidence to support your comments.**

We have no comment to make on this.