

1. The government published its technical consultation paper on the Local Government Finance Settlement on 3 October 2019:

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2020-to-2021-technical-consultation>

Below is a summary of the proposals and the draft consultation response. The deadline for the response is 31<sup>st</sup> October.

## 2. Increase in Revenue Support Grant and Baseline Funding Levels

The minimum amount of business rates retained is proposed to be increased in line with the small business rate multiplier which is tied to the prevailing CPI rate in September 2019 which is consistent with the current methodology for increasing the baseline funding level.

In his letter to authorities on 4 September 2019, the Secretary of State said that: "The core settlement (baseline funding levels and Revenue Support Grant), which will be uprated by £300m"

The CPI increase was 1.7% in August and September 2019, down from 2.0% in July 2019. An increase in funding of 1.7% would be nationally equivalent to £252m, marginally less than the amount announced by the Secretary of State.

The Government is only consulting on the mechanism for increasing Revenue Support Grant (RSG). The Council received the equivalent of £59,107 in RSG in 2019/20 through the pilot arrangements. However, we should support the intention to increase Baseline Funding Levels and Revenue Support Grant by inflation as a minimum.

There is a question about whether CPI accurately reflects the inflationary pressures on local government and whether in the longer term a different inflationary measure should be used.

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

### **Proposed response:**

The Council welcomes the Government's approach to increasing both Baseline Funding Levels and Revenue Support Grant by the September CPI.

However, in the longer term, the Council would welcome some detailed research into the most appropriate measure for inflationary pressures upon Councils.

### **3. Negative Revenue Support Grant**

Each council has a Settlement Funding Assessment (SFA) which is the amount of funding that the Government has assessed that it requires by way of a combination of Revenue Support Grant (RSG) and the business rate Baseline Funding Level (BFL). The BFL is indexed every year in line with the business rate multiplier, and to date all reductions in the overall SFA have been made to an authority's RSG allocation.

However, we are now at a point where for some councils, Revenue Support Grant has been eliminated and so no further reductions in this source of funding can be made. Negative RSG occurs when an authority's Settlement Funding Assessment (SFA) is lower than its BFL, which means that the Government then reduces the income retained from Business Rates. For Crawley the RSG is low at £59,107 in the current year.

The Government is proposing to eliminate negative RSG again in 2020-21. The Government believes that this approach would recognise the need to provide stability to local authorities with negative RSG in 2020-21 and would be consistent with the Government's previous commitment, made during the implementation of the business rate retention scheme in 2013-14, that authorities' retained business rates baselines, which are used to determine their tariff and top-ups, would be fixed in real terms until the business rates system was reset.

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

**Proposed response:**

The Council does question the legitimacy of the Negative RSG adjustment to the tariff payment as this compromises the commitments to not adjust the Tariff payments until the fairer funding review and the business rate reset which is now planned for 2021/22.

The Council supports the Government's preferred option as the only viable option that reverses Negative RSG.

### **4. Council Tax Referendum criteria**

Threshold for increase in "core" council tax will be 2% as announced in the Spending Review. The consultation asks whether district councils should continue to be able to increase by the higher of 2% or £5 (this seems likely but is not confirmed).

A separate proposal will be put forward for Police and Crime Commissioners in the provisional police funding settlement (but nothing extra is anticipated for fire authorities).

Again, there are no restrictions on council tax increases for the mayors of combined authorities or for parish and town councils, but the government will "keep this matter under active review for future years".

The Council could lobby for some additional flexibility. The Police and Crime Commissioners had the ability to set the level of increase up to £24.00 in 2019/20. Generally however, the additional flexibility has been confined to £12.00. A £12.00 increase would be equivalent to a 6.3% increase for the Sussex Police and Crime Commissioner's Band D tax.

A higher maximum increase would assist more Councils in balancing the books and would give much more local discretion about how to meet the current financial challenges.

**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?

**Proposed response:**

The Council believes that the current requirement for a council tax referendum is not appropriate as it does not align with national strategy. HM Treasury doesn't have to have a referendum regardless of how high they increase tax, rather such issues are put to the electorate periodically in the form of a General Election where the voters can express their support or opposition to the current and proposed balance of taxation and service expenditure. The key difference between Crawley Borough Council and HM Treasury is we already have greater restrictions on what we can tax and we go to the public in three out of every four years, not one in every five, so our tax decisions already have greater democratic legitimacy.

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

The Council is supportive of the proposals but would welcome greater flexibility in setting Council Tax.

## **5. New Homes Bonus (NHB)**

The government is proposing to continue NHB in its current form into 2020-21. There will continue to be a top-slice from Revenue Support Grant (RSG) of £900m, and the government is "minded to make a new round of allocations for 2020-21".

This means that:

- Payments relating to Year 6 (2016/17) of the scheme will drop out (£294m). Authorities have received "legacy payments" in respect of Year 6 for four years. For Crawley Borough Council this is a loss of income of £307,143.
- A further year (Year 10) will be added on (our consultants estimate that this will cost £209m); and
- Any unused amounts will be redistributed pro rata to individual Councils funding assessments.

Around £66m could be returned in 2020-21, depending on the growth achieved by authorities in Year 10 of the scheme.

For those authorities expecting a large amount of growth to come through in respect of Year 10 in 2020-21, this will be welcome news, for Crawley Borough Council we have had a large increase in the numbers of properties so this is an unexpected £662,000. However, the benefit might be short-lived because it appears from the consultation that authorities will only get one payment in respect of growth earned in Year 10, with no future legacy payments:

“any new allocations in 2020-21 will not result in legacy payments being made in subsequent years on those allocations”

The current interpretation is that the government will only make NHB payments in 2021-22 for Year 8 and Year 9, and then only for Year 9 in 2022-23 which is consistent with our assumptions in our Medium Term Financial Plan.

Given the uncertain nature of any alternative funding allocation, it is suggested that we support the Government’s proposals for 2020/21.

Any replacement to the New Homes Bonus funding in 2021-22 is unlikely to distribute anywhere near as much as £900m, and is likely to use a different methodology for rewarding growth. There is also the possibility that NHB will be abolished completely in 2021-22 and not replaced at all. In the Medium Term Plan we have assumed New Homes Bonus of £226,000 per annum from 2021-22 with the final legacy payments in years 2020-21 and 2021-22 from the existing scheme.

Whilst the current New Homes Bonus allocation methodology is flawed as it only recognises the numbers of homes built and not the context within which that growth is achieved and the constraints that some councils have with house building, there is potential merit in arguing for some incentive funding for house building in the future.

**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?

**Proposed response:**

The Council supports the Government’s intention to allocate additional New Homes Bonus funding for 2020-21.

The Council supports the idea of incentive funding for the delivery of new homes but would welcome a fundamental review of the methodology. We look forward to the proposed consultation on the new scheme.

## 6. Other matters

As part of the overall consultation, there are a number of issues that do not directly affect the Council as these funding streams relate to either the County Council or rural authorities. The proposals include:

- Confirmation of an additional £1bn funding for social care, and roll-forward of the existing social care grants from 2019-20.
- Rural Services Delivery Grant will continue at £81m, with allocations unchanged.
- Improved Better Care Fund (iBCF) is to be retained at the 2019-20 funding levels (£1.837 billion), using the same methodology as 2019-20.

Given that how the overall funding is to be distributed in the future will be addressed as part of the Fairer Funding Review, it is proposed that the Council not comment on these funding streams as part of the consultation response as they do not directly affect us.

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

**Proposed response:**

The Council has no view on the allocation of Social Care funding

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

**Proposed response:**

The Council has no view on the proposals for iBCF in 2020-21

**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?

**Proposed response:**

The Council has no view on the proposals for distributing Rural Services Grant in 2020-21

**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 council does not believe that the proposals will have an impact on persons who share a protected characteristic.