

## Response to the Local Government Finance Settlement 2019 to 2020: Technical Consultation

The Ministry of Housing, Communities and Local Government (MHCLG) issued a technical consultation paper on the 2019-20 settlement on 24 July 2018.

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation>

Responses to the consultation are required by 18 September 2018.

### Highlights

- The **four-year settlement** offer is confirmed for 2019-20.
- A further round of retained business rates **pilots** has been announced for 2019-20. The terms offered for 2019-20 are not as good as those available in 2018-19: pilots will only retain 75% of any gain in business rates and there will be no “no detriment” support (so if the rates income go down then the bidding authorities have to cover this). A joint West Sussex bid will be submitted.
- MHCLG reminds us that the national baseline for **New Home Bonus** might be increased from 0.4% in 2019-20. Where the baseline is set in 2019-20 will depend entirely on actual housing growth. However, if growth remains the same as it was last year, then the national baseline ought to remain at 0.4%.  
However this may give the Government the opportunity to top slice New Homes Bonus.

### The consultation does say - **New Homes Bonus 2020 Onward**

2019-20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.

- There are no changes to the **limits on council tax increases** in 2019-20, although they are still subject to confirmation in the provisional settlement. For Districts and Boroughs this is a maximum increase of £5 on a Band D.
- Options for dealing with **Negative RSG** are set out in the paper. The preferred option is simply not to make the tariff adjustments that are required for Negative RSG to take effect. Alternative options for eliminating Negative RSG would be too expensive and/ or not effective. We are not affected by this because we receive the £59,017.

## **The consultation**

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

Answer : YES

*Overall the concept of a 4-year settlement has actually been very beneficial. It has provided certainty about some of the key funding streams that authorities receive. Clearly there are other parts of the funding system that have been anything but stable over the past four years (e.g. New Homes Bonus, Section 31 grants for retained rates, Benefits Admin funding), but at least the 4-year settlement has provided stability and certainty in part of the system. Authorities will be supportive of a new 4-year settlement for the next spending review period (2020-21 to 2023-24).*

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

Answer : YES

*The £5 maximum is likely to help very few district and Borough councils in 2019-20, the Budget Strategy states –*

*'The aim is to work to keep council tax low without compromising local services'.*

*It would be very helpful if the Government could provide absolute certainty about the maximum council tax increases: only getting final confirmation in the provisional settlement is very late in the budget setting process.*

*The £5 maximum is likely to help very few district councils in 2019-20, a £5 increase brings in just £175,000 additional income for the Council and the pay award in 2019/20 will cost £497,000 due to the 2% increase and the lower scales receiving a higher percentage.*

**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?**

Answer: N/A (we are not a negative RSG council in 2019/20)

**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 here please provide further detail.**

Answer N/A

### **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.**

Answer N/A