

The 2020/21 Provisional Local Government Finance Settlement – Key Facts

LGA Annual Local Government Finance Conference, January 2020

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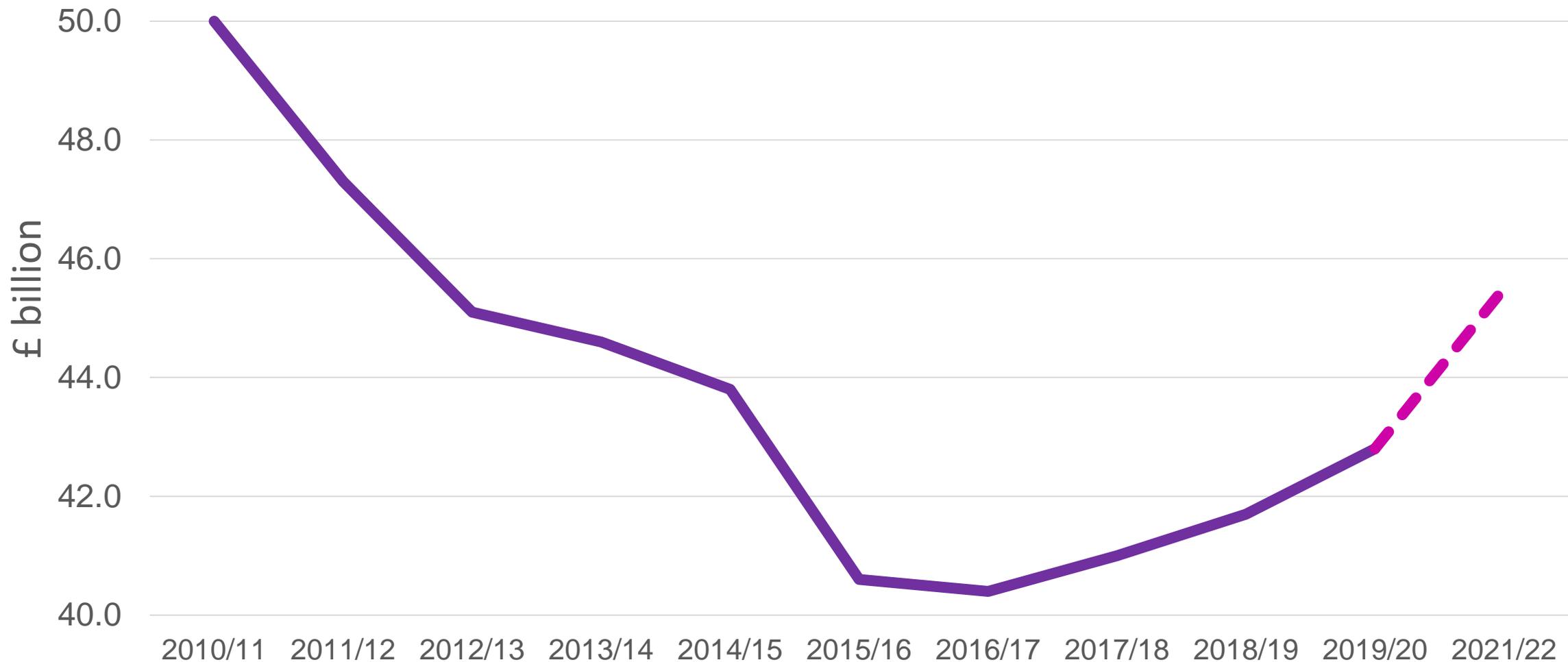
- Core Spending Power will increase by 6.3% in 2020/21 (4.4% in real terms).
'Biggest increase in core spending power in a decade'
- Increases in Core Spending Power, compared to 2019/20:
 - Adult and children's social care + £1.0 billion
 - Business rates and Revenue Support Grant + £0.3 billion
 - Adult Social Care Precept + £0.6 billion
 - General referendum principles + £1.0 billion
 - Total + £2.9 billion

- Rural Services Delivery Grant continuing
- Other dedicated social care funding continuing
- Negative RSG remains cancelled
- New homes bonus continuing

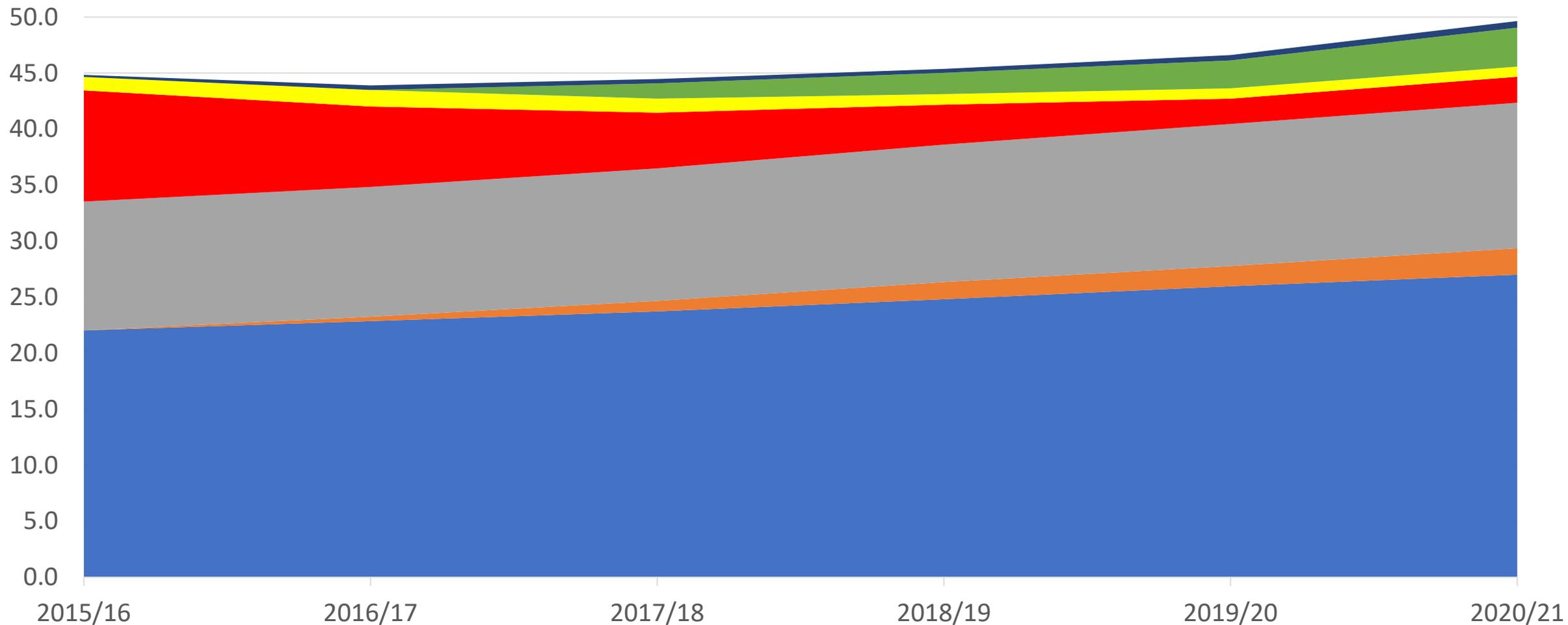
- No mention of further business rates retention or Review of Relative Needs and Resources ('Fair Funding Review')
- The five 2017/18 business rates retention pilots continue at 100% – 'authorities with increased business rates retention arrangements'

- No indicative figures for 2021/22

Core Spending Power for councils, 2010-2021

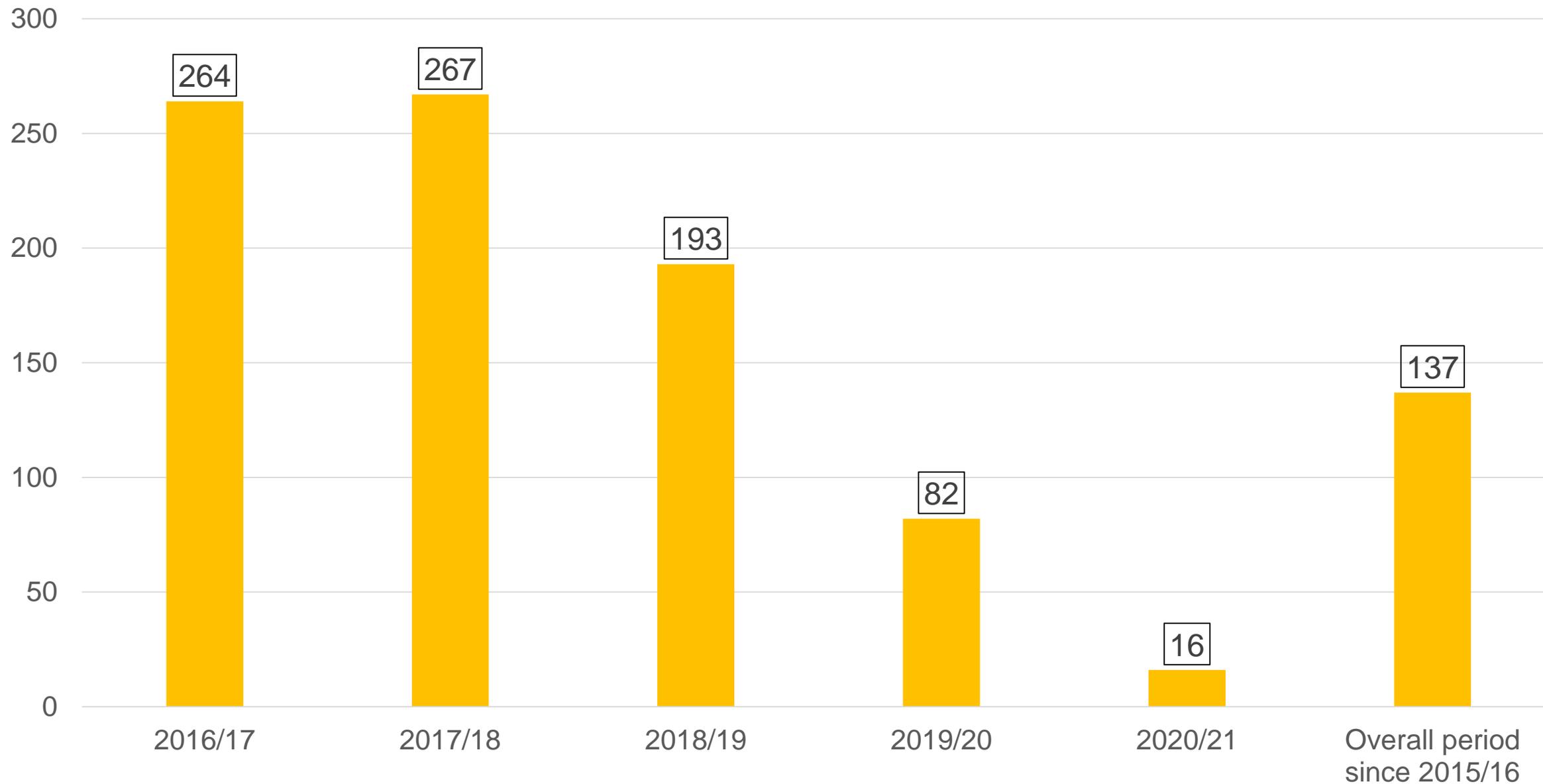


Core Spending Power 2015-2021 (£ billion)



- Council tax (except ASC precept)
- Adult social care precept
- Business rates baseline
- Revenue support grant
- New homes bonus
- Dedicated social care funding
- Other

Authorities with reduced Core Spending Power



- 2% general referendum limit
- ASC precept: Up to 2% in 2020/21. No indication about future years
- Shire districts: the higher of £5 or 2% Band D
- Directly elected mayors precept – no referendum principles
- Town and Parish Councils - no referendum principles
- PCCs and GLA / Greater Manchester police - TBC
- Assumed growth in council tax:
 - Maximum possible, including Adult Social Care Precept
 - Growth in taxbase based on last five years (average 1.89% per annum but localised)

Other announcements – a little more detail

- Additional £1 billion social care funding announced at 2019 Spending Round
 - Government pledge to baseline for the whole Parliament
 - Distributed on basis of ASC Relative Needs Formula (£150 million used for ASC precept equalisation)
- New Homes Bonus
 - No increase to threshold (stays at 0.4%)
 - Funded by additional £7 million
 - No legacy element to 2020/21 allocation
 - No guarantee that other legacy payments will be paid beyond 2020/21
 - Consultation on ‘the future of the housing incentive’ - Spring

Based on LGA draft response

- Welcome £2.9 billion additional resources
- Potential £1.6 billion in council tax (including ASC precept) welcome but not a long-term solution
- Opposed to referendum principles – but calling for general limit to be increased to 3% as last year plus £5 flexibility for shire districts and fire authorities
- Social care reform now vital – LGA offering to host and facilitate cross party talks
- The 6.2% increase in National Living Wage is higher than expected and funding should be provided to meet this pressure
- Need to work together in advance of 2020 Spending Review

Based on LGA draft response

- Work with councils on New Homes Bonus – need for clarity on legacy payments and future scheme
- Public health grant announcement needed ASAP – welcome real terms increase but new pressures
- Need for an update on Fair Funding Review and further business rates retention – no losers from FFR
- Business rates reliefs announced in Queens Speech need to be fully funded
- Publish final settlement ASAP
- Future settlements – in line with Hudson recommendation

- Responses and representations to MHCLG by 17 January 2020
- Please send us your responses and comments to lgfinance@local.gov.uk
- Final Settlement – late January / February
- Debate and approval in Parliament