

Response to the Government Funding Review

Summary

To agree the Council's response to the Consultation on the 2019-20 Local Government Finance Settlement Technical consultation paper

Portfolio - Finance

Date signed off: 6 August 2018

Wards Affected

Not applicable

Recommendation

The Executive is advised to RESOLVE to agree the Council's response to the 2019-2020 Local Government Finance Settlement Technical Consultation Paper, as set out at Annex A to the agenda report.

1. Resource Implications

- 1.1 The Technical consultation contains a number of proposals which could impact the Council's finances. These are as follows:

Grant Settlement

- 1.2 The 2015 spending review included a "negative grant" in 2019/20 which would have resulted in the payment of £933k to the Government by Surrey Heath. After extensive lobbying the Government has made proposals to address this issue. The Government's preferred solution is simply to cancel the negative grant using other funding and this appears to be the neatest solution. Details of the spending 2020 spending review have not been released as yet and this will be looked at closely to see whether the "negative grant" has been imposed albeit by another name.

New Homes Bonus

- 1.3 The Government announced in 2016 that the incentive given to Council to provide new homes would be reduced. This was done by firstly restricting payments to 4 years rather than the previous 6 and secondly by deducting a baseline housing delivery expectation (0.4% of the tax base) from the actual number of houses built before calculating the incentive paid.
- 1.4 The Government has said that it intends to raise the baseline measure so as to ensure that the total spend on NHB remains within the funding envelope. It would appear disingenuous to reduce the value of the bonus for local councils simply because they have over achieved on housebuilding.
- 1.5 The Government has also said it may change NHB from 2020 – details are awaited

Council Tax

- 1.6 It is proposed that the 3% or £5 increase, whichever is the higher, will be retained with an additional 2% for Social Care. Whilst welcoming this the point has been made that in reality there should be no controls on council tax and that these decisions should be left to locally elected members. The point has also been made that two tier areas are disadvantaged by the ASC precept since it can only be levied by Counties.
- 1.7 Finally the point has been made that since Government now contributes nothing financially to local services as it is all paid for by local residents and businesses it should relinquish its control of Local Government to locally elected members.

2. Key Issues

- 2.1 The Government has asked for comments on its proposals through a number of consultation questions. A recommended response is attached to this paper.
- 2.2 The consultation commenced on the 24th July and ends on the 18th September 2018. The final settlement is expected to be announced around Christmas 2018

3. Risk Management

- 3.1 No issues form this paper although the Government's proposals do increase funding risk to the Council.

4. Equalities Implications

- 4.1 None from this paper but the point has been made that the impact of the spending cuts within the 2015 Spending review have impacted disproportionately those people with protected characteristics, such as the elderly, since they are the greatest users of services.

5. Options

- 5.1 The Executive can decide to amend the consultation or not respond

6. Proposals

- 6.1 It is proposed that the Executive reviews the proposed response and agrees it, subject to any changes it wishes to make.

Annexes	Annex A – Draft Consultation response
Background papers	DCLG – The 2019/20 Local Government Finance Settlement – Technical Consultation Paper
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Head of Service	As above

CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted
Resources		
Revenue	✓	✓
Capital	-	-
Human Resources	-	-
Asset Management	-	-
IT	-	-
Other Issues		
Corporate Objectives & Key Priorities	✓	✓
Policy Framework	-	-
Legal	-	-
Governance	-	-
Sustainability	-	-
Risk Management	-	-
Equalities Impact Assessment	-	-
Community Safety	-	-
Human Rights	-	-
Consultation	-	-
P R & Marketing	-	-



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13 September 2018

Dear Sir or Madam

RESPONSE TO CONSULATION ON THE 2019/20 LOCAL GOVERNMENT SETTLEMENT

Please find below the responses of Surrey Heath Borough council to the above 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?

For Surrey Heath the main impact of the final year settlement is the imposition of the negative RSG, which is addressed later in the consultation. Provided this matter is dealt with then for us the settlement should stand.

However Surrey Heath does have concerns in respect of the changes to New homes Bonus as follows:

- Firstly there is a suggestion that the baseline will be increased from the current 0.4% to enable the Government “to remain within spending limits”. Whilst we understand the wider economic picture does have to take in to account it seems to be counterproductive to dilute an incentive paid for a key Government initiative i.e. housebuilding just because Councils have over achieved. This does not really send out the message that more houses need to be built.
- Secondly despite the Government saying that New Homes bonus “would be permanent” there is now a hint that actually it may be replaced with something else or have its funding changed. Housebuilding is a key Government target and Local Government has worked hard to deliver, sometimes in the face of local opposition, based on the promise of reward funding. Any new scheme therefore must guarantee

that any existing rewards due are paid in full. Any new scheme needs to take in to account the difficulties of delivering housing, say through lack of land, rather than just relying on a blunt percentage figure.

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

As a matter of principle there should be no caps on Council Tax increases. Local tax levels should be set by locally elected politicians who are answerable to the electorate at the ballot box. That said, the fixing the increase at 3% rather than 2% is welcome although this is still below inflation. There also needs to be a recognition that the social care precept raised significantly less money in tow tier wares than unitaries since only the county element of the bill attracts the levy. This could be addressed by allowing a larger ASC in 2 tier areas or permitting districts to lever the social care precept to be used on Community based services.

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?

As we made clear in our submission for the settlement we disagreed with the imposition of a "negative RSG", in our case almost £1m, on our local residents. Once the grant has been reduced to nil then that should be the end of it. We are therefore pleased that this matter has now been addressed and would prefer option 1 as it is the simplest and best solution to this issue. That said we would not want to find that this solution is merely deferment of the issue and that Surrey Heath residents are expected to give up £1m in funding in 2020/21, albeit by another name.

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

No comment

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.

There can be no doubt the 2015 spending review of which 2019/20 is a part has had a very detrimental effect on persons with protected characteristics. The cuts in services have tended to impact persons with protected characteristics disproportionately since they, for example the aged or disabled, use the services local councils provide more than the rest of the general population.

Finally Surrey Heath has managed through a combination of efficiency and income generation to maintain services over the 2015 spending review period despite a total loss of grant. This though has been at the price of increased risk and volatility in funding as we have had to rely on commercial income etc. to maintain our services. As a result all our income is now raised from local residents and businesses. When the Government provided national money for local services it was only right that they exercised some national control. However this is no longer the case and so it is only right that controls exercised by Government on areas such as Council tax rates, exemptions etc, should now be devolved to locally elected accountable members. If the Government wishes to retain control then the quid pro quo of this that they should be expected to pay for it in some way.

If you need any further information please do not hesitate to contact me.

This paper was tabled at the Council's Executive on the 12th September 2018

Yours faithfully

Karen Whelan
Chief Executive - Surrey Heath Borough Council

Cllr Moira Gibson
Leader - Surrey Heath Borough Council