

## PLYMOUTH CITY COUNCIL

**Subject:** Local Government Finance Settlement  
Consultation 2019/20

**Committee:** Cabinet

**Date:** 11 September 2018

**Cabinet Member:** Councillor Lowry

**CMT Member:** Andrew Hardingham – Interim Strategic Director  
for Transformation and Change

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Reporting

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**Key Decision:** No

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### **Purpose of the report:**

To approve Plymouth City Council's response to the Local Government Finance Settlement Consultation paper - 2019/20.

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### **Corporate Plan:**

Maximising the amount of external resources from central Government is essential to delivering the priorities within the Council's Corporate Plan.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:**

The outcome of the consultation will have a direct impact upon the resources available to the City Council. This will need to be reflected within the Medium Term Financial Strategy (MTFS).

The uncertainty created by the suggested changes makes short to medium term financial planning difficult.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

Changes to reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. Maximising the financial resources available to the council is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

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**Equality and Diversity:** n/a

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**I Recommendations and Reasons for recommended action:**

- That the consultation response attached at Appendix one is approved.
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**Alternative options considered and rejected:**

None.

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**Published work / information:**

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

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**Sign off:**

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Originating SMT Member Andrew Hardingham													
Has the Cabinet Member(s) agreed the content of the report? Yes													

## **I Background**

- 1.1 It is expected the Government will confirm the last year of the four year local government finance settlement in the autumn of 2018. The 2019 Spending Review will provide funding for local government over a longer period from 2010/21 onwards and will have a significant impact upon the resources available to Plymouth. This will include a new basis for allocating funding, a more transparent approach according to the government, revised baseline funding levels and resetting business rates baselines.
- 1.2 No major changes were expected in the Settlement. However the government have invited bids for a new round of business rates pilots and issued a Local Government Finance Consultation: both at the end of July 2018.

## **2. Summary of proposals**

- 2.1 The government is consulting on the following areas:
- Confirmation for the 4 year Settlement;
  - Proposals for council tax referendum principles for 2019/20;
  - Proposals for dealing with “Negative” Revenue Support Grant (RSG).
- 2.2 The Consultation paper makes reference to New Homes Bonus but is not consulting on the existing scheme and has not asked any specific questions. Following its introduction in 2011 the system was reformed in 2017/18. The changes were:
- reduction of the number of years New Homes Bonus payments were made from 6 to 5 years in 2017-18 and to 4 years from 2018-19; and
  - introduction of a national baseline for housing growth of 0.4% of council tax base from 2017/18, below which the Bonus is not paid.
- 2.3 The Consultation paper says the government retained the option to make adjustments to the baseline in future years to reflect significant additional housing growth and to remain within the Spending Limits set in 2015.
- 2.4 The baseline remained at 0.4% in 2018/19 however the paper states “Due to the continued upward trend for house building, the government expects to increase the baseline in 2019/20. Any changes to the baseline are expected to be made at the time of the local government finance settlement.

- 2.5 Any increase in the baseline will have a detrimental impact Plymouth. An increase of 0.1% in the baseline to 0.5% would result in a reduction of approximately £0.160m.
- 2.6 The government intends to review NHB and consult on how to incentivise housing growth beyond 2020.
- 3. Responses to Consultation**
- 3.1 Each of the consultation questions are set out with a response in Appendix one to this report.

**Consultation Responses.**

	<b>Consultation Question</b>	<b>Response</b>
1.	Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?	<p>Plymouth signed up to the 4 year Settlement on the basis this provided a degree of certainty with respect to future funding allocations from central government. This was not an acceptance that the level of resources provided to Plymouth was adequate.</p> <p>Plymouth would urge the Government to take this opportunity to review the quantum of resources available for local government and reflect this within the local government finance settlement.</p> <p>In the absence of any additional resources Plymouth agrees the final year should be confirmed.</p>
2.	Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?	Plymouth is acutely aware of the need to balance the need for the provision of high quality local services and the impact this has on local residents when setting the council tax.

		<p>Plymouth understands the need for flexibility in setting the council tax and having local accountability, however the impact of ongoing cuts to government funding is having a detrimental impact upon the local taxpayer as the burden for paying for local services moves from central government.</p> <p>Plymouth supports flexibility at a local level but the substantive issue is one of a sustainable long term funding settlement for local government as opposed to small incremental increases for raising council tax.</p>
3 & 4	<p>Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?</p> <p>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.</p>	<p>"Negative RSG" is a consequence of the government's decision to change the methodology used for allocating Revenue Support Grant, introduced in 2016-17, which rightly sought to ensure that authorities delivering the same set of services received the same percentage change in funding by taking account of the main resources available to them, rather than focusing only on revenue support grant.<sup>1</sup></p> <p>Negative RSG therefore affects only those authorities who have the strongest business rates and council tax bases and therefore have been least dependant on government grant and therefore most insulated from the effects of austerity to date.</p> <p>Plymouth does not agree with the proposal to use foregone rates taken from the central government share within the overall amount of business rates – amounting to £153m.</p>

		<p>Plymouth recognises this is not a direct reallocation of resources but it is a loss in relative terms in that this money could be reallocated to all local authorities based upon need.</p> <p>It is recommended that the government look at alternative options which include the allocation of additional funds into the system allocated on relative needs.</p> <p>Your consultation paper says the resources required to completely eliminate Negative RSG is not affordable. This is the crux of the issue and whilst additional resources have been found to support the NHS, the government must ensure there is a sustainable funding allocation for local government.</p>
	<p>General Comments</p> <p>Children's Services</p>	<p>Children's Services is one of the main areas of spending pressures for upper tier authorities and needs to be urgently addressed. The ongoing impact of austerity has placed immense pressure on local government and Plymouth to ensure there is adequate resources available to protect and safeguard vulnerable children. The LGA has estimated there is a £2bn funding gap for Children's Services.</p> <p>Plymouth has reported a £0.6m overspend within Children's Services as at the end of August 2018, which is not dissimilar to the pressures faced across the country by other local authorities. This overspend can be attributed to the increased cost and volume of looked after placements. The</p>

		<p>national and local context for Children’s placements is extremely challenging with increasing difficulties in securing appropriate good quality placements. High demand and limited supply of placements and a tightening of Ofsted requirements as well as the introduction of the National Living Wage, have all led to an increase in the unit costs of placements.</p> <p>Plymouth’s Medium Term Financial Strategy is forecasting additional costs of £5.7m over the next three years which have to be set in the context of ongoing reductions in government support. Plymouth is exploring all opportunities to maximise efficiencies within the provision for Children’s Services and has been successfully supporting Torbay Council in the management of their Children’s Services exploring opportunities to harmonise working practices and IT systems. However, despite this proactive approach significant pressures exist and the government is urged to allocate new resources to support the escalating costs within this service.</p>
	<p>Discretionary Housing Payments</p>	<p>The quantum of financial resources made available to local government is paramount in allowing local government to fulfil its statutory obligations.</p> <p>In addition to the Core Grant received, Discretionary Housing Payments (DHP) are an important source of funding and assist with supporting residents with their housing costs including rent payments in advance, deposits and other</p>

		<p>associated housing costs. Any unspent (DHP) is returned to government at year end. In 2017/18, according to DWP figures 68.6% of local authorities did not spend their full allocation.</p> <p>Due to the pressures faced by local government it is illogical that unspent DHP is returned to government. Plymouth request that this funding approach is changed and any unspent monies at year end are redistributed to local authorities with the greatest needs.</p>
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