

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 November 2019

**THE 2020/21 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL
CONSULTATION PAPER**

Contact for further information:

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Executive Summary

The report sets out details of the Government's latest consultation document relating to 2020/21 Local Government Finance Settlement.

As the deadline for response did not provide sufficient time to take to the Committee a response was agreed by the Chair and Vice-Chair of the Committee and duly submitted in October.

Recommendation

The Committee is asked to note and endorse the response submitted.

Information

The Local Government Finance Settlement is the basis by which the Government allocates out funding to individual authorities, as part of the Local Government Finance Settlement.

The Ministry of Housing, Communities and Local Government issued a consultation document titled "Local Government Finance Settlement 2020/21 – Technical Consultation" on 3 October, with a deadline for a response of 31 October.

The proposed 2020/21 settlement is framed in the context of the overall Spending Review package, and sets out more detail on the Government's plans for allocating these resources to local authorities.

As part of the work on the Spending Review the Government has heard the concerns of local authorities about the need for certainty and stability to enable budget planning for the next financial year. Reflecting this, the one-year Spending Round and the plans for a more substantial Spending Review exercise in time for 2021-22, they propose to implement a 'roll-forward' settlement for 2020-21, which will provide stability for the majority of funding sources for local government.

The Government remains committed to reforming local government finance. In 2020 the Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. They will continue to work towards their aim to implement these reforms in 2021-22, including a full reset of business rates retention baselines.

Whilst the document talks about the increased specific funding allocated to authorities, such as the Better Care Fund and New Homes Bonus, this does not affect Fire and Rescue Authorities. As such the only significant area which we feel warrants comment relates to council tax referendum principles.

The document outlines the following council tax referendum principles for 2020/21:-

- a core principle of up to 2% (this was 3% for 2018/19 and 2019/20)
- an adult social care precept for local authorities with responsibility for adult social care of 2% on top of the core principle;
- no referendum principles for Mayoral Combined Authorities or town and parish councils.

This means that Fire would be limited by the general principle i.e. a council tax increase of up to 2%.

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?

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

Response Submitted

Whilst the Spending Review provided a boost across the public sector in general, there was no detail about the impact on Fire Authorities. Without this it is hard to know how much funding will need to be raised via council tax and therefore hard to provide an informed response.

However regardless of the eventual funding we do not believe the 2% threshold will be sufficient and can see no logical reason for reducing this from its current 3%. We have argued for many years that greater flexibility should be provided to all authorities and have suggested that Fire Authorities should be allowed the same flexibilities as District Councils have previously been allowed, i.e. the £5 limit. Depending on the level of funding in 2020 we may still make an argument about providing flexibility in line with this.

Lancashire FRA has shown significant restraint regarding council tax increases, having the second lowest increase of any FRA between 2010/11 and 2019/20, an increase of just £5.83 (9.2%), and if you look at increases over the period of the four year settlement the same restraint has been shown, with Lancashire increasing council tax by just 7.1% compared with the maximum permissible under the referendum principles of 10.0%. In order to put this into context, for Lancashire each 1% of foregone council tax equates to £0.3m. As a result we feel that reducing the referendum limit to 2% is inequitable, penalising those Authorities who have previously shown restraint. It is also worth noting that the Fire Authority precept makes up a very small percentage of the overall council tax bill, approx. 4% in Lancashire, therefore any increase in our element of council tax has a relatively low impact on the overall council tax bill. Despite making up such a low amount of the overall council tax bill the cost of holding a referendum is far more significant than for

any of the local councils, including the Unitaries and Lancashire, as our referendum would need to cover the whole of the County, at a cost which is estimated in the region of £1.5m. In order to recoup this cost we would need to increase council tax by 7% (5% more than the proposed referendum). Increasing council tax by a more marginal figure, 3% in line with previous thresholds, would only generated £0.3m more than the proposed 2% threshold, and as such it is impossible to justify the cost of holding a referendum to the local public against this size of increase.

We note that Mayoral Combined Authorities are not subject to a referendum threshold, and we can see no argument for this waiver applying just to those authorities, who incorporate the local Fire Service. This very much feels like a two tier system forcing all Authorities into a mayor model.

Financial Implications

None at this stage, although obviously the eventual settlement and council tax referendum principles impact on the final budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

Clearly the outcome of the consultation will have an impact on our level of grant funding received in future years, and as such it is a major risk to the Authority. However, until the outcome of the consultation is known it is impossible to be more specific.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Local Government Finance Settlement 2020/21 – Technical Consultation Paper	October 2019	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		