

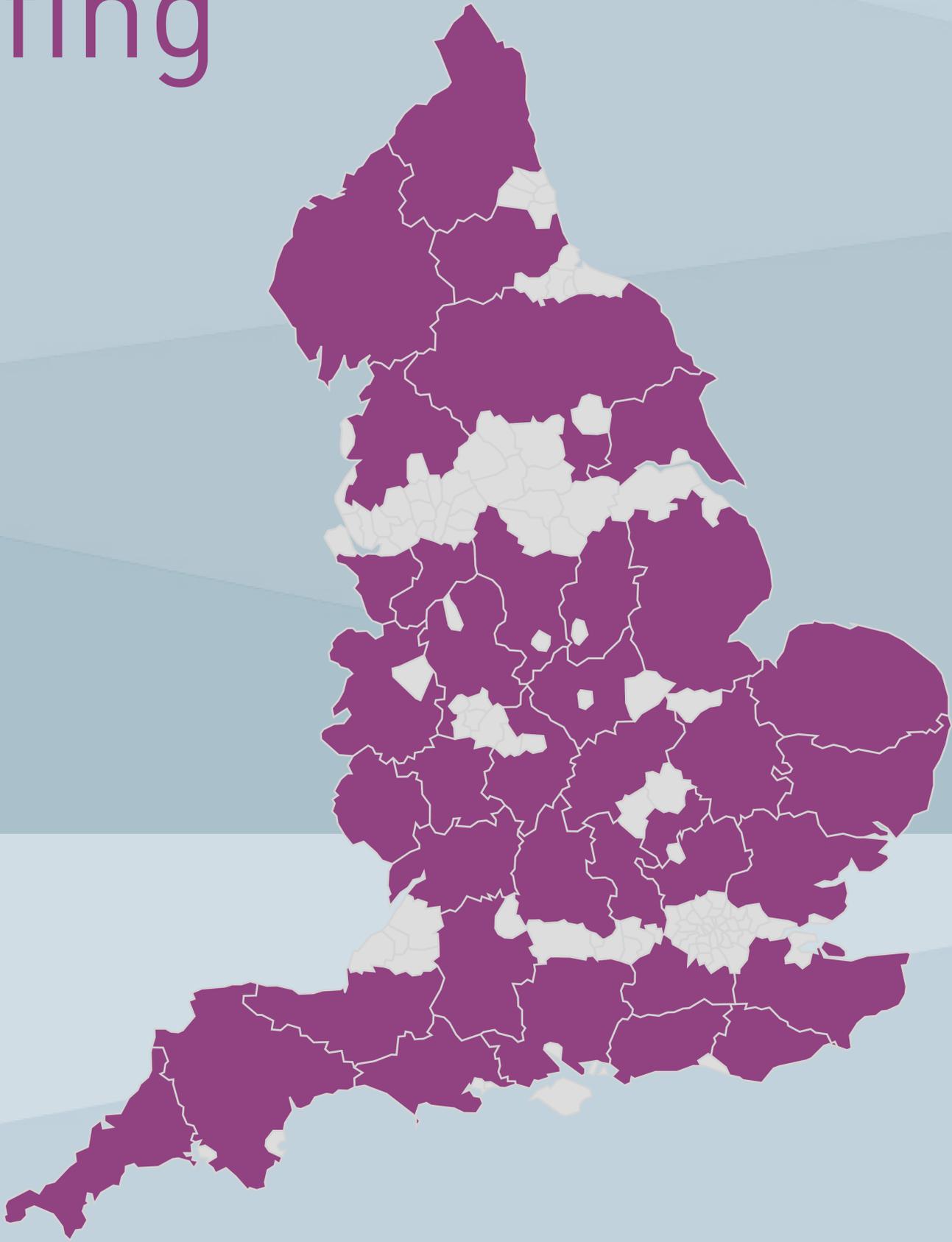
# CCCN

COUNTY COUNCILS NETWORK

*your*  
**county**  
**matters**

## Local Government Finance Settlement

# Parliamentary Briefing



# Overview

This year's Local Government Finance Settlement comes at the most challenging era for county councils in recent memory, with a significant proportion of frontline services at risk due to under-funding of rural councils mixed with year-on-year grant money cuts.

In this context, last month's settlement was disappointing for county authorities, as there was no additional resource to help plug a projected £2.54bn black hole for the 37 counties in England. On average, this is a £69m funding gap per county authority in extra funding pressures due to increasing demand and decreasing budgets.

In the next two years, county authorities face a reduction in government funding of over £1bn, and the freedom to add an extra 1% in council tax will only generate one tenth of the these reductions, which are separate to the demand-led pressures outlined above.

Consequently, county leaders have warned that non-statutory services, such as pothole filling, libraries and bus routes will have to be cut, whilst some statutory services, such as children's social services and adult social care, are under threat.

These are all highly valued services for your constituents yet counties have little choice but to make unpalatable decisions if nothing changes.

This is why county MPs support will be vital in asking to the government to re-think before the final settlement next month. In particular, extending transitional grants (more on that on the next page) will help ease the pressure next year. We would encourage you to support CCN's campaigning - otherwise local services could be lost.



*Over the past seven years shire counties have faced the toughest financial challenge of all, with rising demand for services meaning we already face a £2.54bn funding black hole in 2020/21. This comes on top of being the lowest funded councils.*



Cllr Paul Carter  
CCN Chairman

*The ending of essential grants this year for frontline and life-critical social care services mean we are facing some truly unpalatable budget decisions, which will see rural bus subsidises all but end, new charges for care services, children's centres and libraries disappear and potholes go unfilled.*

*Even if we raise council tax under these new freedoms, it won't prevent many of these severe reduction taking place. Residents in rural counties will left asking why they are paying so much more in council tax than anyone else but receiving so much less.*

*Two years ago we faced a similar situation, and the Government listened to our concerns and introduced transitional grants. I hope Ministers in Whitehall see sense and provide Sajid Javid with the resources he needs to extend this help and prevent unfair cuts and council tax rises in our county heartlands.*

# Local Government Finance Settlement



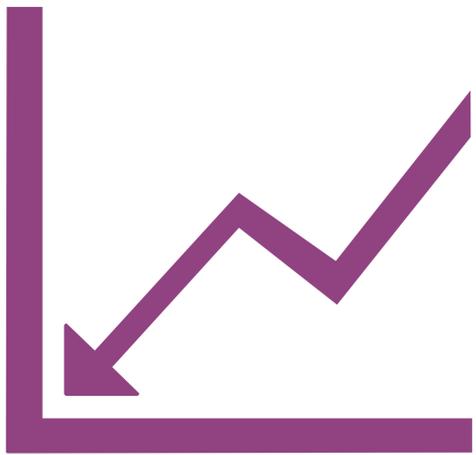
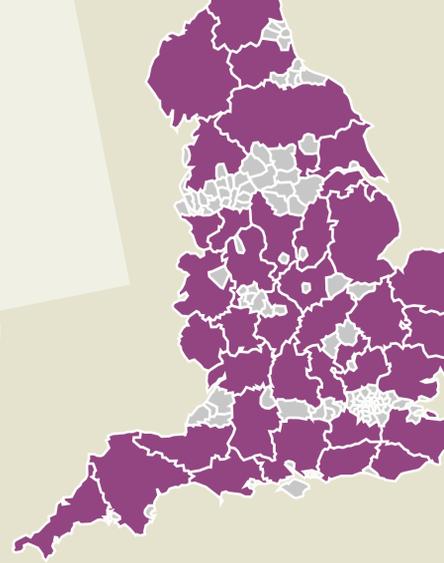
- The headline announcement from the Local Government Finance Settlement was that councils can add an extra 1% onto their council tax charges next financial year, to a new maximum of 5.99%, including the social care precept. However, that extra 1% would only raise £106m in the 37 counties, just one tenth of a £1bn reduction in their budgets over the next two years. This reduction includes core funding to councils, plus the ending of adult social care and transition grants
- When you take into account demand-led pressures, felt most acutely in children's services and adult social care, counties face a £2.54bn funding black hole by 2021, whilst their government grants will reduce by 43% over the next two years - double the reduction councils in London face.
- The government recognises the way councils are presently funded is outdated; the Ministry of Housing, Communities, and Local Government has instigated a review of the current methodology. However, the new fairer funding system has been delayed until 2020, and until then, funding inequities remain: the average county resident receives £161 for their local services, compared to the national average of £266 and London's per head figure of £459.
- As a consequence, counties have historically been forced to raise council tax to make up the shortfall, compared to other authorities, notably ones in inner London, who have been in a position to freeze theirs. As a result, the average Band D property's bill in a county is £1,662 currently; significantly higher than the average high-value London Band D property's bill of £1,350.
- Transitional grants, which amounted to £300m over two years, were successfully secured by CCN and county MPs in 2016. Their purpose was to bridge the gap between grant funding running out and business rate retention and fairer funding being introduced. Considering these have now been delayed until 2021, CCN had called for their extension as counties face a drastic and sharp reduction in funding over the next two years.
- The 100% business rate retention pilots in nine county areas should not be seen as an adequate replacement for the loss of these grants. While welcome, they are only taking place in a handful of counties, and only for a year, whilst the amount extra generated for the county council specifically in individual pilots will not make up for the shortfall and will be spent largely on growth-related functions.

## Key proposals

- ✔ Government should extend transitional grants for the next two years, to safeguard vital county services. This will not only protect local councils from a drastic drop in funding over the next two years, but ensure councils can stay afloat before 75% business rate retention and the result of the fair funding review comes into being in 2020.
- ✔ Longer term, government must channel extra resource into local government. Whilst this applies to all types of council, this is most necessary for counties - the 37 county councils in England face a non-cumulative funding black hole of £2.54bn by 2021 in current circumstances; this does not include further inflationary pressures.
- ✔ Whilst the delay in the fairer funding review is disappointing, it does allow time to get it right. Government must devise a new formula based on a simple cost-drivers approach; one which funds councils based on their present and future need to deliver services rather than the current regressive methodology.

# COUNTY FUNDING

— Exploring the issues —



Counties face a

# £1bn

reduction in their budgets by 2020

...1% extra in council tax will raise

# £105m

per year; one tenth of budget cuts



The need for additional funding

