COUNTY COUNCILS NETWORK

A FAIRER FUTURE FOR COUNTIES
COUNTY COUNCILS NETWORK

Consultation Response

Summary

- In the lead up to the Autumn Budget and the 2019/20 Settlement, CCN have made the strongest possible case to Government on the need to provide additional resources for ahead of next year's Spending Review. In response to our advocacy this settlement confirms that the government has recognised short-term pressures facing local government and announced a welcome injection of resources.

- While the settlement contains vital short-term support, it does not solve medium term financial pressures, nor does it provide long-term certainty. The uncertainty beyond 2020 is creating great financial risks for our member councils. A failure to provide a significant uplift in funding for county and county unitary authorities from 2020 onwards will challenge the long-term financial viability of the services provided by local authorities.

- It is vital that local government has a long term, sustainable solution to its future funding that encourages autonomy and incentivises growth, whilst providing sufficient resources for people-based social care services. This will require Government to provide an overall increase in the resources available to local government at the Spending Review; a long-term funding plan for adult social care through the forthcoming Green Paper; and reform to existing funding streams, such as the New Homes Bonus and reforms to business rates retention. Crucially it is essential that this is delivered alongside a fairer distribution of resources as a result of the Government's on-going fair funding review.

- CCN agree with the use of the adult social care relative needs formula (ASC RNF) for distributing the £410m for adults and children's social care. While CCN believe that this formula is imperfect and outdated (similarly to RSG) it is the only viable formula to be used for allocations in 2019/20, ahead of the conclusion of the fair funding review.

- CCN welcome the additional £180m funds from the levy account being returned to local government. We accept the need to use the 2013/14 Settlement Funding Assessment as a means of distributing the £180m as the only available formula to use, despite CCN authorities receiving just 26% of the total funding.

- We support giving local authorities maximum flexibilities in their ability to generate more revenue from council tax. A core 3% for the second year in a row is therefore welcome. However, CCN strongly believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. CCN disagrees with the referendum principle being applied to local government and have long called for the abolishment of the council tax referendum policy

- Negative RSG has been a major concern to many of our member authorities, and some authorities would lose considerable sums if the decision is not taken to reverse Negative RSG. The Government is proposing an effective methodology for addressing Negative RSG in 2019-20, and CCN accept the preferred option.

Introduction

1. The County Councils Network (CCN) represents 36 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,500 councillors and serve over 26m people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside of the big conurbations.

2. CCN is a member-led organisation which works on an inclusive and all-party basis and seeks to make representations to Government. This submission has been developed in close consultation with member councils.

3. CCN welcomes the opportunity to submit evidence to the Ministry of Housing, Communities and Local Government's consultation on the Provisional Local Government Finance Settlement 2019/20. CCN has worked closely with the Society of County Treasurers (SCT) in developing this response.

Settlement Overview

4. In the lead up to the Autumn Budget and the 2019/20 Settlement, CCN have made the strongest possible case to Government on the need to provide additional resources for upper-tier councils ahead of next year's Spending Review.

5. In our response to the Department's Summer Technical Consultation, we outlined recent research by CCN found that counties face funding pressures of £1.46bn in 2019-20, which amounts to £3.2bn over 2018-2020.[1] We presented survey evidence showing that due to these funding pressures, only two-thirds of CCN Council Leaders were confident they could deliver a balanced budget in the absence of additional funding in 2019/20,[2] with an estimated £918m worth of savings required to deliver balanced budgets in 2019/20.[3]

6. In response to our advocacy, this settlement confirms that the government has recognised short-term pressures facing local government. Leading on from the Autumn Budget, there were several welcome announcements that this settlement confirms the details of;

    - Continuation of the £240m Winter Pressures Grant in 2019-20 and the new £410m Social Care Support Grant for 2019-20 for adults and children's social care distributed according to the adult social care relative needs formula.

    - £420m local highways maintenance capital funding in 2018-19 as announced in the Chancellor's 2018 Budget statement;

    - An additional £16m Rural Services Delivery Grant bringing 2019-20 allocations up to £81m and in line with increased 2018-19 levels;

[1] https://www.countycouncilsnetwork.org.uk/download/1756/
[2] Ibid
[3] https://www.countycouncilsnetwork.org.uk/englands-largest-councils-set-to-outline-another-raft-of-savings-this-winter-with-1bn-in-new-reductions-needed-to-balance-budgets/

- The return of the business rates retention levy account surplus of £180m to all local authorities on the basis of the 2013-14 settlement funding assessment.

- Support for those local authorities who still faced negative Revenue Support Grant allocations in 2019-20, with £152.9m in funding to address this issue for those local authorities affected;

- Confirmation of council tax referendum principles, including the core 3% council tax flexibility, and;

- Twelve 75% Business Rates Retention pilots involving counties, with London's pilots also reduced to 75% to provide fairness and equity.

7. While the settlement contains vital short-term support, it does not solve medium term financial pressures, nor does it provide long-term certainty beyond 2020.

8. Even with the additional resources outlined, tough decisions will still need to be taken in relation to continuing service reductions. Even with the additional monies, this settlement still represents a real terms reduction in funding after taking into account rising demand-led pressures and costs. The resources allocated as part of this settlement will therefore not prevent the necessity of £918m of savings required by our councils next year to deliver balanced budgets; many of these savings will continue to directly impact frontline services. Moreover, our members will have little choice but to raise council tax to meet demand-led pressures on services.

9. Looking ahead, we welcome the signal by Ministers through the Autumn Budget and Provisional Settlement that they recognise the financial pressures facing councils and their intention to make the strongest case possible for the sector in the forthcoming Spending Review.

10. However, the uncertainty beyond 2020 is creating great financial risks for our member councils. A failure to provide a significant uplift in funding for county and county unitary authorities from 2020 onwards will challenge the long-term financial viability of the services provided by local authorities. The County Leaders survey previously cited showed that for 2020/21, only one third of Leaders were confident they would be able to deliver a balanced budget without additional resources being allocated in the Spending Review.

11. It is therefore vital that local government has a long term, sustainable solution to its future funding that encourages autonomy and incentivises growth, whilst providing sufficient resources for people-based social care services. This will require Government to provide an overall increase in the resources available to local government at the Spending Review; a long-term funding plan for adult social care through the forthcoming Green Paper; and reform to existing funding streams, such as the New Homes Bonus and reforms to business rates retention. Crucially it is essential that this is delivered alongside a fairer distribution resources as a result of the Government's on-going fair funding review.

12. Local council finances are also impacted by departments other than MHCLG. For example, we welcome extra £350m to support children with special educational needs and disabilities (SEND) that DfE announced in December. This additional funding recognises the pressure that council budgets have come under as a result of rapidly increasing demand led-

pressures from children with special education needs. However, there remains a significant shortfall in funding that is only being met by cross subsidisation from MHCLG and local council taxpayers. It is vital that MHCLG work with local government to press the Department for Education for adequate funding to meet these pressures during next year's Spending Review.

13. In the coming weeks, CCN will set out further evidence as part of its *Fairer Future for Counties* Spending Review advocacy. Moreover, it will respond to the Government's consultation on the fair funding review and 75% business rates retention published alongside the settlement.

Business Rates Retention Pilots

14. The settlement announced an additional 15 new 75% business rates retention pilots, 12 covering county areas. The London pilot has been reduced to 75%. CCN had specifically argued that as a matter of fairness the London pilots should be reduced to the same level as those open to counties,[4] with the resources reinvested to ensure more counties benefit from pilots. We therefore welcome this decision by Government.

15. As with the previous pilots in 2018/19, it important that the pilots are used to test, not pre-determine, how tier shares and other aspects of system design that may or may not go-head under the new policy.

16. CCN will shortly respond to the consultation on 75% business rates retention on all aspects of system design, including tier splits.

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

17. CCN supports the concept of a multi-year funding offer and welcomes its continuation in 2019-20. The multi-year offer has helped authorities to plan and to make the best use of scarce resources. It is something that we would urge the Government to adopt once again post 2020-21. **However, this should not be seen as endorsement of the distribution methodology, or the overall quantum for local government, which has been reduced in real terms once demand-led pressures and rising costs have been taken into account.**

18. CCN continues to disagree with the distributional methodology of RSG introduced through the revised methodology in 2016/17. In particular, we continue to raise concerns that the deduction for council tax from core spending in this four-year settlement was particularly unfair, with the adjustment made using actual council tax rather than notional council tax. This worked against authorities – like counties – who have had to increase their Band D council taxes, and those authorities – like inner London authorities – whose Band D council taxes are very low.

19. While we disagree with the methodology used, we recognise that this is the final year it will be used. The Government's fair funding review and the proposals outlined in the consultation on relative needs, including on the use of notional council tax, are a clear acknowledgment that the current distributional formula is both unfair and outdated.

[4] https://www.countycouncilsnetwork.org.uk/download/1756/

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

20. CCN agree with the use of the adult social care relative needs formula (ASC RNF) for distributing the £410m. While CCN believe that this formula is imperfect and outdated (similarly to RSG) it is the only viable formula to be used for allocations in 2019/20, ahead of the conclusion of the fair funding review. It will ensure that county areas (at a class level) who face the most severe financial pressures receive a fairer share of resources than under other allocation methods, such as the iBCF.

21. While we welcome the flexibility over the use of these resources for children's social care, the use of the ASC RNF formula recognises that the children's social care formula is not fit for purpose and the primary focus of the funding is for adult social care, including rising demand in areas such as learning disabilities. The formula will allow for a consistent approach with the £240m allocated to address winter pressures.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

22. CCN agree with the proposal. However, upper tier authorities only receive a small share of the New Homes Bonus: in two-tier areas the district councils receive the vast majority of the NHB payments. We strongly believe that county councils would benefit either from a higher share of the proceeds of the NHB, or for the £900m to be diverted to social care.

23. In our response to the summer's technical consultation, CCN welcomed the government's commitment to consider how best to incentivise housing growth and fundamentally review the NHB policy. Since its introduction, it has proved unfair to county councils, and has failed to genuinely support housing and infrastructure delivery.

24. CCN will set out its policy position in relation to NHB during our submission to the upcoming Spending Review. However, we are clear that over the long-term, any abolition of the NHB policy must mean that all resources go back into grant funding for upper-tier and unitary councils, while establishing new incentives for all tiers of local government to support business and housing growth.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

25. Many CCN authorities are rural and, in places, sparsely populated. We therefore support the decision to increase the funding allocated through the RSDG. However, in cash terms the overall increase is very small in relation to county council budgets. The small size of the increase means that the impact on the pressures faced by services in these areas will only be relatively small.

26. We believe that there are some technical anomalies with the way that the RSDG has been calculated. In particular, we believe it is unfair to exclude county councils whose district councils receive this funding. Instead, we agree with the SCT that where a district council is

ranked in the upper quartile that funding should be split between the district and county council, with a larger portion allocated to the upper-tier authority.

27. However, we recognise that as part of the fair funding review and 75% business rates retention RSDG will be abolished, with new baseline allocations distributed according to a new formula that better recognises the additional costs of delivering rural services.

28. The consultation on the relative needs assessment, published alongside this settlement, specifically addresses this issue. CCN will respond in full, setting out further evidence in relation to the additional costs of delivering rural services and its proposed incorporation within the area cost adjustment and 'remoteness' indicators.

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?

29. CCN welcome the additional £180m funds from the levy account being returned to local government.

30. We accept the need to use the 2013/14 Settlement Funding Assessment as a means of distributing the £180m as the only available formula to use, despite CCN authorities receiving just 26% of the total funding. CCN would emphasis the point made throughout this consultation on the unfairness of the current distribution methodology and the importance of the fair funding review in addressing our long-held concerns.

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

31. We support giving local authorities maximum flexibilities in their ability to generate more revenue from council tax. A core 3% for the second year in a row is therefore welcome. However, CCN strongly believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. CCN disagrees with the referendum principle being applied to local government and have long call for the abolishment of the council tax referendum policy

32. It is important to recognise that despite the higher 3% threshold, the expected increased income from council tax rises in CCN member councils drops dramatically by 39% to £375.9m in 2019/20. This is mainly due to thirteen county authorities being unable to levy the social care precept in 2019/20, having used the maximum precept of 6%.

Question 7: What are your views on the Government's approach to tariffs and topups in 2019-20?

33. Negative RSG has been a major concern to many of our member authorities, and some authorities would lose considerable sums if the decision is not taken to reverse Negative RSG. The Government is proposing an effective methodology for addressing Negative RSG in 2019-20, and CCN accept the preferred option.

34. Underlying Negative RSG are the cuts in Settlement Funding Assessment (SFA): these were severe across local government, but because of the methodology implemented in 2016-17 they were particularly severe for many county authorities. Whilst we accept the preferred option for RSG, it is clear that the cuts to SFA are the cause of the problem. It would be

preferable for the Government to address this problem directly. However, we recognise that it is not possible to unpick the SFA allocations now (it would be too costly, and impossible in practical terms), and as a result we are prepared to accept the preferred option.

35. As outlined in response to question 1, CCN fundamentally disagreed with the methodology introduced in 2016/17 that lead to negative RSG. By putting forward proposals to eliminate it, the Government are at least acknowledge that there were serious deficiencies in the way that the SFA was allocated in 2016-17. The fair funding review proposals published in the consultation alongside the settlement provide the opportunity to address these deficiencies.

36. The main beneficiary of the elimination – as a class – is district councils: their SFA per head effectively increases by 10.7% as a result of the reversal of Negative RSG. Shire counties – as a class – will see their SFA per head increase by 2.3%. However only 13 member councils benefits from this and we stress that all CCN member councils are facing funding pressures.

37. It is important to note when considering wider funding changes proposed in this submission that due to the decision on negative RSG, SFA cuts are now 6.9% for district councils, down from 16% before the negative RSG announcement. Apart from inner London boroughs, districts now see the second lowest funding reduction for 2019/20.