COUNTY COUNCILS NETWORK	Consultation Response Local Government Finance Settlement 2016/17 Consultation January 2016

Core Asks of Government

- **Funding for social care services in county areas still remains inadequate to meet the existing funding gap over the next two years.** The proposed settlement will have severe consequences for local services and other service providers. **CCN member councils require additional funding in the first two years of this settlement through transitional arrangements and the Better Care Fund (BCF)**. This will prevent reductions on a scale that will challenge the viability and continuing provision of discretionary services, and the safe provision of statutory services.

- **CCN fundamentally disagree with the proposed methodology for distributing RSG.** Government must consider delaying any proposed changes until 2017/18 at the earliest to allow for a full and proper technical consultation**. As an absolute minimum, the Government should introduce a floor damping mechanism to protect those authorities currently worst affected by the reduction in RSG.** In addition transitional arrangements for 2016/17 should be put in place to lessen the impact on CCN member councils. This includes a revision in the two-tier allocations of New Homes Bonus and applying the social care precept to both the district and county council tax levies in two-tier areas, with this then passported to the upper-tier council

- **CCN does not believe the redistribution of RSG has fully taken into account the needs of local populations, both currently and over the four-year Spending Review period.** Working with CCN and other local government stakeholders, the Government should urgently revise the formula for 2017/18, undertaking a full needs-based review of funding over the next six months. This should adequately reflect the needs and demand pressures facing all councils and provide an updated baseline for the introduction of Business Rates Retention.

- **Government should front-load BCF with *additional* funding from 2017/18 in a similar manner to NHS funding**. As a minimum the Government should smooth out the distribution of the BCF, bring forward plan investement to increase the total amount in 2017/18. **In line with our concerns over formulae used to distribute RSG, we strongly disagree with the suggested distributional formula, which should be needs-based.** This must urgently be reviewed ahead of its introduction.

Executive Summary

- Counties are willing to play their part in reducing the national deficit, seeking efficiencies and further savings. Counties have proven during the last Parliament that they could meet the challenge of funding reductions at a time of rising demand: making efficiencies, sharing services and increasing commercialism, while balancing their budgets and continuing to safeguard key services.

- In delivering further efficiency savings in a fair and proportionate manner, the County Councils Network (CCN) has argued for greater protection for councils providing adult social care and children's services. We have been clear that this should mean *all* upper-tier councils. The additional council tax flexibility through precept and additional funding through the Better Care Fund (BCF) go some way to addressing our concerns. **However, the additional funding for social care through these reforms still remains inadequate to meet the existing funding gap for social care over the next two years.** For counties the situation has been compounded due to the current proposals on the distribution of grants and inadequate formulae used to distribute the Better Care Fund (BCF). Overall, the proposals mean that CCN member councils have not be afforded an adequate level of protection, particularly over the next two years.

Revenue Support Grant

- CCN member councils expected a very challenging financial settlement. However, due to the proposals in this consultation, counties will see significant and unprecedented reductions in funding well above those already planned for, totalling £854m during 2016/17. This comes following four years of significant reductions in RSG. Government's ambition to allocate funding to local authorities against needs, based on up to date evidence is correct. However, the proposed settlement does not do this and unfairly removes additional funding from counties who are experiencing the most acute demand pressures. **We therefore fundamentally disagree with the proposed methodology for distributing RSG.**

- CCN believe that the use of spending power in the distribution of resources has been premised on a misunderstanding and false assumptions regarding a number of key issues:

    a) The Use of Reserves
    b) Demand-Led Pressures & Funding Formulae
    c) Social Care Precept
    d) Distribution & impact of the Better Care Fund
    e) Care Act Funding

- Over the next two years, the proposed settlement will have severe consequences for local services and other service providers. In the absence of transitional arrangements for 2016/17, and further amendments for the remainder of this Parliament, reductions on this scale will challenge the viability and continuing provision of discretionary services, and the safe provision of statutory services. The reduction in preventative social care services will also impact on the capacity for counties to support the NHS in delivering against targets, such as reducing delayed discharges and efficiency targets.

- **Government must consider delaying any proposed changes until 2017/18 at the earliest to allow for a full and proper technical consultation. As an absolute minimum, the Government introduce a floor damping mechanism to protect those**

authorities currently worst affected by the reduction in RSG. **Government must also consider a range of proposals to provide greater protection and transitional funding arrangements for 2016/17**;

- **Targeted *additional* transitional funding**
- **Removal of council tax *increases* from spending power assumptions**
- **Revising the share in NHB Allocations in two-tier areas (60/40 in favour of district councils)**
- **Apply the social care precept to both the district and county council tax levies in two-tier area to be passported to the upper-tier council**
- **Additional flexibility regarding the use of capital receipts**
- **Reforms to the Single Person Discount (SPD)**
- **Removing or loosening of the Public Health ring-fence**

- CCN note the broad base of support for ensuring rural and county areas receive a fair funding settlement from County MPs within the recent Parliamentary debate of rural funding. It is clear that the debate was much wider than rurality / sparsity allocations, and tackled the key points of ensuring that need and demographics are fully recognised through the RGS, that county councils are able to continue to fund vital social care services, and that counties receive fair allocations in relation to other parts of the country. **We hope that Ministers will listen to the views of County MPs when considering the implications of this settlement.** We were pleased to note that the Minister agreed with points being made, that he was in listening mode and that the contributions from MPs would be included as part of the settlement consultation response.

<u>Needs-based funding formulae</u>

- **Due to the absence of a full public technical consultation, CCN does not believe the redistribution of RSG has fully taken into account the needs of local populations, both currently and over the four-year Spending Review period.**

- In the short-term this leads to disproportionate reductions, particularly during 2016/17 & 2017/18, and potentially embeds unfairness into the baseline that will be used for full Business Rates Reform (BRR). **Working with CCN and other local government stakeholders, the Government should revise the formula for 2017/18, undertaking a full needs-based review of funding over the next six months. This should adequately reflect the needs and demand pressures facing all councils.**

<u>Better Care Fund</u>

- CCN welcome additional funding for social care through the proposed expansion in the BCF. However, given higher than expected funding reductions in the first two years, existing and future social care pressures, **Government should front-load BCF with *additional* funding from 2017/18 in a similar manner to NHS funding**. As a minimum the Government should smooth out the distribution of the BCF, bring forward plan funding to increase the total amount in 2017/18. **In line with our concerns over formulae used to distribute RSG, we strongly disagree with the suggested distributional formula, which must be needs-based.** This must be reviewed ahead of its introduction.

Social Precept

- Government must acknowledge that the proposed precept is a significant alteration in Government policy. It should work with and support the sector in implementing this new levy and explaining the rationale for its introduction to local residents. Government must acknowledge that in the absence of further additional central government funding for social care the majority of councils will be compelled to implement the precept, including those areas that had supported the Government's clear and unambiguous commitment to council tax freezes.

Business Rate Retention & Legislative reforms

- CCN acknowledge that this funding settlement is a transitionary and forms part of Government's wider plans to make areas self-sustaining through full business rate retention. It also supports the Government's vital agenda on devolution. In supporting this agenda, CCN will be engaging with DCLG at the earliest opportunity to present proposals that support this vision, ensuring that funding baselines are needs-based and fair between upper and lower tier councils. Crucially, we will put forward detailed proposals on what new responsibilities and powers should be devolved from 2019/20.

- Given the scale of funding reductions for local authorities, Government should seek to streamline and update existing legislation and statutory duties to lower cost burdens on local authorities. There are many instances of legislation which has not kept pace with government policy and service development this creates unnecessary and in some cases, bizarre expenditure commitments which could be sorted through changes. It is acknowledged that in some cases, this could take time to implement, but it is essential that this is considered. Together with the SCT, CCN will be providing evidence to Government on how this could be achieved over the coming period.

Long-Term Settlement & Efficiency Plan

- CCN have called for the longer term financial settlements for local authorities. However, before CCN member councils agree to such settlements, they must have absolute confidence in the integrity and fairness in funding formulae. In line with the above proposals, figures need to be derived from a proper, open and transparent process, which recognises not only authorities' ability to secure finance locally through the council tax base, but the needs of the population, demand-led pressures and inflationary costs, in particular those relating to social care. In addition, we must ensure that an 'efficiency plan' is not bureaucratic and time consuming, and we intend to work with Government in ensuring plans do not become an unnecessary and unfunded burden.

Introduction

1. The County Councils Network (CCN) represents 37 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 25m 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 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 which can be supported by all member authorities. This submission has been developed in close consultation with member councils and is presented on behalf of CCN's cross-party management committee.

3. CCN welcomes the opportunity to submit evidence to the Department for Communities and Local Government's consultation on the *Provisional Local Government Finance Settlement 2016-17 and Offer to Councils for Future Years*. This submission provides responses and detailed evidence to key parts and questions of the consultation document. CCN has worked closely with the Society of County Treasurers (SCT) in developing this response.

Overview of the proposals

4. Counties are willing to play their part in reducing the national deficit, seeking efficiencies and further savings. Counties have proven during the last Parliament that they could meet the challenge of funding reductions at a time of rising demand: making efficiencies, sharing services and increasing commercialism, while balancing their budgets and continuing to safeguard key services.

5. In our response to the Spending Review CCN provided extensive evidence on why Government should seek to provide greater protection for councils providing adult social care and children's services. CCN has been clear that this should mean *all* upper-tier councils. As outlined below, we believe that additional council tax flexibility through the social care precept and additional funding through the Better Care Fund (BCF) go some way to addressing our concerns. **However, the additional funding for social care through these reforms still remains inadequate to meet the existing funding gap for social care during the next two years.** For counties the situation has been compounded due to the proposals on the distribution of grants and inadequate formulae used to distribute the BCF. Overall, the proposals mean that CCN member councils have not be afforded an adequate level of protection.

6. Even before detailed proposals for the local government settlement were released as part of this consultation, counties were expecting RSG reductions in the region £670m during 2016/17. Funding reductions on this scale would require local authorities to deliver unprecedented savings and inevitable service reductions in the face of growing demand-led pressures. Following the proposals in this consultation reductions in 2016/17 amount to £854m (33.7%), with RSG reducing by 70% by the end of the Parliament. In the absence of transitional arrangements for 2016/17, and further amendments for the remainder of this Parliament, reductions on this scale will challenge the viability and continuation of safe statutory services.

7. CCN note the broad base of support for ensuring rural and county areas receive a fair funding settlement from County MPs within the recent Parliamentary debate of rural funding. It is clear that the debate was much wider than rurality / sparsity allocations, and tackled the key points of

ensuring that need and demographics are fully recognised through the RGS, that county councils are able to continue to fund vital social care services, and that counties receive fair allocations in relation to other parts of the country. **We hope that Ministers will listen to the views of County MPs when considering the implications of this settlement.** We were pleased to note that the Minister agreed with points being made, that he was in listening mode and that the contributions from MPs would be included as part of the settlement consultation response.

8. CCN acknowledge that this funding settlement is a transitionary one as part of the Government's wider plans to make areas self-sustaining through full business rate retention and support the Government's vital agenda on devolution. In supporting this agenda, CCN will be engaging with DCLG at the earliest opportunity to present proposals that support this vision, ensuring that funding baselines are needs-based and fair between upper and lower tier councils. Crucially, we will put forward detailed proposals on what new responsibilities and powers should be devolved from 2019/20.

9. Given the scale of funding reductions for local authorities, Government should seek to streamline and update existing legislation and statutory duties to lower cost burdens on local authorities. There are many instances of legislation which has not kept pace with government policy and service development and this creates unnecessary and in some cases, bizarre expenditure commitments which could be addressed through changes. It is acknowledged that in some cases, this could take time to implement, but it is essential that this is considered. Together with the SCT, CCN will be providing evidence to Government on how this could be achieved over the coming period.

Distribution of Central Resources in 2016-17

Questions 1-4[1]

10. **CCN strongly disagree with the proposed approach to allocate central funding in 2016-17.** Up until the provisional settlement, local authorities had been planning on the basis that RSG reductions for all authorities would mirror decreases in the control totals. This approach has been used in previous years and reflects CIPFA guidance in their Guide to Local Government Taxation and the Collection Fund, which states 'under the new system, until the reset, the reduction in [the] control total is achieved by scaling back RSG in the same proportion for all local authorities'.

11. Proposals outlined in the provisional settlement to reform the distribution of RSG has resulted in a further dramatic and unexpected redistribution of RSG. Under the proposed formulae, our member councils will witness an *additional* and completely unexpected reduction of £184m during 2016/17 compared to previous distribution mechanisms. This brings total reductions to £854m. This settlement, following four years of fiscal retrenchment, rising service costs, demand-led pressures outside of our control, and now the National Living Wage (NLW), have placed CCN member councils in a significantly worse financial position despite positive measures such as the social care precept and expanded BCF.

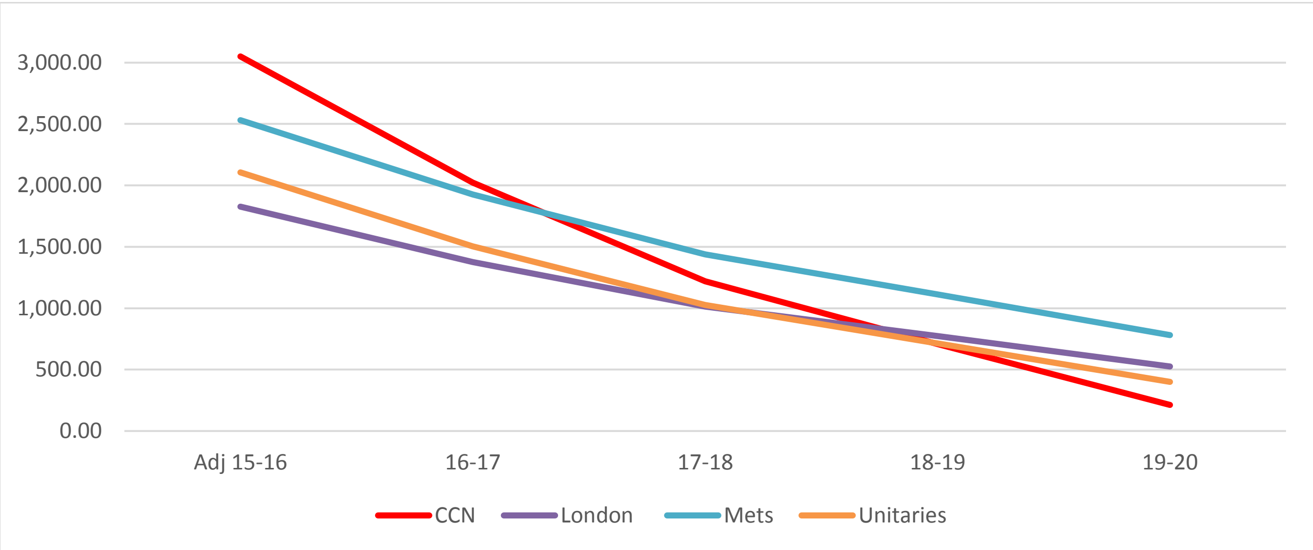
[1] Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?
Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?
Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?
Question 4: Do you wish to propose any transitional measures to be used?

12. CCN member councils recognise that the introduction of the optional social care precept and BCF will mean that by the end of this Parliament counties could see a *potential* uplift in its overall 'Spending Power'. We acknowledge that the Government has revised and improved its calculation of spending power, but this continues to mask the scale of reductions our member councils now face, which are heavily frontloaded. For 2016/17, counties witness an average reduction of 33.7% in RSG, compared to a national average of 27.6%. Table 1 & Graph 1 shows that over the remainder of the Parliament, CCN members see their RSG reduced at a significantly faster pace than other social care authorities.

Table 1 - Revenue Support Grant- Annual % Change

LA Type	16-17	17-18	18-19	19-20
CCN	**-33.7**	**-39.7**	**-41.9**	**-70**
London	-24.61	-26.4	-23.76	-31.96
Mets	-24	-25.2	-22.8	-29.8
Unitaries	-28.7	-31.8	-30.4	-44
England	-27.6	-30.7	-28.7	-40.1

Graph 1 - Revenue Support Grant - Annual Change £m 2015/16- 2019/20



13. **CCN support and accept the move towards phasing out of RSG in order to deliver more localised funding and independence, but the increased pace of these reductions are extremely concerning, particularly the significant dip in funding for 2016/17 and 2017/18.** The decreases in funding outlined in the provisional settlement bear little resemblance to the statement in the Spending Review that 'day to day departmental spending will fall on average at less than half the rate of the preceding 5 years'.[2] Table 2 shows that by the end of the Parliament counties see a 95% reduction in RSG per head of population. Per head allocations are currently 37% lower in counties compared to metropolitan boroughs, with this figure now growing to 90% by 2019/20 under current proposals.

[2] p.1, Spending Review and Autumn Statement 2015

Table 2 - Revenue Support Grant £ per head population

LA Type	2015/16	2016/17	2017/18	2018/19	2019/20	% change
CCN (inc. DC allocation)	136.5	89.74	53.05	29.85	6.85	-94.94
Met	216.76	164.8	123.2	95.42	66.82	-69.17
London	213.94	161.05	118.71	90.5	61.59	-73.45
England	181.98	131.7	91.29	68.1	39.01	-78.56

14. In the absence of transitional arrangements for 2016/17, and further amendments for the remainder of this Parliament, reductions on this scale will challenge the viability and continuing provisional of statutory services. The reduction in preventative social care services will also impact on the capacity for counties to support the NHS in delivering against targets, such as reducing delayed discharges and efficiency targets.

15. While we welcome the social care precept and expanded BCF to provide 'greater protection' to social care authorities going forward, these new funding streams combined favour other parts of the sector. The funding provided to non-CCN authority areas through the precept and BCF per head of population aged 65 and over remains significantly higher during the period of this Parliament. This disparity peaks in 2018/19, where London receives 170% per head more funding through the precept and BCF. The level of disparity should be considered in the context of information provided below on the demand-led social care pressures facing county areas. Taken as a whole, the redistribution, precept and BCF afford considerably less protection for CCN member councils as social care authorities and do not distribute funding according to need.

Table 4 - Additional Funding Per Head of 65+ Yr Old Population Available from Total BCF/Social Care Precept Funding

LA Types	2017/18	% Diff CCN Allocation	2018/19	% Diff CCN Allocation	2019/20	% Above CCN Allocation
CCN	£79.58	-	116.62	-	254.11	-
Met	£110.69	39%	276.86	137%	428.04	68%
London	137.17	72%	315.09	170%	466.51	84%
UA	95.32	20%	211.88	82%	324.47	28%
England	93.67	18%	210.18	80%	322.56	27%

16. In the past DCLG has consulted in the preceding summer on any potential or planned changes to the way in which grant will be allocated in the following financial year, and significant changes to allocation methodologies have been accompanied by a floors and ceiling mechanism. Such an approach provides local authorities with sufficient time to consider the consequences of proposed changes, time to plan appropriately, and protection from significant year on year swings. However, despite early indications that there would be a public technical consultation over the summer/autumn of 2015, this never emerged. **Given the magnitude of the changes and the impact on the financial planning of CCN member councils and their residents at time of severe budgetary pressures, this is unacceptable**.

17. CCN believe that the use of spending power in the distribution of resources has been premised on a misunderstanding and false assumptions regarding a number of key issues, which are explored below in more detail:

a) **The Use of Reserves**
b) **Demand-Led Pressures & Funding Formulae**
c) **Social Care Precept**
d) **Distribution & impact of the Better Care Fund**
e) **Care Act Funding**

18. **In light of our concerns, we believe that Government should seriously consider delaying any proposed changes to funding formula until 2017/18. This will allow for a full and proper technical consultation and to enable member councils to plan for a significant change in funding.** Looking beyond 2016/17, the Government should revise the formula for 2017/18 and subsequent years to adequately reflect the demand pressures facing councils.

19. **As an absolute minimum, the Government should introduce a floor damping mechanism to protect those authorities currently worst affected by the reduction in RSG. Government must also consider a range of proposals to provide greater protection and transitional funding arrangements for 2016/17**.

20. CCN provide Government with a number of practical and sensible 2016/17 transitional arrangements to lessen the impact of these unplanned reductions. CCN want to help achieve our shared goals and so are offering these well thought through and practical solutions which we can work on together. These are summarised below and explored in more detail throughout our response:

- **Targeted *additional* transitional funding** – whilst acknowledging that the Spending Review set the overall funding envelope for the Parliament, DCLG should seek to negotiate a small additional fund from the Treasury to provide transitional support to the most affected councils.

- **Removal of council tax *increases* from spending power assumptions** - whilst there may be a case that council tax income should be taken into account in a measure of spending power, CCN do not believe it is reasonable to include assumptions about increases in council tax, such as the new precept. If, as the Government maintains, it is for councils to make decisions on council tax levels, it is not acceptable for assumptions on council tax increases to be built into spending power figures.

- **Revising the share in NHB Allocations in two-tier areas**, **increasing the upper share by at least 20%** - a revised allocation for 2016/17 of 60/40 in favour of district councils would create an additional £55.3m for county councils and is revenue neutral for DCLG. This acknowledges that district councils only receive a -0.8% reduction in spending power during this financial year and have significantly higher average unallocated reserves (as a proportionate of their budget) and are not subject to the same demand led pressures faced by upper-tier authorities. Such an approach would acknowledge the role of upper-tier authorities in providing vital infrastructure for housing growth, protecting and caring for the most vulnerable in society.

- **Social Care Precept** - The Government should mandate that the optional 2% council tax precept for social care is applied to both the district and county council tax levies in two-tier areas. The current proposals effectively disadvantage two-tier areas, as unitary and metropolitan authorities are able to levy the 2% increase for social care on a larger council tax amount than county councils, where the charge is lower reflecting that districts deliver some services. The 2% raised on the district component of council tax should be passported to the county council and not retained by the district council.

- **Capital receipts** – additional flexibility regarding the use of capital receipts has already been enabled as part of the Spending Review, however it is proposed that this be extended to allow receipts already in the bank to be applied to assist with revenue budget issues in 2016/17.

- **Single Person Discount (SPD)** – funding for the Council Tax Discount Scheme was devolved in 2013 and was subsumed into RSG. Given this was a new burden, it is questionable if RSG can be reduced for this. However, Government has not allowed local discretion to be applied to SPD. Were this to be devolved, councils could apply this via means assessment - thereby releasing funds to support social care.

- **Public Health** – removing or loosening of the Public Health ring-fence.

Reserves

21. The Secretary of State for Communities and Local Government recently stated at the Local Government Association's (LGA) finance conference that:

> '*Those authorities that find themselves in a better financial position might now make use of those reserves in the way they were intended - to smooth the transition.*'

22. This claim has since been contradicted by the Parliamentary Under Secretary of State for Communities and Local Government during a backbench business debate:

> '*We have made no assumptions in our published figures that councils will use their reserves*'[3]

23. The stark reality is that the proposed settlement, in particular 2016/17 and 2017/18, leaves CCN member councils with little to no choice but to draw down on allocated reserves to protect the provision of statutory services and the most vulnerable in society. The use of unallocated reserves is neither desirable nor a sustainable approach as such drawdowns are a one-off.

24. In addition to this, due to the reduction in local government funding over the course of the last Parliament there are some counties who have minimal to no reserves to call upon to dampen the impact of the proposed budget reductions. For example, based on research undertaken by the Society of County Treasurers, one county only holds £6.5m in unallocated reserves.

25. The majority of reserves are restricted in that they are linked to contracts such as PFI deals, or they are partnership or school balances. For counties to continue to operate core services, additional draw down on reserves will be required to fund transformational activities to deliver significant efficiencies.

26. CCN member councils have an average of £23m of unallocated reserves.[4] Reserve levels for counties have continued to strike a balance between robust financial planning and ensuring levels are not excessive. Given the unpredictable nature of local government finance in the

[3] House of Commons Debate, Local Government Funding: Rural Areas, 11 January 2016
[4] Figures from Society of County Treasurers Reserves

future, including the future retention of Business Rates, it is prudent that some unallocated funds are held by authorities to counter any unexpected events.

27. Figures on unallocated reserves as a proportion of total net spend show CCN member councils have 3% unallocated reserves compared to the national local authority average of 4.6% and 8.1% in the average district council.[5]

28. **Given these issues in relation to reserves and the CCN suggest that the Government explore the following transitional arrangements for 2016/17:**

- **Targeted *additional* transitional funding** – whilst acknowledging that the Spending Review set the overall funding envelope for the Parliament, DCLG should seek to negotiate a small additional fund from the Treasury to provide transitional support to the most effected councils.

- **Government could provide additional transitional funding by revising the share in NHB allocations in two-tier area**, **increasing the upper share by at least 20%**. A revised allocation for 2016/17 of 60/40 in favour of district councils would create an additional £55.3m for county councils and is revenue neutral for DCLG. This acknowledges that district councils only receive a -0.8% reduction in spending power during this financial year and have significantly higher average unallocated reserves (as a proportionate of their budget) and are not subject to the same demand led pressures faced by upper-tier authorities. Such an approach would acknowledge the role of upper-tier authorities in providing vital infrastructure for housing growth, protecting and caring for the most vulnerable in society.

- **Capital receipts** – additional flexibility regarding the use of capital receipts has already been enabled as part of the Spending Review, however it is proposed that this be extended to allow receipts already in the bank to be applied to assist with revenue budget issues in 2016/17.

- **Public Health** – removing or loosening of the Public Health ring-fence.

Funding Formulae & Demand-led Pressures

29. **Due to the absence of a full public technical consultation, CCN does not believe the redistribution of RSG has fully taken into account the needs of populations, both currently and over the four-year Spending Review period.** Despite some welcome measures to address increasing demand for social care, CCN member councils are receiving much greater reductions to baseline funding despite evidence that shows historic deficiencies in existing formulae, current and future service demand.

30. CCN's Spending Review submission set out the demand-led pressures facing county areas across the full range of services. Recent research undertaken by LG Futures for CCN builds upon the evidence we presented to Government on existing and future service pressures, with a focus on social care pressures across children's and adults services (the pressures this settlement has sought to address). The full LG Futures report and CCN response are attached in Annex 1 & 2 for consideration alongside this report. Below we summarise the key funding and demand-led

[5] County Councils Network, Spending Review Submission, September 2015

pressures that we believe this settlement has failed to recognise when distributing central government resources.

Adults

- Under the current adult social care relative needs formulae, counties (£679) receive nearly one third less funding per head of population (65+) than the national average (£883) and significantly less than London (£1,182).

- Between 2013/14 and 2015/16, counties have on average witnessed the largest reductions in adult social care funding (-22.9%) compared to other local authority types, and higher reductions in estimated cash funding (-20.1%) than the national average.

- Counties have the fastest growing average annual rate of 65+ year olds of 2.0%. , This is higher than all other local authority types and the national average of 1.8%. The decision to freeze the Social Care Relative Needs Formula in 2013/14 means that counties no longer receive an annual uplift in their share of national funding based on demographic growth.

- By the end of the decade, CCN member councils will be subject to £247m of unfunded cost pressures as a result of demographic growth, this represents 52% of all demographic costs for English local authorities.

- CCN member councils experienced an 8.5% increase in the number of social care contacts from 2009/10 to 2013/14, against overall reductions in other authority types.[6] Over the same period counties experienced a 52% increase in the number of referrals from primary and secondary health care sectors.

- Outside of London, CCN member councils have seen the biggest increase in delayed days for patients awaiting residential placements (12.3%), nursing placements (3%) and home care packages (68%) at home from October.

Children's

- Over the course of the last Parliament (2010-2015) counties saw an increase of 57% in the number of children subject to child protection plans. Between 2013/14 and 2014/15 alone there was a 30% increase.

- Between 2009/10 and 2013/14 CCN member councils saw a 20.3% increase in referrals, whilst other local authority types, such as London Boroughs (-28.5%) and Non-CCN Unitaries (-4.5%) saw a reduction in referrals.

- Counties net budget expenditure per head of population on children's social care in 2015/16 is estimated to be £115.79, 75% less than Inner London Councils per head expenditure (£205.76).[7]

31. In light of the introduction of the social care precept and the move towards full BRR, CCN acknowledge that adjustments to the distribution of local government resources will be needed.

[6] The number of referrals made and subsequent contact with local authorities represent one of the principle quantitative measures of demand for social care services.
[7] Additional information can be access in CCN's *Delivering Children's Services in Challenging Times* publication that has been submitted alongside this response in Annex 3.

However, the local government finance system which enables redistribution between authorities should not only take into account available resources, but also need and demand led pressures.

32. An inherent problem with the methodology to distribute RSG is its failure to fully reflect needs and demand outlined above. While CCN recognises the need for some sort of spending power measure, any measure which fails to take into account the impact of inflation and demographic growth is fundamentally flawed. In the short-term this leads to disproportionate reductions for CCN member councils, particularly during 2016/17 & 2017/18, and potentially embeds unfairness into the baseline that will be used for full BRR.

33. **Working with CCN and other local government stakeholders, the Government should urgently revise the formula for 2017/18, undertaking a full needs-based review of funding over the next six months. This should adequately reflect the needs and demand pressures facing all councils.**

Long-term Settlement & Efficiency Plan

34. CCN have called for the longer term financial settlements for local authorities. However, before CCN member councils agree to such settlements, they must have absolute confidence in the integrity and fairness in funding formulae. In line with the above proposals, figures need to be derived from a proper, open and transparent process, which recognises not only authorities' ability to secure finance locally through the council tax base, but the needs of the population, in particular those relating to social care. In addition, we must ensure that an 'efficiency plan' is not bureaucratic and time consuming, and we intend to work with Government in ensuring plans do not become an unnecessary and unfunded burden.

Social Care Precept

35. CCN support greater local decision making over taxation and the new flexibility of the precept is welcomed. However, it is clear that a principal driver for the redistribution in RSG is driven by the concerns that the social care precept will disproportionately raise revenues in some areas and disadvantage poorer areas – who have larger areas of deprivation, compared to smaller concentrated deprivation in sparse county authorities. However, such redistribution underplays the significant demand and cost pressures facing counties outlined above, which are above and beyond those facing other local authority types. In addition, it fails to recognise that the BCF funding, under its own proposed new formulae, will be further skewed away from counties (see below).

36. Table 5 shows the amount raised by the social care precept her head of population aged 65 over during the course of the Parliament by local authority type in recognition that the precept will predominately be raised for adult social care. It shows that the social care precept raises the least in CCN member councils per head over 65 despite growing demand-led pressures and the significant RSG redistribution away from counties to support other parts of the sector.

Table 5 -Council Tax Precept Per Head of Population Allocations 65+ yr old population (£)

LA Type	2016/17	2017/18	2018/19	2019/20
CCN	37.34	76.28	117.16	160.06
Met	40.70	85.10	131.79	181.62
London	56.01	115.91	180.38	241.94
UA	41.2	84.67	130.8	179.8

England	40.46	83.05	128.18	176.12

37. In judging whether the use of the spending power methodology is fair and appropriate, Government must also consider the impact of assumptions it has made. **Whilst there may be a case that council tax income should be taken into account in a measure of spending power, CCN do not believe it is reasonable to include assumptions about increases in council tax and should be removed from the methodology for two principle reasons**:

- The Government assertions that the settlement is 'cash flat' over the period of 2016-20 is only obtainable if councils increase council tax year-on-year by 3.75%. CCN support greater local decision making over taxation and the new flexibility of the precept is welcomed. However, if, as the Government maintains, it is for councils to make decisions on council tax levels, it is not acceptable for assumptions on council tax increases to be built into spending power figures that has such a significant redistributive impact on councils.

- DCLG have also made optimistic assumptions within the spending power methodology that the council tax-base grows over the period of the Parliament. CCN is not convinced, at this point, that the growth in council tax bases will be achieved. In addition, while assumptions consider the additional income raised from a growth in the council tax base, it fails to fully recognise that population growth also results in additional demand for local for local services.

38. In addition to the above, the social care precept effectively disadvantage two-tier areas. Unitary and metropolitan authorities are able to levy the 2% increase for social care on a larger council tax base than county councils, where the charge is lower reflecting that districts deliver some services. **The Government should mandate that the optional 2% council tax precept for social care is applied to both the district and county council tax levies in two-tier areas. The 2% raised on the district component of council tax should be passported to the county council and not retained by the district council.**

39. **As a transitional arrangement, we also suggest that the Single Person Discount is reformed**. Funding for the Council Tax Discount Scheme was devolved in 2013 and was subsumed into RSG. Given this was a new burden, it is questionable if RSG can be reduced for this. However, Government has not allowed local discretion to be applied to SPD. Were this to be devolved, Councils could apply this via means assessment - thereby releasing funds to support social care.

40. Counties will only realise an increase in their spending power if councils increase council tax over the period of this Parliament. Government must acknowledge that this is a significant alteration in Government policy. As such, **DCLG must work with and support the sector in implementing this new levy and explaining the rationale for its introduction to local residents. This includes allowing maximum flexibility in how the tax is presented on council tax bills.**

41. Government must acknowledge that in the absence of further additional central government funding for social care the majority of councils will be compelled to implement the precept to contribute to the cost of rising demand and inflation, and this includes those areas that had supported the Government's clear and unambiguous commitment to council tax freezes in the past.

Better Care Fund

42. The commitment in the 2015 Spending Review to expand BCF was welcomed by CCN member councils. However, the proposed methodology for distributing the expanded BCF and the delay in making funding available to local authorities will lead to significant budget shortfalls in the first two years of the settlement.

43. The use of the social care relative needs formula to distribute BCF funding to local authorities ensured that those councils which were deemed to have a greater level of deprivation were remunerated in recognition of this. The difference in funding per head of population is clearly shown in Table 6 below. CCN member councils already receive £90 below the national average and significantly less than areas such as Inner London (£632) and Metropolitan Boroughs (£181). The current adult social care relative needs formula, which uses outdated population figures, already weights funding to recognise factors such as deprivation. This delivers significant differences in per head funding across different local authority types.

Table 6: Existing Better Care Fund - £ Per Head Allocations 65+ yr old population

Comparator Group	BCF Funding (per head 65+)	Difference From CCN Allocation
County Council Network (CCN)	**£389**	**£0**
Inner London	£1,020	+£632
Outer London	£602	+£213
Metropolitan Boroughs	£570	+£181
Unitaries (Excl CCN Members)	£515	+£127
England	£478	+£90

44. The expanded BCF will provide £1.5bn funding by 2019/20 for local authorities to spend on adult social care. However, mirroring proposals on the distribution of RSG, the proposed formula to distribute this funding does not deliver against the government's stated aims of the settlement to address demand pressures where they are most acute. Table 7 below shows that counties receive even less under the expanded BCF and proposed formulae.

Table 7: Expanded Better Care Fund - £ Per Head Allocations 65+ yr old population

LA Type	2017/18	2018/19	2019/20
CCN	**3.30**	**49.46**	**94.05**
Met	25.59	145.07	246.42
London	21.26	134.71	224.57
UA	10.65	81.08	144.67
England	10.62	82	146.44

45. In essence, the proposed formula doubly disadvantages CCN member councils as it distributes funding using a methodology that also includes figures for the potential income from the optional social care precept.

46. However, given the combination of higher than expected funding reductions for CCN member councils, existing and future social care pressures, **Government should front-load BCF with additional funding from 2017/18 in a similar manner to NHS funding**. As a minimum the Government should smooth out the distribution of the BCF, bring forward plan funding to increase the total amount in 2017/18.

47. **In line with our concerns over formulae used to distribute RSG, we disagree with the proposed method of distributing BCF funding; this must be urgently reviewed. CCN propose that allocations are made according to an updated needs formula, which does not make assumptions that there will be full take-up by councils of the additional 2% social care council tax flexibility.**

Care Act

48. Government previously committed to fully fund the Care Act reforms and the new burdens arising from it. However, the inclusion of Care Act implementation funding in the RSG means that this funding will effectively be reduced as part of the overarching reduction and redistribution of funding set out in the consultation. The proposed settlement means that Government will be unable to deliver on this commitment as some counties will see their RSG reduced to zero by 2018-19 and more by 2019-20.

49. CCN propose that Government must provide Care Act funding as a separate un-ringfenced section 31 grant. Such an approach would ensure that the funding is protected for the purpose that it was originally committed. The need to keep this grant separate to RSG is supported by the Public Accounts Committee:

> *'Once this funding is included in the Revenue Support Grant it ceases to be clear, either to local authorities or taxpayers, how much funding is received for particular activities and for how long'.*[1]

50. As set out throughout this submission, counties are faced with the highest levels of demographic growth, the fastest growth in service demand for health and social care, while these economies receive significantly less funding than other areas.

51. The Department for Communities and Local Government's definition of a new burden states that 'a new burden may also arise when government removes or reduces funding associated with specific responsibilities'.[2] Therefore, the proposed settlement very clearly 'removes or reduces' funding relating to the implementation of the Care Act.

Consultation Questions

Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

52. CCN do not agree with Government's proposal to include the Care Act grant funding in the Revenue RSG in line with the above.

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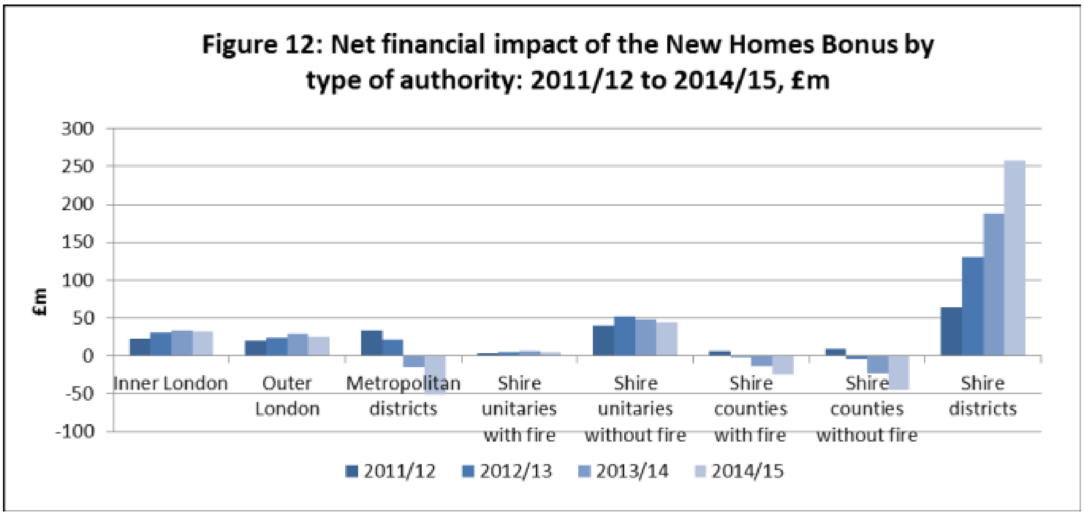
[1] Care Act first-phase reforms and local government new burdens. Public Accounts Committee, December 2015

[2] New Burdens Doctrine, Department for Communities and Local Government, June 2011.

Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

53. CCN note the proposal to reduce the DCLG contribution to NHB by £40m from the £250m provided in previous years. This is coming at a time when the cost of NHB is increasing, and means that the pressures on local councils through RSG top-slicing will be even greater.

54. The current 80/20 split of NHB in two-tier areas has had and will continue to have a negative impact on county councils, with counties effectively receiving less RSG for every house built in their area. As DCLG acknowledge 'holding back funding for redistribution has a greater cash impact on upper tier authorities, such as shire counties'.[8]



Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

55. CCN do not think that the most effective way of funding the business rates safety net in 2016-17 is through top-slicing RSG. By this point the business rates retention scheme will have been in place for four years, and as we work towards 100% we must ensure now that the system is sustainable. Government's intention in establishing the business rates retention scheme was that the safety net should be self-financing through income from levy payments – however it seems that this has not yet been achieved and that instead all areas are sharing the subsequent pressure through loss of RSG.

Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

56. CCN welcome this contribution to rural funding, and the recognition of the extra costs of providing services in rural and sparse areas. Compounding the sheer size of county geographies and the distances between communities are the larger and growing older populations in county areas and the extra cost pressures this puts on social care services.

[8] DCLG, Evaluation of New Home Bonus, December 2014

57. CCN suggest that the distribution methodology of rural funding must be altered to reflect the impact of sparsity on already critical social care pressures. In some two-tier areas there are currently districts that are eligible, without the county being eligible. In these areas the county must still provide care, transport and other services for these very sparse districts, without any recognition in the funding. This is because the average measure of sparsity across the county area can hide these areas of deep rurality.

58. The exclusion of funding for counties and social care services in this way is particularly challenging given the broader changes to RSG distribution. The impact will be compounded over time as funding for the most rural areas rises significantly throughout the Spending Review period.

59. Members propose that, in two-tier areas, counties should be excluded from the super-sparsity ranking. Instead, where a district council is ranked in the upper quartile, the funding should be split between the district and county council, with a larger proportion allocated to the upper-tier authority, to reflect the higher costs associated with delivering social care, as outlined above.

Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

60. CCN do not believe that local welfare provision and other funding elements should be identified within core spending power. Central funding for local welfare has been removed, and so central government have effectively handed local government the decision whether to divert part of their core budget to fund this. Identifying these elements within core spending power would not present the most transparent breakdown. It could give the impression to the public that funding for these elements is being provided by central government, or that there is a presumption that local people and businesses will pay for these through local taxation and levies.

61. CCN believe that all the separate elements in the settlement funding assessment identified in previous years should continue to be identified in settlements up to the end of the Parliament. This should include publication of a breakdown for each element of the amount provided through RSG and the baseline funding level. In circumstances where authorities receive no RSG, members would expect to see a negative figure for some of these elements.

Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

62. CCN support this approach, and as outlined above this should be identified within the breakdown of RSG.