COUNTY COUNCILS NETWORK

CCN
Council Meeting

WEDNESDAY 28th March 2018

18 Smith Square
Westminster
SW1P 3HZ

CCN Council Meeting

Wednesday 28th March 2018

AGENDA

1. Chairman's notices	**11.50**
2. AGM and Minutes	**11.55**
3. Rishi Sunak, MP Local Government Minister	**12.00**
4. Grant Thornton report launch Capitalising on the Industrial Strategy	**12.30**
5. Finance update Report by CCN finance advisor	**12.50**
6. CCN Budget 2017/2018	**13.10**
7. CCN Business Plan	**13.30**
8. AOB	**13.50**

COUNTY COUNCILS NETWORK

CCN Council

Wednesday 28th March 2018

Agenda Item 1

Chairman's notices

COUNTY COUNCILS NETWORK

Minutes for AGM and Council Meeting from the 20th September 2017

Annual General Meeting

Agenda Item 1. Appointment of Chairman and Vice Chairmen

Simon Edwards, Director of CCN, welcomed attendees to the meeting. It was noted that the meeting was quorate. There had been one nomination for the position of Chairman – Cllr Paul Carter. This was seconded, and Cllr Paul Carter was re-elected as Chairman.

Conservative: Philip Atkins was nominated to this position, and this was seconded and agreed.

Labour: Simon Henig was nominated, and this was seconded and agreed. Thanks were given to outgoing Vice Chairman Cllr David Borrow, who had retired at the County Election.

Liberal Democrat: Jon Hubbard was nominated, and this was seconded and agreed.

Agenda Item 2. Minutes and Matters Arising

It was agreed that the minutes of CCN Council in March 2017 were a true reflection of the meeting.

Agenda Item 3. Audited Accounts

Simon Edwards presented the audited accounts, which had been given a clean bill of health by the auditors. It was recommended that Council endorse the accounts, and this was duly agreed.

Agenda Item 4: Appointment of Auditors

Simon Edwards recommended Thorne, Lancaster and Parker be retained as Auditors for CCN, given the decreased fees. Council endorsed this decision.

Agenda Item 5: AOB

There being no other business, the Chairman declared the Annual General Meeting closed.
Annual Council:

Agenda Item 1: Welcome

Cllr Paul Carter welcomed attendees and new members. Cllr Carter reflected there had been a significant amount of change since the Council had met in March 2017. There had been elections in 32 member councils, and the general election presented a whole raft of changing issues. There had been a new funding deal for schools, which would be discussed under item 6. The Fair Funding Consultation and Business Rate Retention policy would also be discussed.

Agenda Item 2: Minutes and Matters Arising

Minutes were accepted and there were no matters arising.

Agenda Item 3: CCN Update

Simon Edwards noted that there had been changes in which CCN communicated with members. The increased email updates kept members informed of policy developments. The aim of Council meetings is therefore to give members and opportunity to add input and shape policy direction.

A new report had been written: A New Deal for Counties, setting out what a potential policy direction for the Government. The report would be sent to members and used to engage with MPs.

There would be a Green Paper on Adult Social Care, but this would not be published until 2018. CCN would review the research with LaingBuisson on County Care Markets to contribute to this work.

Agenda Item 4: Autumn Statement

Simon Edwards presented members with CCN key asks for the Autumn Statement. Research from CCN and SCT had found a £2.54bn funding gap in 2021, and the Government would be asked to consider this. Further suggestions were made around devolution, and the role this could play in financial sustainability.

Agenda Item 5: Social Care Green Paper

Cllr Paul Carter invited Cllr Colin Noble, CCN Spokesman for Health and Care to present on the Social Care Green Paper.

Cllr Noble outlined the report to members, and highlighted two key areas. Firstly, the complexity in funding and the number of schemes used to fund Adult Social Care (ASC) presents difficulty in achieving sustainability. Secondly, Brexit presented a problem of worker retention, particularly considering the role of skilled workers. Cllr Noble advocated the role of the Health and Wellbeing Board for establishing joint working with the NHS. Members welcomed the paper and asked for further consideration on young carers, unmet need and accountability. Cllr Noble asked members to discuss the report with Directors of Adult Social Care and Cabinet Members for Adult Social Care, with the aim to supply more information and input for a final paper to be discussed at CCN Conference.

Agenda Item 6: Local Government Finance

CCN Council received an update from Peter Moore, Outgoing President of the Society of County Treasurers. It was noted that this was Peter's final meeting as President, and that Sheila Little would be appointed President the following day. Members thanked Peter for his contribution.

Peter updated Council on the SCT Budget Survey. He noted that this did not consider capital expenditure or shortfall. Peter explained that CIPFA are tightening their prudential code as the government have been lobbied hard by the private sector to prevent councils borrowing to get into non-core activities. There was a technical consultation on the Local Government Finance Settlement. This did not represent a significant change from the 4 year deal accepted by most member authorities.

Adrian Jenkins presented on current research Pixel were undertaking on behalf of CCN. Pixel had undertaken further modelling on Business Rate Retention. It was noted that areas exploring pilot bids must apply by October 2017. These pilots were less attractive than existing ones due to a lack of no-detriment cause.

Adrian presented options around tier splits, which would be shared with member authorities.

Agenda Item 7: AOB

There being no further business, the Chairman closed the meeting.

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CCN

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Agenda Item 3

Rishi Sunak, MP
Minister for Local Government

Introduction

1. Local Government Minister, Rishi Sunak MP, will be attending the meeting to speak on a range of issues including the fair funding review.

2. With the fair funding review a key priority for CCN we encourage members of councils to focus questions and comments on this important issue.

3. This covering paper for council outlines key information on CCN's response to the fair funding review: measuring relative needs consultation. It summaries the key points from the submission and wider advocacy taking place from CCN on the review.

Background

4. On the 12th March 2018, CCN submitted an evidence-based, comprehensive response to *fair funding review: measuring relative needs* consultation. CCN also coordinated and submitted a letter by the Association of County Chief Executives and a separate letter by County APPG, signed by MPs. Both endorsed the CCN positions in relation to the review.

5. Our response to the consultation was built on expert advice and guidance provided by Pixel Financial Management. This was drawn from research commissioned by CCN examining the impact of the current formula and the implications of a simple formula update for all member councils. This was conducted during the consultation period, and the Executive Meeting in January was presented with the findings. This research was used to provide technical answers to the consultation and construct our overall narrative in response. CCN also hosted a Workshop with the Society of County Treasurers (SCT) in developing our response.

6. Prior the submission, CCN issued a call for evidence to member councils on the specific issue of rural service delivery costs. Following extensive lobbying by CCN and the Rural Services Network (RSN) rurality was given a high profile as one of the three 'cost-drivers' identified in the consultation.

7. While the summary of our response below highlights that the focus on rurality is only one positive aspect of the proposals, CCN received intelligence that Ministers are eager to explore strengthening the evidence base in this area to ensure it is given

sufficient weighting in the formula. This is also an important issue in the wider narrative/debate on issues such as density v rurality, particularly in relation County MPs and the funding review. Currently the formula has eight times the weighting of sparsity and ensuring a prominent role for density (currently excluded from the consultation) is a key aspect of the lobbying from London and Metropolitan Boroughs

Summary of CCN Response

Foundation Formula & Cost Drivers

- The CCN is very supportive of the overall direction of travel presented in the Fair Funding Review consultation paper. Many of the proposals in the consultation paper represent a welcome step in the right direction.

- CCN supports the Government's proposal to create a Foundation Formula which uses a limited number of cross-cutting or common indicators to create a **simpler formula**. CCN would like to see a new funding formula that is driven more by genuine cost drivers and a distribution of funding that is more linked to population levels than other top-up indicators, such as density, which we believe currently has too higher weighting in the formula. Ultimately, we want to see a flatter distribution of funding than is currently the case as we believe that this will provide a fairer outcome.

- **Most fundamentally, we want to see a funding formula that is capable of funding and responding to the growth in social care pressures in county authorities and across the wider local government sector**. It is imperative that the fair funding review prioritises towards adults and children's services based on need.

Population

- CCN supports the use of population statistics that are capable of reflecting future population change. The primary concern of county authorities is that the population data used in the funding formula should be capable of reflecting the change in the client groups that are likely to generate spending pressures in social care. Largely these client groups will be older people, particularly those aged 75+. Pixel estimate that 61% of the overall growth in over-75s is in CCN authorities, with the average growth rate 1.8% in CCN authorities, compared to 1.4% nationally.[1]

- The financial effect of changes in these client groups has the potential to be considerable, especially where they lead to higher social care spending. The potential financial cost to an authority of an increase in the number of over-85s is much greater than for an adult of working age. It is imperative that there are alternative ways of dealing with these spikes in costs caused by demographic change. We would be interested in exploring with Government how a system could be designed that addressed the large growth in social care costs that is caused by demographic change. Without such a fail-safe system, many of our authorities will be exposed to considerable financial risk without the prospect of the funding formula being re-opened for as long as 5 years.

Rurality

- One of the central reasons for the disparity in funding between counties and other parts of the country is because of the different weightings given to delivery of services in areas impacted by density and sparsity (rurality). The fair funding review must deal with this disparity, and **CCN therefore strongly support the proposal to give a higher profile to rurality as one of the three main cost drivers**.

[1] Based on the difference between the 2015 and 2016 mid year estimates.

- **The Rural Services Delivery Grant (RSDG), introduced to partly compensate for the additional costs of providing rural services, is completely inadequate**. The methodology used to distribute focuses on 'super sparsity' and fails to properly capture rurality in larger areas of the country and additional costs from rurality in services such as social care.

- We urge MHCLG to use the opportunity provided by the Fair Funding Review to address these long-held concerns. As the consultation acknowledges, further work is needed to understand the costs of rurality on service provision and as we outline below, CCN is committed to supporting the Department and commissioning further research to ensure an evidence-based approach.

Deprivation

- CCN supports the proposal to have deprivation as one of the three top-ups within the Foundation Formula. However, while CCN support the inclusion of a deprivation top-up, we take the view that it should only be as large as the evidence can support. While deprivation leads to additional demand for services, particularly with regards to safeguarding, there is less evidence that it leads to additional delivery costs. Its current weight within the funding formula is therefore excessive. The overall quantum distributed by the deprivation top-up must be justified by evidence and the impact that it has on the cost of providing services.

- The term "deprivation" encompasses a wide variety of types of deprivation including health deprivation, income deprivation, poor educational attainment and rural deprivation. The formula must also be designed to recognise small areas or pockets of deprivation that currently get averaged out over larger geographical areas.

Regression analysis

- Alongside a flatter formula and specific cost drivers, the CCN and SCT have long opposed the use of formulae derived from expenditure-based regression. It is widely accepted that historic expenditure must be driven by historic funding. Using this expenditure data as the dependent variable in a regression will not be capable of capturing need driven by factors which have previously been systematically underrepresented in funding allocations. It is therefore paramount that a formula is developed based on independent and sector-led expertise to inform the drivers of need and attempt to capture this unmet need.

- CCN does not support the use of regression against past expenditure to distribute future funding. This will simply continue the past distribution of funding which has systematically favoured urban authorities over rural and county authorities. We would be interested in considering any methodologies that can avoid any influence from past spending patterns.

'Quantum' of Funding

- CCN wants to see a new funding formula which genuinely reflects the actual costs that are incurred by local authorities. However, the introduction of a fair funding formula will not on its own solve the financial pressures faced by local authorities. In order to ensure that the new Fair Funding Formula can cope with these cost pressures, the "quantum" of funding available to local government must not only provide assistance with the transition to the new funding model, but must also be sufficiently large to fund the well-documented unfunded cost pressures currently being borne by the local government sector.

- A new funding formula, in the absence of additional funding, will clearly result in both "winners" and "losers". While it is essential that additional resources are allocated to local government as part of the Spending Review, the fair funding review should not be reliant on an increase in the quantum. CCN members will be disappointed if this is used as a pretext not to proceed with the implementation of genuinely new needs-led funding formula.

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Agenda Item 4

CCN & Grant Thornton Industrial Strategy Report

COUNTY COUNCILS NETWORK

Introduction

1. This covering paper for Council outlines the relevant background information to the CCN and Grant Thornton UK LLP report Capitalising on the industrial strategy: How can counties make the most of Britain's economic future which will be launched at CCN Council.

2. This report with Grant Thornton is part of CCN's sponsorship/partnership arrangement and has been co-produced at no commissioning cost to CCN.

Background

3. Over the past 18 months CCN has undertaken significant work in relation to county economies, regional growth and the industrial strategy. This includes an extensive study with Oxford economics on county economies, Respublica's report Devo 2.0: the case for counties, and research with Localis exploring the role of strategic authorities in influencing local labour markets and skills provision.

4. At the last Executive meeting in January, members were provided with a comprehensive update on CCN's response to the Industrial Strategy Whitepaper and on-going review of Local Enterprise Partnerships (LEP).

5. Following our advocacy, we believe the Government has responded to the concerns raised by CCN that original proposals were too focused on growth in city regions. The strategy sets out that a placed-based emphasis must ensure "every part of our country realises its full potential" whether cities, towns and rural areas, with a national framework that reflects and makes the most of these economic opportunities and challenges.

6. While we welcome the place-based narrative that the Industrial Strategy sets out, we have concerns the approach outlined prioritises investment in city-regions, while proposals for developing and delivering local growth initiatives may fall short in counties. In particular, the proposals for LEPs to lead on local industrial strategies outside of mayoral combined authorities has raised some concerns, with mixed views amongst our member councils.

7. However, it is clear that Government remains firmly committed to LEPs, although they will be reviewing their role, remit and geographies to ensure they are more effective, accountable and transparent, with the intention to publish a clear set of objectives for reform over the coming months.

8. The Executive paper in January set out that CCN will continue to make the case that counties, as strategic authorities, must be at forefront of local industrial strategies and ambitious devolution deals. It is imperative that CCN work constructively with LEPs and focus on influencing the outcomes of the review to maximise the role of county authorities, and ensure

our local communities benefit from the proposals outlined in the White Paper. This is alongside continuing to make highlight importance of counties to Britain's post-Brexit economy.

Report Overview

9. With this in mind professional services company Grant Thornton have worked with the CCN over recent weeks to examine the challenges counties face in preparing for Britain's new economic future and the best way to develop effective local industrial strategies. This included bringing together a group of county leaders for a roundtable event and providing new insights into county economies through Grant Thornton's Place Analytics platform.

10. The report builds on the outcomes of the roundtable, CCN's engagement with member councils and the results of our recent survey of county leaders on LEPs. The report is structured around five themes:

    - *Brexit & County Economies*: Uncertainty & Opportunity
    - *Skills & Employment:* A Recruitment Crisis?
    - *Connected Counties*: Delivering the Infrastructure to Grow
    - *Strategic Planning:* Homes Where they are Needed
    - *Collaborative Partnerships:* Counties & LEPs

11. As part of the project, Grant Thornton have provided data insight and analysis, creating new research into the economic challenges and opportunities facing county authorities. It asks how counties can capitalise on the 'place-based' narrative of the industrial strategy and take back control of their economic futures in the post-Brexit landscape.

Next Steps

12. A full copy of the report will be published on the day of CCN Council. Paul Dossett, Partner and Head of Local Government Advisory at Grant Thornton, will present the key findings of the report at the Council meeting.

13. Upon publication, the report will be used as part of CCN's advocacy on economic growth, the industrial strategy and LEP Review.

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Agenda Item 5

Finance update
Report by CCN Finance Advisor

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COUNTY COUNCILS NETWORK
COUNCIL MEETING
28 MARCH 2018

LOCAL GOVERNMENT FINANCE
Report of the Lead Finance Adviser

A. Introduction

1. The purpose of this report is to provide Council members with an update on developments in local government finance since the last meeting. The report is divided into the following sections:

A: Introduction

Public Finance
B: Spending Review
C: 2018 Spring Statement

Local Government Finance
D: 2018-19 Final Settlement
E: Core Spending Power
F: Section 31 Grant for Under-Indexing the Multiplier
G: 100% Business Rates Retention Pilots
H: Business Rates Retention and Negative RSG

Council Tax
I: Council Tax Referendum Principles
J: Localised Council Tax Support

100% Business Rates Retention
K: NAO Study: Financial Sustainability of Local Authorities
L: CLG Inquiry into Business Rates Retention
M: IFS Report: Spending Needs, Tax Revenue Capacity and the BRR Scheme
N: 100% Business Rates retention Working Groups

- Technical Papers
- System Design Working Group
- Steering Group
- Fair Funding Review Technical Working Group
- Fair Funding Review: Relative Need Consultation

New Homes Bonus
O: Changes to the Scheme

P: 2018-19 NHB Allocations

Schools and Children
Q: Extended Rights to Free Transport
R: Unaccompanied Asylum Seeking Children

Health and Social Care
S: Green Paper
T: Adult Social Care Inquiry
U: Improved Better Care Fund
V: Former Independent Living Fund
W: Public Health

- Public Health Grant
- Public Health Inquiry

Capital Financing
X: Capital Flexibilities
Y: Changes To The Prudential Framework For Capital Finance

Other
Z: Council Mergers

- Buckinghamshire
- Dorset

PUBLIC FINANCE

B. Spending Review

2. In his 2018 Spring Statement the Chancellor of the Exchequer, Phillip Hammond confirmed that the next Spending Review will take place in 2019. It is expected to take place in the spring/summer.

C. 2018 Spring Statement

3. The Chancellor of the Exchequer delivered his *first 2018* Spring Statement to the House of Commons on 13 March. Alongside the Chancellor's announcement, the OBR published its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances.

4. In the 'build-up' to the Statement the Treasury stressed that it would contain "no red box, no official document, no spending increases, [and] no tax changes" but would rather be a relatively short response to the latest forecast from the Office for Budget Responsibility (OBR).

5. The Spring Statement included the following headlines:

Public Finances

- **GDP** is predicted to **grow by 1.5% in 2018** (up from 1.4%)
- **CPI** is forecasted at **2.4%** for 2018
- OBR has revised down forecasts for **debt as a proportion of GDP** from 86.5% (Autumn 2017) to **85.6%.** Then 85.5%, 85.1%, 82.1%, 78.3%, 77.9% from 2018-19 to 2022-23

Local Authority Spending

- The OBR is **forecasting local authority self-financed expenditure (LASFE) as the second largest source of upward revision** to their public spending forecasts.

- In November the OBR forecasted that **in 2017-18, local authorities** would overspend by £1.8bn and use £1.0bn of reserves. This **predicted overspend has now fallen to £1.1bn but the use of reserves is predicted to be higher – at £1.5bn.**
- The OBR is now forecasting **reserves will no longer be spent past 2020-21**; leaving £20.2bn in reserves - £3.8bn more than in 2010-11. This being said, the OBR is also careful to point out the great uncertainty around predicting the use of reserves.

- Alongside the 2017 Autumn Budget, the EFO highlighted the **growing pressures in Children's and Adults Social Care** and that drawdowns from reserves were far greater in authorities with social care responsibilities.

- The OBR continue to highlight **that local authorities do presently have a "healthy stock of reserves** that could cushion the squeeze on other sources of income (if temporary)", before going on to highlight Northamptonshire's s114 notice and the pressures that budgets are under.

- **Forecasted council tax receipts are slightly higher than previous forecasts** totalling £27.6bn in 17-18, £29.5bn in 18-19, £31.1bn in 2019-20, £32.0bn in 2020-21
- The Government has published a summary of responses to their consultation on the implementation of more frequent revaluations of non-domestic properties for business rates purposes. The result of which will be that the **next business rate revaluation** will be brought forward one year to **2021** with three-year revaluations taking effect in 2024.

- The government has **opened a Call for Evidence** seeking views on how the tax system or charges could reduce the amount of **single-use plastics waste**, to protect the environment **closing 18 May**. This will look at the whole supply chain for single use plastics, including alternative materials, reusable options and recycling opportunities, to consider how the tax system and charges can help drive technological progress and behavioural change.

6. A full briefing by the Technical Support Team can be found in Annex A.

7. 2018 is the first year, where there will be a Spring Statement and Autumn Budget. 2017 provided a transition year in which two Budgets were made in order to move the main annual fiscal announcement from Spring to Autumn.

LOCAL GOVERNMENT

D. 2018-19 Final Settlement

8. The final local government finance settlement was announced by the Secretary of State for Housing, Communities and Local Government, Sajid Javid MP, in a written ministerial statement on Tuesday 6 February. The Local Government Finance Report was then debated in the House of Commons on Wednesday 7 February. The announcement set out final allocations for 2018-19. Allocations for 2019-20 remain indicative.

9. The 2018-19 settlement marked the third year of the four-year settlement offer, accepted by 97% of local authorities.

10. The final 2018-19 settlement remained broadly unchanged from allocations published at the time of the provisional settlement in December 2017. However, following representations from local government the Minister announced extra funding for adult social care and the Rural Services Delivery Grant.

11. The following headlines relate to the main changes between the provisional and final settlements:
    - **£150m Adult Social Care Support Grant** in 2018-19 taken from anticipated underspend in existing departmental budgets therefore not affecting existing revenue commitments made to local government.

    - **Increase of the Rural Services Delivery Grant to £81m**. **£16m more than provisional allocations** published in December 2017, which totalled £65m. At the time of the provisional settlement 2018-19 allocations had been expected to fall by £15m from £65m in 2017-18; however, this reduction was cancelled. Coupled with the final settlement increase 2018-19 allocations rose by £31m.

    - **No further transitional funding** for 2018-19;

    - **£19m for Unaccompanied Asylum Seeking Children** in 2017-18 from within existing budgets, including the Controlling Migration Fund, to "develop the skills and capacity to be able to support these very vulnerable children";

    - **£25m increase in Compensation for Under-Indexing the Business Rates Multiplier** resulting in a 10.0% increase in allocations due to updated calculations;

    - **£947m (£1.3m increase) in New Homes Bonus allocations** as a result of updated data included in the NHB calculator affecting just 19 LAs, most significantly Central Bedfordshire (£1.1m increase). As announced at provisional, **reduction in the number of payment years** from 5 years in 2017-18 to 4 years in 2018-19. NHB will continue to be paid on housing growth above 0.4% (0.4% in 2017-18). No further changes, as consulted on, in 2018-19.

    - A **national increase in the 2018-19 core spending power of 1.9% (1.5% at provisional)** compared to 2017-18. *CAVEAT: this does not include the effects of pilot authorities forgoing their RSG and RSDG allocations.*

E. Core Spending Power

12. Following the announcement that £150m will be allocated to local authorities in 2018-19 via the ASC Support Grant the 2018-19 Core Spending Power consists of:

    - Settlement Funding Assessment (RSG and Baseline Funding)
    - S31 compensation grant for changes in the uprating of the business rate multiplier from RPI to CPI and 2% cap in 2014-15 and 2015-16
    - Council Tax (the product of the maximum council tax precept that the LA can raise with an ASC precept of 2%)
    - Improved Better Care Fund
    - 2018-19 Adult Social Care Support Grant
    - New Homes Bonus (including returned funding)
    - Rural Services Delivery Grant

13. Final Core Spending Power figures increased from those published at the time of the provisional settlement due to:

- the introduction of the £150m ASC Support Grant;
- £16m increase in the Rural Services Delivery Grant;
- £25m increase in the Compensation for under-indexing the business rates multiplier grant and;
- £1.3m increase in New Homes Bonus allocations.

F. Section 31 Compensation Grant for Under-Indexing

14. The final settlement included an extra £25m (from £250m at provisional to £275m at final) for the Under-indexing of the business rates multiplier. This resulted in a 10% increase for all LAs.

15. MHCLG refer to this compensation as "grossing up". In their grossing up calculations MHCLG used 6/466 in 2017-18. They have since decided that they should have used 7/466. This means that the 10/480 they used in 2018-19 increased to 11/480 (10% higher) resulting in a 10% increase in compensation grant for all authorities.

16. The grant is only for the under-indexing of business rates as a result of the 2% cap imposed by the Chancellor in 2014-15 and 2015-16 and the early switch from RPI to CPI this year.

17. Compensation will be paid via section 31 grant based on NNDR1s and paid in 12 monthly instalments. Payments will then be reconciled by means of one payment following the NNDR3s being received by MHCLG.

G. 100% Business Rates Retention Pilots

18. Before provisional settlement the Government had already announced that the 2017-18 pilots[1] would continue into 2018-19 and there would be 100% business rates retention for London councils. At provisional settlement the Government confirmed those local authorities whose application to pilot 100% business rates retention in 2018-19 had been successful were:

Berkshire	Leeds
Derbyshire	Lincolnshire
Devon	Solent
Gloucestershire	Suffolk
Kent & Medway	Surrey

19. The ten pilot areas will cover 89 local authorities in total. In 2018-19 these authorities will forego their Revenue Support Grant (RSG) and Rural Services Delivery Grant. The combined value of which has been taken into account in setting revised baseline funding levels and tariffs and top-ups. This will ensure that the changes are cost neutral, except for the value of any growth retained. Unlike the 100% BRR pilots in London, these new pilots were not given the option to take on additional responsibilities.

20. The last few pages of the final [local government finance report](#) included details on the baseline tier splits of the new pilots. The Derbyshire pool and the Gloucestershire pool includes an approximate 50:50 split between the county and the districts, the Devon pool

[1] Greater Manchester CA, Liverpool City Region, West Midlands, West of England CA, Cornwall and GLA

and the Kent pool is split 60:40 with the largest proportion going to the county. Lincolnshire receive 40% of their pool split and Surrey have agreed a 70:30 split with their districts – with Surrey receiving 70%.

21. The Minister confirmed, at provisional, local authorities will be invited to submit pilot bids for 2019-20. Details on the process and timeline are yet to be announced.

H. Business Rates Retention and Negative RSG

22. At provisional settlement Sajid Javid announced the Government's aim to increase the local share of business rates retention to 75% in 2020-21. The remaining 25% central share will be returned to HM Treasury and recycled back to local government but this will not be visible.

23. Local authorities will be able to keep the equivalent share of business rates growth on their baseline levels from 2020-21, when the system is reset. The Government intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from a grant to retained business rates.

24. In order to increase the local share to 75% BRR, the Government has confirmed that business rates to the value of Revenue Support Grant, Rural Services Delivery Grant, Public Health Grant and the GLA Transport Grant, will be transferred. However, current estimates from Pixel, reveal that the value of these grants exceeds 25% business rates (based on 2020-21 baselines)

25. At provisional settlement, the Secretary of State also announced that the Government will publish a consultation on "fair and affordable options" for negative RSG in spring 2018.

COUNCIL TAX

I. Council Tax Referendum Principles

26. The Secretary of State confirmed the Government's referendum principles for 2018-19 in the principles report. These were first outlined in the September 2017 technical consultation on the 18-19 Settlement where the consultation also asked whether further flexibilities were required for particular categories.

27. The final settlement confirmed referendum principles will apply to council tax increases in in excess of 2.99% for 2018-19 and 2019-20. This is a 1% increase on the 2017-18 referendum limit (which was 1.99%) and brings council tax in line with current levels of inflation (CPI). The Minister confirmed:

    - 3% council tax referendum trigger for counties, unitaries, London boroughs and GLA (up from 2%)
    - Continuation of the ASC precept at 2% with the flexibility to increase the precept by 1% to 3% in 2018-19 provided that increases do not exceed 6% between 2017-18 and 2019-20
    - For shire districts 3% council tax referendum trigger or £5, whichever is higher (up from 2%)
    - Police band D precepts can be increased by up to £12. This equates to between 5.34% and 12.20% for English PCCs. This compares to allowing a £5 increase for those in the lowest quartile of PCCs and a 2% threshold otherwise in 2017-18.

28. MHCLG has also published a council tax referendums information notes for 2018-19. This is largely as expected but para 28 allows the Secretary of State to grant large increases in precepts in extreme cases without the need for a referendum. The paragraph reads as follows:

Sections 52ZR to 52ZW of the 1992 Act allow the Secretary of State to direct that the council tax referendums provisions are not to apply to individual authorities. This power is available if the Secretary of State is of the opinion that, unless an authority is allowed to set a council tax increase that is excessive by reference to the principles, it will either:

(i) be unable to discharge its functions in an effective manner; or
(ii) be unable to meet its financial obligations.

29. Last year, the Government also asked parish and town councils to "exercise restraint" and transparency when deciding precept increases. At provisional, Mr Javid confirmed that the government intends to defer the setting of referendum principles for town and parish councils for three years.

J. Localised Council Tax Support

30. Provisional allocations of the 2018-19 Localised Council Tax Support Admin Subsidy Grant totalling £69m were published shortly after the provisional settlement. These may be subject to slight change before the final allocations and payments are made in April/May 2018.

100% BUSINESS RATES RETENTION

K. NAO Study: Financial Sustainability Of Local Authorities

31. The National Audit Office (NAO) published their report Financial Sustainability of Local Authorities 2018 on 8 March following 7 years of austerity. The NAO previously reported on this issue in 2014.

32. The study examined four principal areas:

- Funding and demand changes: How has local authority income changed since 2010-11? How have demand and cost pressures changed?
- Local choices: How have local authorities responded to funding reductions?
- Implications: What are the implications for authorities' financial and service sustainability? How have service users been affected?
- Departmental role: Does the Department understand the ability of local authorities to absorb funding reductions and the impact of emerging demand and cost pressures on local authority budgets?

33. The SCT made a submission to the inquiry.

34. The report found that:

- Financial pressures have increased significantly since 2010-11;
- LAs face new cost pressures but no reduction in statutory obligations;
- Services, other than social care, face reduced funding;
- Scope for local discretion in service delivery is eroding;
- Financial uncertainty is created by delayed funding reform; *and*
- MHCLG must set out a long-term financial plan for the sector

L. CLG Inquiry into Business Rates Retention

35. The Communities and Local Government Committee is currently holding an inquiry into business rates retention. This follows on from the inquiry held in 2016 to which the Society of County Treasurers submitted written evidence. The terms of reference for the current inquiry are:

   - What are the consequences for councils of the longer implementation period for 100% retention in the context of the four-year settlement?
   - What are the consequences for councils of implementing the outcome of the Fair Funding Review in 2020-21?
   - How are these changes to the original implementation schedule affecting councils' financial planning from 2020 onwards?

36. The President of the SCT, Sheila Little, gave oral evidence to the inquiry on Monday 5 February, alongside CCN Chairman, Paul Carter, as part of a local government panel.

37. The key messages delivered included the rising service demands due to population increases, the importance of the Fair Funding Review and the need for additional resources which should be achieved through the localisation of the 25% central share without additional services.

38. The previous committee explored which responsibilities councils could take on in return for the increase in revenue. It made various recommendations in its interim report about how 100% business rate revenue should be implemented.

M. IFS Report: Spending Needs, Tax Revenue Capacity and the BRR Scheme

39. The Institute for Fiscal Studies published their report 'spending needs, tax revenue capacity and the business rates retention scheme' on 1 March. The report looks at how local tax revenue-raising capacity and assessed spending needs varied and changed between 2006–07 and 2013–14, the most recent years for which data on both are available. The IFS also modelled how the relative levels of funding for different councils could have evolved under different versions of 100% business rates retention if such systems had been in place during this period.

40. This showed that significant divergences could arise in just a few years under 100% rates retention. The report details that this is because those councils which would have seen the biggest increases in their retained business rates revenues were often not the councils that experienced the biggest increases in their relative spending needs, for example, because their population became older, poorer or sicker.

41. The report also examined the way changes in business rates revenues are shared in two-tier areas can have a big impact on the scale of funding divergences.

N. 100% Business Rates Retention Working Groups

Technical Papers

42. MHCLG has confirmed that they will publish a series of technical papers from spring 2018. These will look in detail at key issues of the Review for the wider local government sector, and others, to respond to. The employment of technical papers is said to be to avoid the timely, bureaucratic process of a formal consultation process.

43. The technical papers are expected to cover:

Paper 1: The Central and Local Rating Lists
Paper 2: The Safety Net, Levy & Tier Splits - risk and gearing
Paper 3: Appeals and loss payments
Paper 4: Resets, measuring growth and revaluation
Paper 5: Transitional arrangements
Paper 6: Pooling
Paper 7: Proposed overall short-term package and future reform using primary legislation

44. MHCLG expect that these will be supplemented by other papers in response to Technical Working Group discussions. Additional papers will be announced as the need for them arises.

System Design Working Group

45. The Systems Design Working Group reconvened for the first time this year on 7 February 2018. At the meeting MHCLG presented a technical paper on the Central and Local Ratings List for the group's consideration. The technical paper (the first in the list above) posed a series of questions about potential reforms to the Central and Local Ratings Lists, both for a short term reforms with a 2020-21 implementation date and for long term reforms post 2020-21. The Working Group made a series of recommendations in response to the questions posed.

46. The group will next meet on 21 March.

Steering Group

47. The overarching Steering Group last met on 6 March. The main item for discussion was the Central and Local Ratings List technical paper from the Systems Design Working Group and their recommendations. The Steering Group also discussed including preparatory work for next year's Spending Review going forward within the remit of the Steering Group.

Fair Funding Review Technical Working Group

48. The Fair Funding Review Technical Working Group last met on 16 January. The group discussed the statistical techniques that could be used to weight those cost drivers included in a relative needs formula against one another, in order to reflect their relative importance in determining local authorities' 'need to spend'.

49. Members discussed and agreed in principle a proposal from SCT Technical Support Team that an alternative way to identify cost drivers and derive weightings would be through consultation with focus groups and panels which could include finance professionals as well as service directors. The group noted while this approach is subject to its own advantages and disadvantages, it may be helpful in sense-testing the results of the statistical analysis.

50. Finally, the group discussed the current leading options for needs assessment for the specific service areas outlined in the Government's consultation on relative needs (please see further details below). The group considered more sophisticated analytical techniques such as multi-level modelling, which may be appropriate for social care services. The group also reiterated support for ways to sense-test the conclusions of the statistical analysis.

51. The TWG will next meet on 28 March where topics to be discussed include the treatment of resources.

Fair Funding Review: Relative Need Consultation

52. On 19 December 2017 the then DCLG published the '[Fair Funding Review – a review of relative needs and resources consultation]'. The consultation put forward proposed changes to the needs assessment that have been developed as part of the Fair Funding Review. The 12-week consultation, which closed 12 March, proposed reducing the number of service formulae and allocating the majority of funding through a Foundation Formula made up of key cost drivers namely population, rurality, deprivation and ACA.

53. However, the Government recognises that there may be a need for some service specific relative need formula (RNFs), where "the service accounts for a significant proportion of local government expenditure or have a unique set of factors which drive costs for many authorities". Suggested services include adult social care, children's services, highways maintenance and public transport, waste collection and disposal and legacy capital financing. The consultation looks at potential key cost drivers for each of these services areas

54. The final section of the consultation focuses on the statistical techniques that should be employed in weighting the identified cost drivers.

55. The SCT supported the CCN in the formulation of their response. The SCT response called on the Government to provide additional resources as simply redistributing existing funding will not address the extreme funding pressures in local services. Members also strongly urged the Government not to transfer additional responsibilities or remove existing grants to local government as we move towards 100% BRR. In relation to the Fair Funding Review itself the SCT outlined that they recognise that the funding of local government services is complex and believe that simplicity should not be at the price of fairness. A fair formula that values transparency above complexity must be the key.

NEW HOMES BONUS

O. Changes to the Scheme

56. At the beginning of 2016 the DCLG consulted on options to reform the New Homes Bonus Scheme. The aim of the reform was to sharpen the NHB's incentive to deliver new housing. The Government also wished to reduce the level of NHB payments, in order to provide the additional funding for the Better Care Fund.

57. Four proposals were consulted on including:

- Adjusting the Bonus to reflect estimates of deadweight
- A reduction in the number of years for which the Bonus is paid from the current 6 years to 4 years
- Withholding the Bonus from areas where there is no Local Plan in place
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal

58. DCLG implemented the first two proposals in 2017-18 basing payments on housing growth above 0.4% of the local authority's housing stock (the consultation proposal was 0.25%) and reducing payments from 6 to 5 years. This yielded approximately £350m.

Savings not distributed as iBCF were reallocated to upper-tier authorities as the £241m Adult Social Care Support Grant.

59. In summer 2017, the then DCLG re-consulted on the latter two proposals in the 2018-19 settlement technical consultation. The provisional 2018-19 settlement confirmed that MHCLG had further reduced the number of payment years from five to four years and that the housing growth baseline above which grant is paid would remain at 0.4%. However, no new changes as a result of the summer consultation were implemented for 2018-19. The final settlement confirmed this.

P. 2018-19 NHB Allocations

60. At final settlement MHCLG published final allocations for 2018-19 New Homes Bonus, the eighth year of the scheme, totalling £0.947bn. Payments include the grant awarded in years 5 to 7 as well as year 8. MHCLG also published an updated New Homes Bonus Calculator.

61. Allocations increased for 19 local authorities from those published at provisional, totalling £1.3m. This was a result of including updated Traveller and Caravan Count Statistics in the NHB Calculator that were not available at the time of the provisional allocations. All other local authority allocations did not change from those published at provisional.

SCHOOLS AND CHILDREN'S SERVICES

Q. Extended Rights to Free Transport

62. At the end of January DfE published their 18-19 allocations of the Extended Right to Free Travel grant. Allocations can be found here.

R. Unaccompanied Asylum Seeking Children

63. In August 2017, UK Visas & Immigration (UKVI) wrote to local authorities inviting them to respond to a call for evidence as part of their review into Unaccompanied Asylum Seeking Children (UASC) funding. This funding is currently provided by the Home Office to local authorities.

64. In its response the Government announced £28.9m for "to boost their support for unaccompanied asylum seeking children and care leavers" on 16 January. This included £19m that was announced by Sajid Javid in his provisional 2018-19 statement on 19 December 2017. £9m of which has been allocated (bid-based) towards specific projects from the Controlling Migration Fund. The Controlling Migration Fund is designed to support local areas facing pressures linked to recent immigration. The remaining £19.9m is allocated between all local authorities currently supporting more than 10 unaccompanied asylum seeking children. Local authority allocations can be found here.

HEALTH AND SOCIAL CARE

S. Green Paper

65. In the 2018-19 provisional settlement Sajid Javid reaffirmed the Government's intention to present a Green Paper containing proposals to reform care and support for older people before the summer 2018 recess.

T. *Adult Social Care Inquiry*

66. At the end of January the CLG and Health Committees launched a joint inquiry into the long-term funding and provision of adult social care. The Committees are expected to report in May in order to feed into the Government's aforementioned Green Paper.

67. The inquiry invited written submissions on the following points by 7 March:

   - How to fund social care sustainably for the long term (beyond 2020), bearing in mind in particular the interdependence of the health and social care systems; and
   - The mechanism for reaching political and public consensus on a solution.

68. The SCT made a submission to the first of these points. A copy of the response can be found in Annex B. The submission welcomed collaboration between health and social care. However, it outlined the funding differences between the two with the NHS being free at the point of entry whilst local authorities are allocated limited funding that must be rationalised. Furthermore unlike NHS funding local authority funding is allocated according to an out of date needs formula with allocations offset against council tax. The submission asserted that these differences must be addressed.

69. The SCT submission also highlighted the various (often short-term) revenue funding streams that local authorities currently receive and highlighted that these must be reduced to reduce bureaucracy and ensure funding matches need. It added that sustainable future social care funding must also reflect the 2014 Care Act in addressing differences in funding, entitlement and eligibility.

U. *Improved Better Care Fund*

70. The 2017 Spring Budget included £2.021bn supplementary funding for the improved Better Care Fund (iBCF); £1.01bn in 17-18, £674m in 18-19 and £337m in 19-20. This brought the iBCF total up to £1.115bn in 17-18, £1.499bn in 18-19 and £1.837bn in 19-20 as shown below.

Improved BCF	**17-18**	**18-19**	**19-20**
Original funding (SR15)	£105,000,000	£825,000,000	£1,500,000,000
Supplementary funding (2017 Spring Budget)	£1,010,000,000	£674,000,000	£337,000,000
iBCF total	**£1,115,000,000**	**£1,499,000,000**	**£1,837,000,000**

71. Local authority iBCF allocations were published as part of core spending power figures. MHCLG updated these allocations to include the supplementary funding announced in the 2017 Spring Budget. The final 18-19 settlement republished these allocations unchanged.

V. *Former Independent Living Fund*

72. In their 2016 consultation the Government set out the amount and proposed distribution of the new 'former Independent Living Fund (ILF) recipient grant', which compensates for the cost pressures caused by the closure of the ILF. The consultation invited comments on the proposed methodology for the value of the grant and the allocation of the funding.

73. A government response at provisional confirmed that the 'Former ILF Recipient Grant' will be paid to local authorities as outlined in the consultation document.

74. The HoC Library has published a briefing paper on 'Local replacements for the Independent Living Fundi (ILF)' concisely summarising how following the closure of the Independent Living Fund (ILF), funding has been devolved for former recipients, and also research into the impact of its closure.

W. Public Health

Public Health Grant

75. Firm 2018-19 s31 Public Health Grant allocations and indicative 19-20 allocations were published shortly after the provisional settlement.

76. At provisional settlement the Communities Secretary announced the Government's aim to increase the local share of business rates retention to 75% in 2020-21. This will be through incorporating existing grants into business rate retention including Revenue Support Grant, the GLA Transport Grant, the Rural Services Delivery Grant and the Public Health Grant.

Public Health Inquiry

77. On 23 December the Government published a call for evidence. "This exercise provides an opportunity to consider whether the current arrangements set out in regulations will, in future, be fit for purpose, or whether changes are needed to better support delivery of positive public health outcomes, promote accountability and encourage innovation. The call for evidence focuses specifically on how the legal framework of regulations made under the Health and Social Care Act 2012 can support delivery of better public health outcomes." The deadline for submissions is 17 April 2018.

CAPITAL FINANCING

X. Capital Flexibilities

78. At final settlement Sajid Javid announced the continuation of the capital receipts flexibility programme for a further three years enabling local authorities to use capital receipts from the sale of their own assets. MHCLG also published guidance and the updated directions which provide details on the type of projects that qualify and set out the expected governance and transparency framework.

Y. Changes To The Prudential Framework For Capital Finance

79. On 10 November 2017, MHCLG published a 'Consultation on the proposed changes to the prudential framework of capital finance' to reflect changes in the way local authorities invest.

80. The Statutory Guidance on local authority investments covers proper practises that authorities are required to follow when making investment decisions. The Guidance was last updated in 2010 following inquiries into Icelandic Banks.

81. However, over the past seven years the economic landscape has changed significantly. Low interest rates have meant that investing spare cash in banks does not generate a sizeable return. Additionally, the general power of competence has given local authorities more flexibility in areas relating to investment. This has led Government to want to update the guidance to reflect changes in the way Local Authorities invest.

82. The Government published a Summary of responses and the Government response to the consultation on 2 February. In summary the Government intends to:

- make some technical changes to the Investments Guidance and the MRP Guidance reflecting respondents' feedback;
- amend proposals related to the Useful Economic Lives of assets;
- implement the Investments Guidance for 2018-19, but allow flexibility on when the additional disclosure first needs to be presented to full Council or its equivalent; *and*
- defer implementation of MRP Guidance to 2019-20. This is in recognition of the fact that is very late in the 2018-19 budget setting cycle.

OTHER

Z. Council Mergers

Buckinghamshire

83. On 12 March Sajid Javid announced in a written ministerial statement the Government's "minded to proceed" position regarding a merger in Buckinghamshire. In the Buckinghamshire area there is currently a two-tier structure of Buckinghamshire County Council and four district councils; Aylesbury Vale, Chiltern, High Wycombe, and South Bucks.

84. Two proposals for change were received in September 2016 and January 2017. One for a single unitary authority and the second for two unitary authorities. Under the second proposal one unitary authority would cover the area of Aylesbury Vale and the other the remainder of the current county area.

85. Following consideration the Government announced it is minded to implement the single unitary proposal. Interested parties now have until 25 May 2018 to make representations in relation to this proposal including suggested modifications. The final decision will be subject to Parliamentary approval.

Dorset

86. On 7 November Sajid Javid announced in a written ministerial statement the Government's "minded to" position regarding a merger in Dorset.

87. In the Dorset area, there are currently two small unitary councils (created in the 1990s) of Bournemouth and of Poole. These are surrounded by a two-tier structure of Dorset County Council and the district councils of Christchurch, East Dorset, North Dorset, Purbeck, West Dorset and Weymouth & Portland. The proposal would establish two new councils; a single council for the areas of Bournemouth, Poole, and the part of the county of Dorset currently comprising the Borough of Christchurch. The remainder of the current county area would form the second council. The Secretary of State confirmed interest parties had until 8 January 2018 to make representations in relation to either proposal.

88. On 26 February Mr Javid confirmed in a written statement that he would now prepare and lay before Parliament drafts of the necessary secondary legislation to give effect to his decision. Subject to parliamentary approval the new councils will be established on 1 April 2019 with the first elections to the councils held on 2 May 2019.

Sheila Little
Lead Adviser
Please contact the Society of County Treasurers' Technical Support Team if you have any questions on the issues contained within this report by telephoning 07976 697213, or e-mail technicalsupportteam@somerset.gov.uk

INTRODUCTION

On 13 March the Chancellor of the Exchequer, Philip Hammond, made his Spring Statement 2018 announcement in the House of Commons. This was the Chancellor's first *Spring* Statement.

Alongside the Chancellor's announcement, the OBR published its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances.

In the 'build-up' to the Statement the Treasury stressed that it would contain "no red box, no official document, no spending increases, [and] no tax changes" but would rather be a relatively short response to the latest forecast from the Office for Budget Responsibility (OBR).

This briefing outlines the key announcements in the Spring Statement and Economic and Fiscal Outlook. References to the relevant paragraphs in the EFO are included in square brackets.

BACKGROUND

As this was the first Spring Statement, the usual list of expectations seen in past Budgets and Autumn Statements were replaced with political and economic commentators being entirely unsure as to the content and detail of Hammond's speech. This lead to commentators attempting to establish the tone of Hammond's speech and to whether it would include any early indicators of what might be expected in the 2018 Autumn Budget (and any consultations that might lead up to the Budget).

Regarding the effects of Brexit on forecasts the OBR has stated that "in the absence of a meaningful basis upon which to adjust our forecasts bottom-up we take the fiscally neutral approach that, from 2019-20 onwards, any reduction in expenditure transfers to the EU would be recycled fully into extra domestic spending".

ECONOMY

GDP – GDP is predicted to grow by 1.5% in 2018. This is 0.1 percentage points more than the 1.4% predicted in the 2017 Autumn Budget though less than in the 2017 Spring Budget (the first post-Brexit forecast). Despite this increase forecasts for 2021 and 2022 have slightly decreased compared to 2017 Autumn Budget forecasts. [Table 1.1]

GDP	2017 Spring Budget	2017 Autumn Budget	2018 Spring Statement
2017	2.0%	1.5%	**1.7%**
2018	1.6%	1.4%	**1.5%**
2019	1.7%	1.3%	**1.3%**
2020	1.9%	1.3%	**1.3%**
2021	2.0%	1.5%	**1.4%**
2022		1.6%	**1.5%**

Inflation – In 2017, CPI Inflation was 2.7%; significantly higher than the 0.7% in 2016. Currently, CPI is forecasted at 2.4% for 2018, equal to the 2017 Autumn Budget forecast. CPI forecasts for both 2019 and 2020 have decreased slightly. [Table 1.1]

CPI	2017 Spring Budget	2017 Autumn Budget	2018 Spring Statement
2017	2.4%	2.7%	**2.7%**
2018	2.3%	2.4%	**2.4%**

CPI	2017 Spring Budget	2017 Autumn Budget	2018 Spring Statement
2019	2.0%	1.9%	**1.8%**
2020	2.0%	2.0%	**1.9%**
2021	2.0%	2.0%	**2.0%**
2022		2.0%	**2.0%**

Comparatively, RPI is forecasted to be 3.7% in 2018, up on the 2017 Autumn Budget forecast of 3.3%. [Table 3.10]

Employment– The 2017 Autumn Budget highlighted that "Employment remains near the record high set earlier [in 2017], and unemployment is at its lowest rate since 1975". Forecasts suggest a total UK labour market of 32.2m people in 2018 (this was forecasted to be 32.3m in the 2017 Autumn Budget). [Table 3.10]

Year	Wages and Salaries		Average Earnings	
	Autumn 2017	2018 Spring Statement	Autumn 2017	2018 Spring Statement
2017	3.4%	3.8%	2.3%	2.6%
2018	2.9%	3.4%	2.3%	2.7%
2019	2.6%	2.7%	2.3%	2.4%
2020	2.7%	2.7%	2.6%	2.5%
2021	3.2%	2.9%	3.0%	2.8%
2022	3.3%	3.1%	3.1%	3.0%

Average Earnings is calculated as Wages and Salaries divided by employees.

Debt, Deficit and Borrowing – In Autumn 2017, the OBR forecasted that debt would peak at 86.5% of GDP in 2017-18; this has been revised down to 85.6%. Debt as a proportion of GDP is then forecast to be 85.5%, 85.1%, 82.1%, 78.3%, 77.9% from 2018-19 to 2022-23 (this is approximately one percentage point less than 2017 Autumn Budget forecasts for each year). These forecasts correspond to public sector net borrowing (deficit) forecasts of 2.2%, 1.8%, 1.6%, 1.3%, 1.1% and 0.9% of GDP for 2017-18 to 2022-23. Borrowing is lower in the near term than that planned in the Spring Budget but is higher in the medium term. [Table 1.2]

	Public Sector Net Borrowing		
	2017 Spring Budget	2017 Autumn Budget	2018 Spring Statement
2017-18	£58.3bn	£49.9bn	£45.2bn
2018-19	£40.8bn	£39.5bn	£37.1bn
2019-20	£21.4bn	£34.7bn	£33.9bn
2020-21	£20.6bn	£32.8bn	£28.7bn
2021-22	£16.8bn	£30.1bn	£26.0bn
2022-23		£25.6bn	£21.4bn

PUBLIC SPENDING

Summary - The OBR is forecasting local authority self-financed expenditure (LASFE) as the second largest source of upward revision to their public spending forecasts. However, figure 1 below demonstrates how spending has been cut since 2010 as a share of GDP.

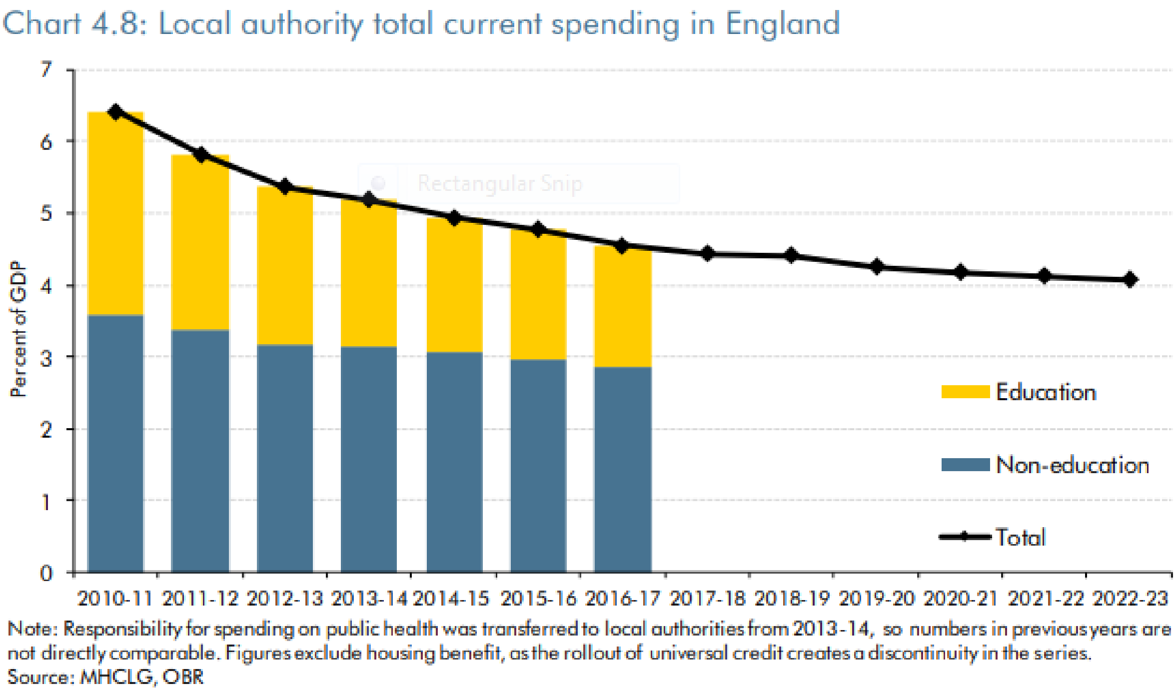


Figure 1 – LA Total current spending in England

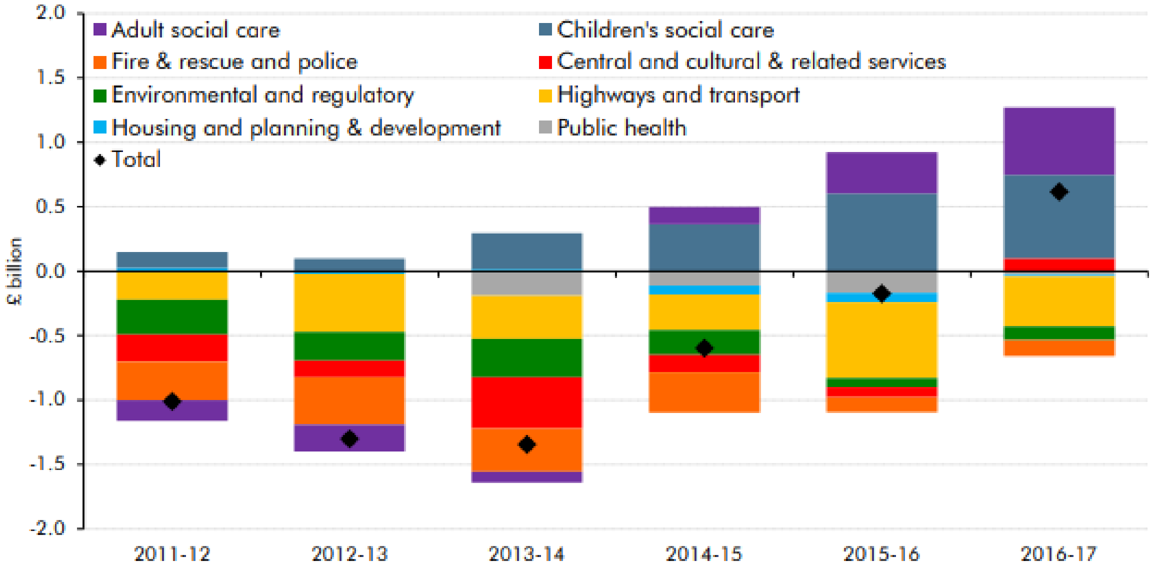
This upward revision to financing has come from a mixture of sources – the primary ones being council tax, retained business rates (mainly pilots) and the use of reserves [Table 4.29]. The current OBR forecasts do not reflect the 75% BRR in 2020-21 "as the precise policy parameters and timing of implementation are not yet sufficiently certain". The OBR goes on to state that "it is not clear how local authorities' behaviour has been affected by the many announcements in this area and the uncertainty over when and how these policy aims will be implemented" [4.129]

In November the OBR forecasted that in 2017-18, local authorities would overspend by £1.8bn and use £1.0bn of reserves. This predicted overspend has now fallen to £1.1bn but the use of reserves is predicted to be higher – at £1.5bn. [4.124]

The OBR is not forecasting reserves will no longer be spent past 2020-21; leaving £20.2bn in reserves - £3.8bn more than in 2010-11. This being said, the OBR is also careful to point out the great uncertainty around predicting the use of reserves. [4.126]

Alongside the 2017 Autumn Budget, the EFO included the graph given as Figure 2 below – not only did the it highlight the growing pressures in Children's and Adults Social Care but it also pointed out that drawdowns from reserves were far greater in authorities with social care responsibilities (see also Figure 3 below).

Chart 4.9: English local authority under- and over-spends against revenue budgets by service area



Note: Excludes spending on education and 'other' spending (which has not been allocated to one of the service areas listed). Housing services covers general fund revenue account (GFRA) spending only. Responsibility for spending on public health was transferred to local authorities from 2013-14, so numbers in previous years are not directly comparable.
Source: DCLG, OBR

Figure 2 – English LA under- and over-spends against revenue budgets by service area

Box 4.4 (given as Figure 3 below) in the November 2017 EFO said the following regarding the use of reserves; which was highlighted again in today's updated forecasts.

- The stock of reserves increased **between 2011-12 and 2014-15** for each of the three identified categories of local authority identified – with the only exception being the Greater London Authority (GLA) in 2014-15.
- **This trend was reversed in 2015-16**, when local authorities with upper-tier responsibilities, including education and social care, and the GLA both drew down from their reserves (by £0.2 and £0.5 billion respectively). Other authorities, without upper-tier responsibilities, added £0.2 billion to their stocks of reserves. In total, English local authorities drew down £0.4 billion in net terms from reserves in 2015-16.
- **In 2016-17**, upper-tier authorities drew down again, and by more than in 2015-16 (£1.4 billion). The GLA once again drew down from reserves (by £0.4 billion), while other authorities added further to their stock of reserves (by £0.2 billion).

Figure 3 – Excerpt from November 2017 EFO (published alongside the 2017 Autumn Budget)

The OBR highlighted and continue to highlight that LAs do presently have a "healthy stock of reserves that could cushion the squeeze on other sources of income (if temporary)", before going on to highlight Northamptonshire's s114 notice and the pressures that budgets are under. [4.129]

Spending Review – In his 2018 Spring Statement the Chancellor of the Exchequer, Phillip Hammond confirmed that the next Spending Review will take place in 2019. It is expected to take place in the spring/summer.

DEVOLUTION AND GROWTH

Devolution – As part of the National Productivity Investment Fund, Hammond made further reference to the housing infrastructure fund and transport funding. Much of this funding is targeted towards cities and combined authorities.

PAY AND PENSIONS

Public Sector Pay – In September 2017 the government announced its intention to move away from the 1% basic public sector pay award policy. A 2% Pay offer has been made for 2018-19. The Chancellor made no mention of Public Sector Pay in his speech. [6.27]

National Living Wage and National Minimum Wage – As announced at the 2017 Autumn Budget, the NLW will rise by 4.4% from £7.50 per hour to £7.83 from April 2018. The National Minimum Wage rates will be increased to £7.38 for 21-24 year olds, £5.90 for 18 to 20 year olds, £4.20 for 16-17 year olds and £3.70 for apprentices, an increase of 4.7%, 5.4%, 3.7% and 5.7% respectively.

COUNCIL TAX

Council Tax Forecasts – Forecasted council tax receipts, levels and taxbase are below. Forecasts are slightly higher than the corresponding 2017 Autumn Budget forecasts (which were higher again than corresponding 2017 Spring Budget forecasts). [Supplementary Expenditure Tables 2.15**]**

Year	Council Tax Receipts		Council Tax Level		Council Taxbase	
	Autumn 2017	Spring 2018	Autumn 2017	Spring 2018	Autumn 2017	Spring 2018
2017-18	£27.6bn	£27.6bn	4.0%	4.0%	1.8%	1.9%
2018-19	£29.1bn	£29.5bn	4.0%	5.2%	1.3%	1.5%
2019-20	£30.2bn	£31.1bn	2.4%	3.8%	1.3%	1.4%
2020-21	£31.1bn	£32.0bn	1.9%	1.9%	1.1%	1.2%
2021-22	£32.0bn	£33.0bn	1.9%	1.9%	1.0%	1.0%
2022-23	£32.9bn	£33.9bn	1.9%	1.9%	0.9%	0.9%

BUSINESS RATES

Revaluation – The Chancellor announced that the next business rates revaluation will be in 2021 and that subsequent revaluations would take place every three years. This will continue to be carried out by the Valuation Office Agency (VOA). The Government has also released a summary of responses to the 2016 discussion paper.

EDUCATION AND SKILLS

Apprenticeships – Philip Hammond has announced that an extra £80million will be released to regarding the recruitment of apprentices however this is being directed exclusively to small businesses.

ENVIRONMENT

Tackling the plastic problem Consultation - The Chancellor announced the opening of a call for evidence to explore how changes to the tax system or charges could be used to reduce the amount of single-use plastics wasted. This includes reducing unnecessary production, increasing reuse, and improving recycling. This consultation closes on 18 May 2018.

BREXIT

At the Autumn Budget (2017) the Chancellor of the Exchequer also announced funding worth £3bn for departments over the next 2 years. Today he published a breakdown of those figures by department for 2018-19 (worth £1.52bn) – the Home Office gets £395m whilst the Ministry of Housing, Communities and Local Government receives nothing.

Department	£m
Cabinet Office	49.4
Competition and Markets Authority	23.6
Department for Business, Energy and Industrial Strategy	185.1
Department for Digital, Culture, Media and Sport	26.2
Department for Environment, Food and Rural Affairs	310
Department for International Trade	74
Department for Transport	75.8
Department of Health and Social Care	21.1
Food Standards Agency	14
Foreign and Commonwealth Office	29.6
HM Revenue & Customs	260
HM Treasury	24.8
Home Office	395
Ministry of Defence	12.7
Ministry of Justice	17.3
Northern Ireland Office	0.4
Office for National Statistics	2
Scotland Office	0.3
The National Archives	1.2
Wales Office	0.3

REACTION

Labour – Shadow Chancellor John McDonnell responded to the Spring Statement saying that the Chancellor was being complacent and that “We face – in every public service – a crisis on a scale we’ve never seen before”.

Housing, Communities and Local Government Committee
The House of Commons

7 March 2018

Inquiry into the long-term funding of adult social care

Dear Sir/Madam,

The Society of County Treasurers (SCT) is comprised of all Chief Financial Officers from the twenty-seven shire counties in English local government. Following the reorganisation of local government in 1997 and 2009, the SCT also includes eleven shire unitary authorities that have similar interests in local government issues. Together, these authorities represent 46% of the population of England and provide services across 87% of its land area.

The Committee inquiry's terms of reference includes two distinct questions:

- How to fund social care sustainably for the long term (beyond 2020), bearing in mind in particular the interdependence of the health and social care systems; and
- The mechanism for reaching political and public consensus on a solution.

Our members would like to submit evidence to address the first question as this is where our area of expertise lies.

The Society welcomes this inquiry's focus on achieving a sustainable, long-term solution to the funding of adult social care (ASC). Recent government announcements, including the ASC precept, Better Care Fund and the additional £2bn in the 2017 Spring Budget have all provided welcome additional funding to support the pressures in ASC. However, in reality these have been short-term, temporary, part-solutions to a problem which requires far more support and consideration.

It is vital that a long-term, sustainable, solution be found that ensures adequate funding for the service. This funding must reflect the need – both of older people and working-age people.

Our members are already experiencing market failure in the sector; investment is needed to ensure a responsive and stable provision of services. ASC is delivered to some of the most vulnerable adults in our communities; the price of failure is too great to allow it to happen.

We note the recent addition to the role of Health Secretary – whose role now also encompasses social care. The Society of County Treasurers is wholly supportive of collaboration across health and social care but in consideration of a solution there must be an acknowledgement that the funding, governance and accountabilities are very different in the two sectors.

The key principle of the health service is that it is free at the point of entry and accessible by all. Funding is allocated to the NHS according solely to need, which is in stark contrast to local government. Local authorities' ASC services are not just means-tested and rationed (often to those with only the very greatest need) but funding is allocated from central government based on an outdated measure of need before being offset by an amount relative to local council tax precepts. The new funding system for social care will need to address these fundamental and significant differences.

For our members to be able to plan ahead and work in collaboration with colleagues in the health service to deliver the required transformation we need greater security in funding streams; as opposed to the current system where funding is short-term and frequently announced with little notice.

Future, sustainable funding for social care must also reflect the 2014 Care Act in addressing differences in funding, entitlement and eligibility. The current system of funding for social care is complex and comes via too many sources – revenue support grant, adult social care support grant, council tax, the Better Care Fund and the ASC levy. This complexity results in funding which can be bureaucratic to spend and that ultimately risks funding not being well-matched to need. For example, the amount a local authority can obtain through the ASC levy will depend on their current precept, which in itself is a result of past decisions, and the size of the tax base – a measure which dates back to 1991.

The Society believes that reforming the funding for adult social care will not be without its difficulties but it is of paramount importance. A solution is unlikely to be found without a mature and open debate with the public about how we all plan for old age. Expectations must be managed about individual contributions versus the state. The scale of the funding challenge is such that the solution is likely to need to be a combination of national (taxation) and local funding (council tax) and some insurance mechanism. No single mechanism is likely to be publically or politically acceptable or of sufficient scale. In addition the new system must be seen to be fair as well as simple and cost efficient to administer.

In support of these challenges, the Association of Directors of Adult Social Services (ADASS) has provided a set of 12 principles to which they feel the future funding of social care must meet. The SCT are fully supportive of these principles.

The Society is keen to assist where it is able into this challenging inquiry and are keen, along with others, to be engaged in the process. Please do not hesitate to get in touch if you would like any further information on the issues raised in this response.

Yours sincerely

Sheila Little
President
Society of County Treasurers

CCN Draft Budget 2017/2018

Introduction

1. In accordance with the Constitution CCN Management Committee are required to submit a budget statement of estimated expenditure to the CCN Council meeting in March for Council to consider and approve.

2. This paper sets out the 2018/19 Budget proposed by CCN Management Committee, including details on estimated income and expenditure, the funding of commissioning and campaigning for the year ahead, and the level of member council subscriptions. The Budget also sets out indications of future income and expenditure in subsequent years.

3. The budget proposals are based on delivering the ambitious research, policy, advocacy and commissioning priorities set out in the CCN Work Programme paper following this item on the agenda.

Income

4. **Subscriptions** form a significant proportion of CCN's income. Following the decision by CCN Council in September 2016 to increase member subscriptions for the first time since 2008/09, from £12,200 to £17,200, subscriptions totalled £636,400 in 2017/18.

5. This level of subscription income is predicated on all 37 Councils remaining in membership for 2018/19. At the time of writing Cheshire West & Chester council is 'On Notice' to leave CCN on 31 March 2018. With no indication that this notice will be withdrawn, subscriptions in 2018/19 are expected to reduce to £619,200. Anticipating the possibility of a reduced subscription base, the Director set up a **Subscription Contingency Fund** from underspend/income generation in 2017/18, to cover a loss in subscription for a minimum of two years. £17,200 has been allocated to the budget from this fund to ameliorate this loss in subscription income.

6. There are also 3 CCN member councils 'On Notice' to the LGA. The LGA Constitution is clear that councils are unable to remain a member of a Special Interest Group like CCN if they rescind LGA membership. However, as these member councils have not provided CCN with the required year's notice CCN would expect to receive subscription income from those councils in 2018/19. Should member councils wish to retain a connection to CCN after leaving the LGA CCN will have to carefully consider options in line with CCN and LGA constitutions.

7. Management Committee agreed that the majority of the subscription increase (£150,000) was allocated to Campaigning and Commissioning to ensure a sustainable fund for these purposes. As CCN utilised the full amount in the commissioning budget in 2017/18, and the Work Programme proposes further significant commissioning in the year ahead, Management Committee propose that the same amount is allocated to Expenditure for 2018/19 (see **Campaigning and Commissioning** below).

8. A further source of modest income is from interest in **Investment Income**. In previous years this delivered reasonable returns. However, more recently, income has been limited by the historic low level of interest rates. In 2016 the Director conducted a review of banking arrangements and as a result increased investment income fourfold. However following changes to our account interest rates in year, we expect this income to be reduced significantly in the outturn for 2017/18. Management Committee therefore recommend that the expectation of income from interest should be reduced in 2018/19 to reflect this. The Director has also been tasked with reviewing bank arrangements again to maximise potential returns.

9. The main source of **Event Income** derives from surpluses generated by the CCN Annual Conference through sponsorship. In 2017/18 Management Committee set a challenging Event Income target of £70,000 (Net). Building on a new sponsorship strategy it is expected that this target will be exceeded and Net Event Income will be doubled for the fourth successive year. This is despite increased costs associated with the conference venue and improved conference production.

10. Management Committee wish to consider the pricing policy associated with the CCN Annual Conference to ensure maximum attendance from member councils across the country. Management Committee also recognise the limitations of Conference venues and constraints on increasing sponsorship further. In light of this Management Committee propose only a small increase in the target for Net Event Income to £75,000 for 2018/19.

11. In addition to the core budget CCN also has a **Campaign Fund** which was established in 2001 to support advocacy work. Prior to establishment of the dedicated Commissioning Budget CCN would draw down from this fund to commission activity to support campaigning and advocacy. CCN did not draw down from the Campaign Fund in 2017/18 due to the dedicated Commissioning and Campaigning budget.

12. Looking at projections for income and expenditure in future years Management Committee believe that the fund, which currently totals £209,000, will be required from 2020/21 to supplement the Campaigning and Commissioning budget. Management Committee therefore propose that there should be no draw down from the Campaign Fund in 2018/19 unless there are compelling reasons to do so.

13. Through prudential management, efficiency savings, staffing vacancies and event income CCN is expected to generate a surplus/underspend of approximately £110,000. It is proposed that this forms an **Income and Expenditure Reserve** which will be used in subsequent years to supplement income in order to maintain necessary levels of expenditure. In 2018/19 £32,850 will be drawn down from this fund to balance the budget.

Expenditure

14. **Staffing and staff related** costs are the largest element of CCN's expenditure. With increased commissioning and changes to the CCN team this is expected to be reduced from approximately 75% of the budget in 2017/18 to 65% in 2018/19, despite an increase in the staff head count.

15. Management Committee believe that there is a clear consensus amongst leading members and county chief executives that within the limited resources of CCN, the team have continued to make excellent progress, extending our influence across Whitehall

and national stakeholders, and advocating the views of member councils with evidence based policy solutions.

16. Staffing and Staff Related costs are expected to increase in subsequent years due to the costs of annual increments and pay awards, no expected staffing vacancies and a commitment to staff training. It is expected that the majority of this additional cost in is funded through the Income and Expenditure Reserve formed from efficiency savings and income generation.

17. **Office and Administration** costs relate to the running of CCN as a business and include Office Supplies, Audit and Accountancy fees, photocopying and printing, subscriptions to publications and costs for maintaining and developing the CCN Website. Cost savings have been made in a number of areas, in particular the decision to stop printing and posting papers for member meetings, however CCN has undertaken a significantly greater workload. In 2018/19 Management Committee propose a small increase in expenditure to enable this work to continue – including further developing the website and increasing CCN's social media presence.

18. CCN buys in a number of **Support Services** through the LGA including ICT, Premises Support and HR Advice. There are both Fixed and Variable elements to the fees paid for these services. In 2015 the LGA changed IT provider which has resulted in a significant increase in the cost of ICT services to CCN per employee. However as part of the negotiation between the LGA and ACC Properties Ltd on the 'charge' on 18 Smith Square, CCN has managed to reduce some costs associated with this support. Therefore Management Committee propose that the Budget line for these services is reduced to reflect this change.

19. Management Committee also task the Director with reviewing IT provision to ensure the current contract provides an effective and value for money service – including exploring options for a bespoke CCN IT solution.

20. The CCN Management Committee do not propose an increase in the budget for **Member Services** in 2017/18. Despite an increase in the number of member meetings CCN will look to increase sponsorship and benefit in kind opportunities to deliver more within the budget envelope.

21. The **CCN Business Related** heading includes the CCN presence at the LGA Conference and other key local government events and seminars. Whilst opportunities have been taken to reduce the cost of CCN's presence at the LGA Conference in the past three years, the Team have attended a greater range of events to promote CCN and increase the organisation's profile.

22. This heading also includes the costs of research and publications. The Team have significantly increased the quality and design of publications whilst driving down the total costs of publications. As CCN continues to produce high quality printed and electronic publications we expect a similar level of expenditure to previous years but with significantly greater impact.

23. As set out above the proposed **Commissioning and Campaigning** budget for 2018/19 is set at £150,000. This is hypothecated from the increase in member council subscriptions. Management Committee propose that any underspend of this budget is transferred into the Campaign Fund Reserve. This reserve is expected to stand at £209,000 at the start of 2018/19.

24. Management Committee propose that the Campaign Fund will be used to top up resources for Campaigning and Commissioning, above the annual £150,000 allocated, where members agree there is a compelling case to undertake additional, unforeseen research or campaigning activity. However looking at Income and Expenditure projections for the next 3 years it is expected that CCN will need to draw down from the Campaign Fund Reserve by 2020/21 in order to maintain a Commissioning and Campaigning budget of £150,000 – therefore draw down from the reserve in 2018/19, 2019/20 will need to be very carefully considered within this context.

CCN Budget 2018/19

25. Having fully assessed both income and expenditure for the coming year CCN Management Committee recommend the budget for 2018/19 as set out below.

26. The proposed 2018/19 budget guarantees sufficient resource to support CCN's research, policy development, commissioning and campaign activity for the year ahead.

27. This proposal will enable CCN to build on the transformation of the organisation over the past four years and support CCN Management Team and Spokesmen in continuing to improve our advocacy and policy development functions. This will continue to deliver an effective and efficient representation body for County and County Unitary Authorities in England which provides clear and unambiguous value-for-money.

28. CCN Management Committee also believes that the budget, allied with excellent financial management, ensures that CCN is sustainable in the short, medium and longer term and therefore commends this proposal to CCN Council.

Budget Headings	**Agreed 2017/18 Budget**	**Proposed 2018/19 Budget**
INCOME		
Subscriptions	636,400	619,200
Subscription Contingency Fund	0	17,200
Investment Income	2,600	750
Events Income	70,000	75,000
Campaign Fund	0	0
Income & Expenditure Reserve	91,000	32,850
TOTAL	**800,000**	**745,000**
EXPENDITURE		
Staff and staff related	542,000	490,000
Office and administration	27,000	29,000
Support services through LGA	40,000	35,000
CCN Member services	9,000	9,000
CCN Business related	32,000	32,000
Commissioning & Campaigning	150,000	150,000
TOTAL	**800,000**	**745,000**

Recommendations

CCN Council is asked to:-

- *Discuss and approve the CCN budget for 2018/19 set out in this report*

CCN Council

Wednesday 28th March 2018

Agenda Item 7

CCN Business plan and work programme

COUNTY COUNCILS NETWORK

Sent as attachment