CCN
COUNTY COUNCILS NETWORK
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Consultation Response #countiesmatter

Executive Summary

- CCN welcomed the commitment and stability offered by a four year finance deal. **However, counties were clear at the time that this would be the minimum level of funding**, and that as it stands, this funding is insufficient to meet current and future demand for life critical services.

- Evidence presented in CCN's submission provides clear, factual information about the current pattern of local government funding; **demonstrating county authorities are both the lowest funded authorities and face the deepest funding reductions during the four year settlement**.

- The combination of growing cost pressures, funding inequities and uncertainty over business rates reform leads CCN to argue that the **Government must consider increasing and extending transitional grant for the remaining two years of the four year settlement** and urgently provide reassurance that negative RSG will not be implemented in 19/20.

- **The review of local government funding should be prioritised and progressed at the earliest opportunity**. A new funding formula **should move away from regression techniques and develop a formula based on a simple key cost-drivers approach**. These cost-drivers should centre on relevant populations and infrastructure pressures.

- CCN oppose the proposal to withhold the part of the New Homes Bonus from authorities not planning effectively for new homes from 2018-19. **Nonetheless, if Government were minded to take forward this policy, it is absolutely essential that county councils are not included in the calculation of any adjustments to the NHB allocations**. CCN would argue that further measures must be taken to place county councils at less of a disadvantage through the NHB, including reviewing tier shares.

- CCN recognise that Government are already moving away from NHB as the main incentive for housing growth; a move we welcome. Although Government have recently acknowledged that county authorities have a greater role to play in housing and planning, CCN believe the Government must go further in current proposals outlined in the recent consultation *Planning for the right homes in the right places.*

- CCN strongly believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability and oppose **referendum principle.** CCN request that local government also be given further freedoms including powers over mandatory reliefs, such as the single person discount. **Nevertheless, it is essential that the removal of referendum limits is accompanied by fairer funding, to limit further inequality of taxation**. We ask that that the Government **allow *county councils* to levy the precept on the entire tax base in their areas.** This should be prioritised ahead of any further adjustments for lower-tier councils.

Introduction

1. The County Councils Network (CCN) is the national voice for 37 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,600 councillors and serve 26 million people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside of the big conurbations. CCN is a member-led organisation which works on an inclusive and all party basis. For more on CCN visit www.countycouncilsnetwork.org.uk.

2. Alongside this submission, CCN would draw attention to the proposals and evidence set out in our Autumn Budget Submission, and our recent report *A New Deal for Counties: A Plan for Government*.

3. Building on these, below CCN provide direct response to the consultation questions with supporting evidence where necessary.

4. This submission also argues that in light of the evidence CCN has provided to the Treasury and DCLG on the funding gap facing county authorities, coupled with the delays in implementing business rates retention and the fair funding review, **Government must consider increasing and extending transitional grant for the remaining two years of the four year settlement**.

5. The evidence presented in this submission also demonstrates **the need for the Government to continue to prioritise the fair funding review to address historic inequities in funding**.

Question 1: The Four Year Settlement

1. CCN welcomed the commitment and stability offered by a four year finance deal. However, CCN member councils were clear at the time that this would be the minimum level of funding, and that as it stands, this funding is insufficient to meet current and future demand for life critical services.

2. Under the proposed four year settlement counties will see their Revenue Support Grant (RSG) reduced by 93% - higher than the England average of 77% - with some 14 county authorities entering 'negative RSG'. The increased rate of RSG withdrawal for CCN member councils came as a result of changes to the distribution of grants introduced in the 2016/17 settlement, changes which CCN strongly opposed.

3. Nonetheless, the majority of our member councils accepted the offer of a four year settlement as a 'minimum' funding level, due to the provision of the Transition Grant, and the commitment from the then Secretary of State to;

> "*remove what has been called the negative grant entirely for 2017, 2018, and 2019. By the time we get to the end year of the settlement, 100% business rates retention (BRR) will come in anyway, so the figures will be influenced by that*".

4. The move to full business rate retention in 2019/20 and commitment to the fair funding review was seen as an opportunity to address the long-term funding arrangements for local government and off-set the changes to RSG distribution which negatively impacted CCN member councils. As the then Secretary of State told Parliament;

"The transition fund will ease the change from a system based on central Government grant to one in which local sources determine a council's revenue."

"This year the settlement contains some particularly important changes……action to help rural areas and a commitment to all councils that the move to 100% business rate retention will be accompanied by a fundamental review of the needs-based formula; and transition funding to smooth the long-overdue journey from our over-centralised state to a future where all money that is spent locally is generated locally."[1]

5. However, the Government have been clear that the implementation date for business rates retention and the fair funding review is no longer viable following the fall of the Local Government Finance Bill. On top of this uncertainty, CCN members remain extremely concerned about both the totality of funding, and its dispersal which means not only are county and county unitary authorities the lowest funded type of upper-tier council; they face a core funding gap of £2.54bn by 2020/21 at a time RSG will reduce by 93%. Appendix 1 provides evidence from CCN's Autumn Budget Submission on the unique and growing funding pressures facing county authorities.

6. Evidence presented by the Society of County Treasurers (SCT) submission to this consultation provides further clear, factual information about the current pattern of local government funding; **demonstrating county authorities are both the lowest funded authorities and face the deepest funding reductions during the four year settlement**.

7. The following table compares the Core Spending Power per head of population across the main authority groupings;

Type of Authority	Average CSP per resident (2017-18)
Shire County Areas	£703.42
Unitary Authorities	£706.27
Metropolitan Districts	£732.20
London Boroughs	£947.73
England Average	**£774.05**

[1] ADD HANSARD reference

8. As the table demonstrates, in 2017-18 the core spending power per resident is lowest in shire areas. In fact, the funding available per resident in shire areas is 9% below the national average and over 25% below that available in London boroughs.

9. Examining the elements of the CSP still results in a similar pattern of unfairness. The following table lists the council tax per head, settlement funding assessment (SFA) per head and RSG per head. In 2016-17 and 2017-18. Even when you include transitional funding the residents in shire county areas are considerably disadvantaged when compared to residents in more urban areas.

Type of Authority	Assumed Council Tax per resident	Settlement Funding Assessment (SFA) per resident	Revenue Support Grant (RSG) per resident	RSG plus Transition Grant per resident
Shire County Areas	£464.46	£186.94	£50.37	£55.16
Unitary Authorities	£394.05	£265.50	£81.35	£83.44
Metropolitan Districts	£330.52	£363.38	£120.96	£121.16
London Boroughs	£425.18	£472.80	£123.77	£125.26
England Average	**£427.56**	**£298.93**	**£88.58**	**£91.27**

10. Residents in shire areas suffer discrimination by paying more council tax and receive less funding per head than any other type of authority. Residents in London and the metropolitan districts consistently pay less council tax than the national average whilst also receiving above average levels of funding for their services.

11. The combination of growing cost pressures, funding inequities and uncertainty over reforms lead CCN to argue that the **Government must consider <u>increasing</u> and <u>extending</u> transitional grant for the remaining two years of the four year settlement** and **urgently provide reassurance that negative RSG will not be implemented in 19/20.**

12. Although dedicated additional funding for social care is required in the Autumn Budget, we believe it is essential Government consider extending transitional grant payments to CCN member councils up to 2020/21 to provide scope to maintain highly valued services, both discretionary and non-discretionary. This will help off-set the reductions in RSG and bridge the gap between the conclusion of the fair funding review and expected introduction of greater local retention of business rates by 2021.

13. The CCN also calls on the Department to begin to correct the current bias in funding allocations towards residents living in urban and built-up areas at the expense of residents and taxpayers in the shires. The review of local government funding should be prioritised and progressed at the earliest opportunity. This must proceed as planned, and should not be delayed due to timescales or mechanisms for future local government funding.

14. A new funding formula should move away from regression techniques and develop a formula based on a simple key cost-drivers approach. These cost-drivers should centre on relevant populations and infrastructure pressures. For example the number of people

over 65 and over 85, the number of households and the length of road in the administrative area.

Q2-8: New Homes Bonus

15. CCN welcome the commitment that all money not allocated via New Homes Bonus (NHB) mechanism will be returned to local government.

16. However, CCN oppose the proposal to withhold the part of the Bonus from authorities not planning effectively for new homes from 2018-19. **Nonetheless, if Government were minded to take forward this policy, it is absolutely essential that county councils are not included in the calculation of any adjustments to the NHB allocations**. The prospect of a penalty on losing a planning appeal has the potential to penalise county councils in two tier areas, who bear no responsibility for planning decisions at this level. **It is essential that any reform of this kind rules out any further negative financial impact for county and county unitary councils.**

17. While NHB, which represents a top slice of local authority funding and has been supported by some of our unitary authorities, county councils have been financially disadvantaged by the policy and there is evidence that it has not achieved its ambitions of incentivising housing growth, particularly in two tier areas. CCN would argue that further measures must be taken to place county councils at less of a disadvantage through the NHB, including reviewing tier shares.

18. The 80:20 spilt of NHB in two-tier areas, in favour of district councils, meant that a number of county councils were facing a negative net financial impact. DCLG's evaluation of NHB found that by 2014/15 shire counties without fire responsibilities were £45m worse off, with counties with fire responsibilities £25m worse off. This level of disparity is inexplicable given that county councils are responsible for the delivery of infrastructure and transport that are vital to facilitate housing construction and a key factor in ensuring communities accept housing development.

19. DCLG's own evaluation of NHB found that it has not delivered on its policy objectives such as funding being spent on 'local community priorities'. Instead the evaluation showed that NHB receipts had been allocated for general council services (60%), keeping council tax low (6.5%) and more worryingly only 10% of receipts were invested in infrastructure for new housing. The stark reality is that NHB is becoming an increasing proportion of some council revenue budgets. It will increase as a proportion of district councils' funding assessment to a high of 72.8% in 2017/18, before reducing to 55.5% by the end of the Parliament.

20. CCN believe that Government should still consider short-term reform to NHB tier shares, however over the long-term, we recognise that Government are already moving away from NHB as the main incentive for housing growth; a move we welcome.

21. Our recent report *A Deal for Counties* set out wide-ranging proposals across housing, planning and infrastructure that would help support Government's priority to fix England's broken housing market. This includes endorsing strategic planning in two-tier areas between county and district councils across a county-wide geography and reforms to infrastructure financing and developer contributions.

22. Although Government have recently acknowledged that county authorities have a greater role to play in housing and planning through the-then Neighbourhood Planning Act and Housing & Infrastructure Fund, CCN believe the Government must go further in current proposals outlined in the recent consultation *Planning for the right homes in the right places.*

23. The scale and capacity offered by county councils and their critical role in infrastructure, transport and strategic service planning and provision, although acknowledged in the recent Housing & Infrastructure Fund, is not being fully utilised in proposed reforms. Currently, mechanisms for joining up planning, the statement of common ground and reforms to viability are focussed on the local planning authority. This leaves a gulf between planning and delivering infrastructure, and does not make the most of intelligent planning across a strategic area. We believe the statement of common outlined in the consultation needs to be significantly strengthened

24. CCN will be responding separately to DCLG consultation proposals.

Question 9-11: Council Tax Referendum Principles

25. CCN strongly believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. **CCN disagrees with the referendum principle being applied to local government.** Given its rising importance as a funding stream; CCN request that local government also be given further freedoms including powers over mandatory reliefs, such as the single person discount.

26. Nevertheless, it is essential that the removal of referendum limits is accompanied by fairer funding, to limit further inequality of taxation. Imbalanced funding means that some authorities have received historically higher grants, creating perverse and unfair disparities in council tax rates. For example, 13 London boroughs were able to freeze or reduce council tax in 2016/17. While Westminster can charge approximately £700 for an average property, the average for a county is £1,600. Council tax is on average 23% higher in county authorities compared to London Boroughs. Given changing demographics, the current funding formula and the social care precept, this gap is likely to widen without funding reform. **CCN endorse and support the analysis by the SCT in their submission to this consultation on the inequalities in council tax**.

27. Whilst the CCN does not consider the ASC precept a suitable long term solution to the funding of Adult Social Care (see below) we have already raised on a number of occasions that the counties delivering social care in two tier areas are disadvantaged by not being able to levy the precept as a percentage of the whole band D bill, as a unitary authority would be able to, but instead only on the county precept. **We ask that that the Government allow _county councils_ to levy the precept on the entire tax base in their areas.** While CCN supports flexibility for all councils on setting council tax level, this reform should be prioritised ahead of any further adjustments for lower-tier councils, such as a 'preventative precept' as advocated by the District Councils Network, given the significantly higher demand-led pressures facing county councils.

28. CCN are concerned about the possibility of metro-mayors being considered in a separate category to other strands of local government. This has the potential to exacerbate the high levels of funding inequity between key cities and counties.

29. Alongside disparity in local government funding, metro mayors have access to additional funding mechanisms and resource, particularly relating to infrastructure – of key concern given the national housing crisis. Metro Mayors and city regions have been guaranteed almost £5bn in infrastructure funding via devolution deals over coming decades. Given existing government commitments to metro mayors we are concerned that such resources are limited, and there could be a growing gap between cities and counties. In addition, the certainty offered by such funding schemes allows for metro-mayors to create long term investment plans, and strategically plan for the future. CCN believe it is essential that devolution is made a priority for the rest of the country, to avoid areas being left behind.

30. Counties remain concerned about the current status of Fire Services. Whilst CCN members appreciate the need for savings and reform, those with responsibility for fire have been undertaking these savings, and in many cases, combining back office responsibilities and investing to save. Any proposals to remove fire from counties must recognise the financial position of the county. As such, CCN welcome proposals to adopt an Alternative Notional Amounts to mitigate the Adult Social Care Precept and BCF for counties (below).

Q12-13 Adult Social Care

31. The Adult Social Care precept, whilst welcome, has been insufficient to match current funding and demand pressures. The reduced funding allocated to counties, alongside cost pressures in the care market, learning disabilities, and NLW, has meant that the level of funding raised by the Adult Social Care precept is insufficient to meet increased demand in county areas. **As outlined in CCN's Autumn Budget Submission, Government should provide additional resource to local government to fully fund existing unfunded and underfunded pressures, most crucially within social care.**

32. Nationally, much of the funding raised through the precept has been absorbed by the introduction of the National Living Wage (NLW). New research from CCN & SCT has found that counties face a £949m funding gap in Adult Social Care by 2020/21, with NLW adding an additional £663m to adult social care costs during this period. CCN welcome the additional flexibility offered by the precept, but believe a long term solution for social care is crucial for future sustainability.

33. Alongside the well evidenced gap in social care funding, recently published research by LaingBuisson for CCN estimates a £670m care fee gap for county care markets, showing the significant pressure within counties.

34. The use of the Social Care Relative Needs Formula, frozen in 2013/14, in the Better Care Fund (BCF) methodology means that CCN member councils will not be remunerated for their significant growth in their older population. As stated above, CCN member councils have the largest and fastest growing over 65 population of any local authority type in

England, and this is not reflected in funding per head and has led to significant disparity. The 17/18 iBCF figures give the following:

Type of Council	BCF allocation (17/18) per head of population +65 in £
CCN	78.67
Met	160.54
Unitary	119.41
London	174.81
England Average	110.80

35. Counties face additional pressures inherent in rural service delivery, with increased isolation, dispersed services and additional transport costs. The methodology for allocating Rural Services Delivery Grant, intended to support rural authorities with additional costs, does not prioritise upper-tier councils despite the costs of delivering social care services in rural areas. In particular, there are specific cost pressures in county authorities resulting from factors such as longer travel times, fewer providers, and competition for staff, which are intrinsically linked to county geography and rurality.

Appendix 1 – County Funding Pressures

The LGA have previously estimated that this funding gap to rise to £5.8bn by 2019/20 and a further £1.3bn funding gap exist in local care markets.[2] In addition to this evidence, and to demonstrate the unique pressures facing county authorities, the Society of County Treasurers (SCT) recently surveyed county authorities across England on their budgetary position.

Using the results of this survey, CCN estimates that county and county unitary authorities in England face unfunded cost-pressures of **£2.54bn** by 2020/21.[3] The table below provides further detail on the breakdown of these costs, which **excludes the cost of inflation (currently 2.9%), which will add additional pressures to service delivery and procurement costs**.

The SCT survey broadly supports the LGA estimates on the funding gap facing local authorities by 2020, *but specifically demonstrates that the gap is driven by the rising demands facing county authorities*;

Cost Pressure	Average County	Total CCN
National Living Wage	£22m	£813m
NI Contributions	£3m	£93m
Adult Social Care	£26m	£949m
Children's Services	£9m	£316m
Highways	£4m	£138m
Pension liabilities'	£2m	£66m
Education (inc. SEN)	£5m	£167m
Total Cost Pressure - 2020/21	**£69m**	**£2.54bn**
NB: Columns may not sum due to rounding.		

- It estimated that the introduction of the living wage will lead to additional costs of £813m by 2020/21. County authorities also face rising costs during this period of increased pension liabilities (£66m by 2020/21) and national insurance (£93m by 2020/21).

- Counties face unfunded pressures in adult social care of just under £1bn by 2020/21, even without the anticipated rises in the National Living Wage. The average county will see their cost pressures rise to £26m in 2020/21. These pressures stem from being home to the largest and fastest growing elderly population, significant increases in demand for services, and unique learning disability pressures. In addition to this, a recent study by LaingBuisson for CCN estimated that the funding gap facing county care markets to be £670m.[4]

- A new analysis by LG Futures for CCN on demand and expenditure in learning disability services shows the extent of growing demand for this service. CCN member councils have seen the number of LD clients receiving support in their areas increase by more than the English average since 2009/10. The cost of providing support also increased, with

[2] See LGA Submission to Autumn Budget 2017
[3] The full methodology behind the calculations can be obtained by emailing james.maker2@local.gov.uk
[4] LaingBuisson's updated analysis on county care markets will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk.

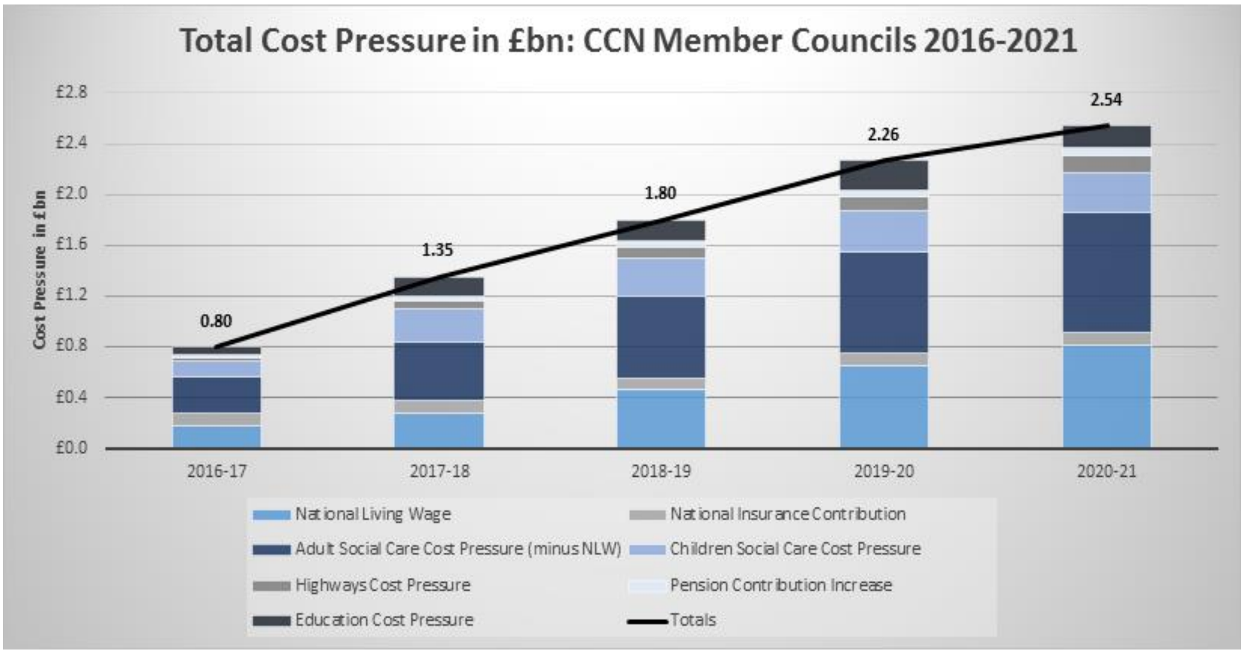
average expenditure per client increasing in county areas by 2.7%, the highest of any local authority type, between 2014/15-2015/16.[5]

- Counties are and will continue to be faced with unrelenting financial and demand pressures for children's social care. CCN member councils have seen referrals increase 107% in the last decade against a backdrop of reductions in other local authority areas, and have seen an 102% increase over the last 10 years in the number of children subject to a child protection plan, the second highest of all local authority types.[6]

- As a result of this, the SCT survey estimates that the average county will see their additional cost pressures in children's social care rise to £9m by 2020/21. Overall, additional cost pressures for the 37 CCN member councils are set to total £316m in 2021.

- With county authorities responsible for 70% of local roads in England, highways maintenance is a growing pressure. The SCT survey estimates that additional costs will rise to £138m in 2021.

- Counties will see a range of additional costs in education over the coming period. The SCT survey shows that in 2021 counties will face £167m worth of additional costs in education. This is driven by the additional costs of school places and home to school transport.



Whilst the CCN has highlighted above revenue service pressures **the changing capital needs to support these services should not be forgotten** including;

- Additional school places, repair and maintenance costs, alongside the costs of free school and academy conversation.
- Capital needs for adult social care;
- Backlog of roads maintenance and improvements, especially in rural shire areas with long road networks.

[5] LG Futures analysis of expenditure and demand in learning disabilities services, including future projections to 2030, will be published via the CCN website during October 2017. The report is available upon request by emailing Michael.chard@local.gov.uk

[6] https://www.countycouncilsnetwork.org.uk/new-analysis-shows-spike-demand-rural-childrens-social-services/

With the prospect of the public sector pay cap rising, counties face further cost pressures in addition to the unfunded costs associated with the living wage. While CCN would support this measure to aid the recruitment and retention of staff, particularly in social care, Government must ensure that this is fully funded and not expected to be absorbed though councils core budgets *or* reserves. The SCT have provided indicative estimates on what the costs of increasing the cap could be in 2018/19 at the current cap of 1%, but also 2% and 3%.

	18/19 - 1% Increase	**18/19 - 2% Increase**	**18/19 - 3% Increase**
	£000's	*£000's*	*£000's*
England	528,432	1,056,864	1,585,296
CCN Total	148,534	297,069	445,603