COUNTY COUNCILS NETWORK

Consultation Response

Local Government Finance Settlement

November 2016

Introduction

1. The County Councils Network (CCN) represents 37 English local government authorities that serve counties. CCN membership includes both upper tier and unitary councils who together represent over 25 million people across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country. CCN is a member-led organisation which works on an all-party basis.

2. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to government which can be supported by all member authorities. CCN is a special interest group of the Local Government Association (LGA). You can find out more about the CCN by visiting our website: www.countycouncilsnetwork.org.uk/about

3. CCN welcomes the commitment to the four year Local Government Finance Settlement. CCN and its member councils have long called for longer settlements to allow for forward planning and coordination between partners. However CCN Member Authorities have been informed that, despite assurance from the then Secretary of State for DCLG, there is the potential for their funding streams to contain negative Revenue Support Grant by the end of this Parliament.

4. The number of councils expected to have negative RSG in (2019-20) are as follows:

Shire Counties	London Boroughs	Shire Unitaries	Shire Districts	Metropolitan Districts	Fire	Total
11	3	8	146	0	0	168

98% of the councils experiencing negative RSG fall within CCN member areas; as shire districts, shire counties, and shire unitaries.

5. Earlier financial settlements proposed a much earlier introduction of negative RSG. However, following discussion with the sector, the then Secretary of State for DCLG altered the settlement, saying that "*we will 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 will come in anyway, so the figures will be influenced by that*"[1]. CCN members strongly require assurance that the final year of the settlement will be, as stated, altered by the introduction of business rates retention, and that negative RSG will not be implemented.

[1] Hansard: 8 Feb 2016: Column 1349

6. In particular, CCN members would draw attention to the distribution of negative RSG, which falls severely on our rural areas. CCN does not believe the suggested redistribution of RSG has fully taken into account the needs of local populations, both currently and over the four-year Spending Review period. We would ask that the consultation therefore give due consideration to our previous submission on RSG, which is available here.

7. In addition, many of our member authorities have therefore taken up this offer to secure minimum funding allocations. Counties remain underfunded in comparison to other authority groups, most significantly in the remit of adult social care, and this gap is exceedingly being met by council tax payers. CCN therefore encourages an accelerated timescale for the Needs Based Review, including fair funding for new responsibilities, which will require an understanding of the basis of needs. CCN commissioned LG Futures to undertake an independent review of social care funding and pressures in county areas, the full report which was published in January 2016 can be found here.

Question 1: What other, additional grants, beyond those set out in para 2.2.2, should the Government consider including in the multi-year offer?

8. CCN would encourage that grants being included within the 4 year settlement wherever practicable, allowing for local decision making and facilitating working across partner organisations, particularly health. Confirmed 4 year budgets will ensure local decision making, and will assist in breaking down silos and the most efficient use of resources.
9. The Spending Review announced that savings of around £600 million would be made from the Education Services Grant (ESG) as part of the move to full academisation. In light of the decision not to legislate this, Government must now reconsider its proposal to withdraw funding for school support services from local authorities at the scale and pace put forward in the National School Funding Formula consultation. Research carried out by CCN has found that on average at least 68% of academies purchase school improvement services from their local authority in county areas, with some member councils seeing 100% of academies seeking to do so.

Question 2: Do you agree with the proposed methodology for allocating funding for the improved Better Care Fund as outlined in paragraph 2.3.4?

10. In our responses to the Autumn Statement and Local Government Finance Settlement, CCN provided extensive evidence on why Government should provide greater financial protection and support to local authorities responsible for adult social care. However, our submissions to Government clearly showed that the improved Better Care Fund, using the current methodology, and the social care precept do not afford the protection required to CCN member councils who are faced with the most acute demand pressures of any local authority type.

11. Our members remain concerned about the inequitable distribution of funding, alongside the delay in it reaching its full funding potential until 2019/20. The proposed methodology does not reflect the rate of demographic change in county areas, and the

expectation that authorities will levy the Adult Social Care precept will mean county residents contribute a higher proportion of funding.

12. The use of the Social Care Relative Needs Formula (SCRNF), frozen in 2013/14, in the proposed methodology means that CCN member councils will not be remunerated for their significant growth in their older population CCN member councils have the largest and fastest growing over 65 population of any local authority type in England, rising at an average annual rate of 2.0% over the next five years, compared to the England average of 1.8%.[2]

13. Independent research by LG Futures[3], on behalf of CCN, showed that the decision to freeze the SCRNF has led to counties not receiving an annual uplift in their share of national funding based on demographic growth. As a result, per capita funding levels for counties will continue to fall relative to other local authority types. This has led to CCN member councils being underfunded for the services they provide. This inequity will be further embedded by the use of the SCRNF as part of the distributional formula for the improved Better Care Fund which fails to take into account growth rates. As a result CCN member councils will see increased costs of £247m of additional demographic cost pressures by the end of the decade. This is 52% of all demographic costs for English local authorities.[4]

14. This underfunding is impacting upon the capacity of CCN member councils to deliver frontline services. For example, county areas have seen the number of delayed days during the month rise by 130% from April 2014-July 2016, higher than Metropolitan Boroughs (65%), non-CCN Unitaries and London (121%).[5] Our calculations, shown in the table below, clearly show the level of disparity between the allocations for CCN member councils and other local authority types. Even when the improved BCF realises its full potential in 2019/20, CCN member councils will receive 56% less funding per head of over 65 than the English average.

Improved Better Care Fund- £ Per Head Allocations 65+ year old population

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

[2] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures
[3] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures
[4] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures
[5] County Councils Network Submission, CLG Committee Inquiry on Adult Social Care 2016

15. Taken as a whole, the funding provided to non-CCN authority areas through the precept and improved BCF per head of population aged 65+ will be significantly higher over the course of this Parliament (see table below). This disparity peaks in 2018/19, when London receives 170% more funding per head of population more than CCN councils, this disparity should be considered in the context of the most acute demand-led social care pressures facing county areas that are outlined in this submission.[6]

Council Tax Precept Per Head of Population Allocations 65+ yr old population

	2016/17	2017/18	2018/19	2019/20
CCN	£37.34	£76.28	117.16	160.06
Met	£40.70	£85.10	131.79	181.62
London	56.01	115.91	180.38	241.94
UA	41.2	84.67	130.8	179.8
England	40.46	83.05	128.18	176.12

16. We would join the Society of County Treasurers (SCT) in highlighting the disproportionate levels of council tax levied in county areas. The presumption of the adult social care precept being levied compounds this inequality, as under the proposed distribution methodology areas with lower council tax will receive additional funding through the improved. Independent research undertaken by LG Futures estimated that per head over 65 allocations were significantly lower for CCN member councils than other local authority types. Counties received 44% less cash funding per head compared to the national average, 61% less than London Boroughs and 53% less than Metropolitan Boroughs. Only 41% of CCN member council funding consisted of government funding, with 59% raised via assumed council tax. This compares to 64% and 35% respectively in Metropolitan Boroughs.[7]

17. CCN propose that allocations are made according to an updated needs formula, which does not make assumptions that there will be full take-up by councils of the additional 2% social care council tax flexibility.

18. If there is scope for the loosening of deficit reduction targets over the coming period, Government should ensure that any additional funding for public services is targeted at protecting demand-led frontline services and those that have a significant impact on wider public sector efficiency.

[6] County Councils Network Submission, CLG Committee Inquiry on Adult Social Care 2016
[7] CCN & LG Futures: Health & Social Care in Counties: Funding, Demand & Cost Pressures

Question 3: Do you agree with the council tax referendum principles for 2017-18 proposed in paragraphs 3.2.1 to 3.2.2 for principal local authorities?

19. CCN believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. Government should end the council tax referendum policy and allow local discretion over council tax discounts. Trust should be placed back in the hands of local councils to account for decisions on levels of local council tax, and the receipt of discretionary discounts.

20. CCN welcomed the introduction of the Adult Social Care precept due to the ongoing financial pressures, but as above, we do not believe that this precept funding should be considered in distributing the improved BCF as this further entrenches council tax inequality. Nor do we believe that tax raising ability should be used in determining levels of grant in other areas. County and rural authorities continue to be historically underfunded compared to the level of need in their areas, with council taxpayers in counties shouldering a disproportionate tax burden compared to other parts of the country. Assumptions by government that county areas should raise a larger proportion of their funding from council tax to meet greater care pressures has meant higher bills for the same level of service. SCT research shows that on average county residents now pay £455 per head – this is 9% higher than the national average, 8% higher than the average for London, and 35% higher than those residents in metropolitan districts.

21. With regard to the Adult Social Care precept, subsequent legislative changes have meant that nationally, evidence shows that much of the funding raised through the precept has been absorbed in 2016/17 by the introduction of the National Living Wage (NLW). The recent Association of Directors of Adult Social Services (ADASS) survey found that for 2016/17 the adult social care precept will raise less than two-thirds of the calculated costs of the NLW, which is expected to cost councils £520m, significantly more than the £380m that has been raised through the precept.[8]

22. The level of funding raised by the Adult Social Care precept is insufficient in county areas, particularly when combined with lower government grant, and the additional cost pressures in county authorities. Data obtained as part of the UK Home Care Association's (UKHCA) Homecare Deficit report highlights that on average counties are faced with paying the highest hourly fees for domiciliary care (£14.69 per hour), despite having the lowest level of expenditure per head of over 65 population of any local authority type.[9] By comparison local authorities in London have the highest average levels of expenditure per head of over 65s, but pay the second lowest level fees for domiciliary care (£13.71). Factors exacerbated by county geography and rurality, such as longer travel times, fewer providers, competition for high quality care staff and fewer providers, are having an inflationary impact on the cost of care in county authorities.

23. The scale of the challenge facing counties is highlighted by the results of the CCN survey of county Directors of Adult Social Care. Nearly all of the respondents (88%) stated that the financial pressures facing their departments was either 'critical' or 'severe'.

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[8] Association of Directors of Adult Social Services Budget Survey, July 2016

[9] The Homecare Deficit, UK Home Care Association, March 2015

24. Within the existing Adult Social Care precept, CCN would highlight that the current arrangements effectively disadvantage two-tier areas. Unitary and metropolitan authorities are able to levy the 2% increase for social care on a larger council tax base than county councils, where the charge is lower reflecting that districts deliver some services. County authorities should be given the power to levy the precept across the entirety of council tax raised in their areas.

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

25. As above, CCN believes that council tax setting is a matter for individual local authorities, who are democratically elected and offer local accountability. CCN strongly disagrees with the referendum principle being extended to town and parish councils, who are local bodies, formed of local people, and receive no central government funding. In particular, CCN do not believe that this measure is proportionate or effective, or in the spirit of devolution and localism.

26. CCN member authorities are further concerned about the impact this will have on town and parish councils who, through devolution, have developed their capacity to provide services. As counties have played their part in reducing the national deficit, CCN member councils have increasingly relied on town and parish councils working in partnership to deliver community services.

27. As highlighted above, the financial pressures in county authorities are highest in statutory services such as social care, constituting 42% of all service expenditure in 2015/16 (excluding education) and 43% in 2016/17.[10] The funding pressures of social care have created significant pressure on community services, including the more discretionary services, and town and parish councils have worked in partnership with principal authorities to deliver innovative solutions to supplement these.

Question 5: Do you agree with the proposed approach to take account of the transfer of responsibilities to town and parish councils as outlined in paragraph 3.3.5?

28. CCN strongly advocate against a referendum measure for town and parish councils, as set out above. If the referendum approach were to be taken forward, CCN members believe that consideration of the transfer of responsibilities is absolutely essential, given the partnership between our sets of councils, and the service delivery pressures detailed above. However, we remain concerned about how this process would work, as an exemption from referendum principle would surely require proof from both the parish

[10] County Councils Network Submission, CLG Committee Inquiry on Adult Social Care 2016

and principal council about their arrangements, and would increase the resource requirement upon both authorities.

29. In addition, any such decision to implement a referendum or process of proving a transfer would discourage other town and parish councils from considering engaging in service delivery and deter our essential partnerships. Not only against the principles of localism, this measure would restrict innovative service delivery and prevent local councils being responsive to the wishes of local people. Cornwall Council has over 160 agreements with Town and Parish Councils regarding service delivery, and this includes an option to enhance locally provided services- this could not be considered a transfer of responsibility but nonetheless forms an important part of responsive service delivery.

Question 6: Do you agree with the suggestion that referendum principles may be extended to all local precepting authorities as set out in paragraph 3.3.6? If so what level of principle should be set?

Question 7: Do you have views on the practical implications of a possible extension of referendum principles to all local precepting authorities as set out in paragraph 3.3.7?

30. CCN will not support the extension of any referendum principles to all local precepting authorities for the reasons mentioned above. Further to this, CCN believe the cost of any referendum will outweigh the benefits for the majority of parish councils, and according to research from NALC, could take as much as £3 of the £5 raised.

Question 8: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.4.1 to 3.4.8?

31. CCN welcome the clarity from Government on their proposed method for revaluation. It is apparent that there will be different impacts on businesses and councils in different parts of the country, and subsequently differing views on the proposed method and timescales.

32. In considering differing impacts it is important to note that business rates in counties have a different profile to metropolitan areas, and particularly inner London. In counties for example business rate growth and value does not strongly correlate with broader economic growth or GVA, and some counties have seen a decline in Rateable Value despite good economic growth. We therefore welcome the decision to keep the impact of any changes under review and strongly recommend that Government work with CCN and the Society of County Treasurers as this progresses.

Question 9: Do you agree that the methodology, as outlined in paragraphs 3.5.5 to 3.5.13, for calculating changes to the local share of business rates and tariff and top up payments is correct and does not adversely affect non-pilot areas?

33. CCN support the methodology, however we believe that Government should use a broader base of pilots to inform thinking on business rates. If the pilots are constrained to bid cities then this will not achieve a balanced and coherent understanding of how the system works across the country.

34. Independent research undertaken on behalf of CCN[11] has demonstrated that the profile of business rates is very different in rural and county areas to metropolitan regions and London. Counties for example have very high levels of mandatory and discretionary reliefs which mean business rates growth and value do not always translate into income. Equally counties do not see the high underlying levels of business rate value and growth than inner London does.

35. We welcome suggestion that Cornwall will be included as a pilot area and would encourage Government to take this forward. We would also encourage Government to work closely with CCN and our members to understand the challenges and potential solutions for counties and two-tier areas.

Question 10: Are you contemplating a voluntary transfer of funding between the Combined Authority and constituent authorities?

36. Please refer to the individual responses of our member authorities.

Question 11: Do you have any comments on the impact of the proposals for the 2017-18 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

37. Please refer to the individual responses of our member authorities.

[11] Pixel Financial Management, Independent Analysis of Full Business Rate Retention in County Areas, August 2016