

## Introduction

1. The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN membership includes both upper tier and unitary authorities who together have over 2,500 councillors and serve 23 million people (47% of the population) across 85% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside the big conurbations. 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.
2. CCN welcomes the opportunity to respond to the consultation. This submission is a general response to the key aspects of the provisional Local Government Finance Settlement 2015-16. CCN has worked closely with both the Society of County Treasurers (SCT) and Local Government Association (LGA) in forming this response.

## Overview: Local Government Finance

3. CCN member councils have seen reductions in the region of 40% over the course of this Parliament, with savings of over £10bn secured by local government as a whole since 2010. This has prompted local government to reduce spending and increase efficiency on a scale far greater than any other part of the public sector. Government should recognise the demand-led pressures facing county areas across elderly care and children's services. These new demands on local authorities need to be addressed in future reviews of funding, with additional fiscal freedoms provided to allow councils to meet increasing demand-led pressures (see para 15).
4. **CCN member councils are committed to delivering a fair and sustainable contribution to deficit reduction.** However, the ring-fencing of some public sector budgets, such as the NHS, has led to local government taking a disproportionate share of public sector budget reductions.
5. Local authorities have demonstrated over the last four years their ability to be major game changers in the delivery of real value public services. However, local authorities remain subject to a swathe of statutory duties (approximately 1,200 according to the government review in 2011), this despite a reduction in government grant of nearly 40%. If local authority budgets continue as they have since 2010 the financial future of local services will become unsustainable. **In the next Parliament government must work closely with local government to put in place a more ambitious plan for public service reform.** Local authorities and their partners cannot continue to innovate and transform if government does not provide longer-term financial certainty through multi-year budget settlements.

## **Presentation**

6. In our opinion the government's continued use of the term 'spending power' is misleading and masks the significant cuts being applied to local authority funding. The use of the spending power figure, with the inclusion of Council Tax, pooled budgets, and new funding streams to fund additional statutory duties significantly masks the extent of the reductions in Central Government Grants to CCN member councils. This is particularly concerning given the specific impacts this has on our membership, and the perception that 'shires' have benefited from perceived unfairness created by the spending power calculation.<sup>1</sup> In addition, the term 'spending power' suggests that councils have the freedom and flexibility to spend public money as they wish on the needs and priorities of their local communities, this is not the case. In reality local government is severely limited on how this money can be spent due to the number of statutory duties that it is subject to.
7. The Department's provisional revenue spending power figures 2015-16 do not reflect or acknowledge the scale of the financial challenge being faced by local government as a whole. **It is misleading to the public to include a pooled budget such as the Better Care Fund (BCF) monies in their entirety within the spending power figures for upper-tier local authorities.** Local authorities will only be responsible for spending a proportion of this money within their local areas, not the entirety of the budget. For example, in Surrey if you remove the pooled BCF monies from the spending power figures you would find that they are subject to a 1.49% reduction in spending power as opposed to a +3.1% increase as stated in the published spending power data. For Society of County Treasurers (SCT) members, the majority of whom are CCN member authorities, if the BCF for 2015-16 and the comparator figure for 2014-15 are excluded from spending power calculations, the change in the average spending power for all SCT member authorities changes from an increase of 0.66% to a reduction of 3.88%.
8. The use of percentage change to spending power also masks the true level of funding available to different types of local authorities per head of population. CCN member authorities have a lower per head total of funding than other local authority types. For example, CCN member authorities have £1,986 to spend per head of population in 2015-16 this is significantly less than Metropolitan Districts (£2,134), Inner London Boroughs (£2,476) and Outer London Boroughs (£2,178).
9. **Many of our members have reported confusion by residents and the local press over the fact spending power is reducing by an average 1.8%, whilst most local authorities are putting forward proposals for large scale cuts to their budgets for 2015-16.** For example Devon County Council is faced with making cuts of approximately £50m for 2015/16, despite their spending power apparently increasing by 0.48%. In addition to this the LGA has stated that the cut in Revenue Support Grant (RSG) for all local authorities in 2015-16 is 8.8% or £2.6bn in cash terms.

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<sup>1</sup> See LGC Story <http://www.lgcplus.com/briefings/corporate-core/finance/finance-settlement-winners-and-losers-revealed/5077841.article?blocktitle=Latest-Local-Government-News&contentID=2249>

CCN member councils are faced with significant cuts to their RSG for 2015-16. Examples of these significant cuts include:

- Buckinghamshire County Council 21.1%
- Cumbria County Council 22.7%
- Lincolnshire County Council 26%
- Derbyshire County Council 26.9%
- Durham County Council 28.4%

10. The Revenue Support Grant settlement also fails to recognise the new burdens that are likely to present themselves over the course of the next financial year and beyond. For example, all top tier local authorities are likely to see a significant pressure on children's safeguarding above and beyond the demand that they are already faced with. Such a rise in pressure on this service is a result of an increasing focus on combating child sexual exploitation, particularly after high profile cases in areas such as Oxfordshire and Rotherham. Government must ensure that sufficient funding is available to local authorities to counter this additional pressure on services and to ensure that some of the most vulnerable in society have the best possible support available to them.

### ***Care Act Funding***

11. In addition to the inclusion of BCF funding within the spending power figure, **the inclusion of £285m new burdens funding for the Care Act further distorts the spending power figure and helps mask the true extent of reductions in CCN member council funding.** New burdens funding for the Care Act has been allocated to local authorities to cover the additional costs associated with the reforms introduced from April 2015 and does not represent an increase in a council's 'spending power'. CCN has shown that our member authorities' account for two thirds of the cost associated with the Care Act, due to their ageing demographics and higher-levels of social care self-funders,<sup>2</sup> and its inclusion within spending power figures has particularly distorting effect on our membership.

12. This unfairness within the settlement is further compounded by the potential inadequacy of funding for CCN member councils to implement Care Act duties from April 2015. CCN previously argued that recent changes to the allocation of Care Act funding were highly regressive for CCN member councils, with the reallocation of funding resulting in a potential funding gap for CCN member councils.<sup>3</sup> Our estimates, based on CCN returns to the recent Department of Health (DoH) cost modelling exercise and revised allocations **show a funding gap of at least £13.2m** for CCN member councils for early assessments. In our response to the DoH consultation on Care Act funding, CCN stated that in addition to this funding shortfall there remains considerable uncertainty over

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<sup>2</sup> See CCN *Our Plan for Government 2015-20* (2014)

<sup>3</sup> CCN Care Act Funding Statement (2014) <http://www.countycouncilsnetwork.org.uk/news/2014/oct/ccn-statement/>

additional costs associated with the new eligibility criteria, advocacy, prisons and safeguarding duties.<sup>4</sup>

13. Shortfalls in Care Act funding will potentially be increased by the DoH decision to distribute the new Carers & Care Act Implementation Grant using the adult social care relative needs formula (RNF). Under the current RNF allocation formula, county councils on average receive four times less funding per over 75 compared to inner London, due to its greater weighting towards deprivation rather than demographics and service user profile. The RNF is not fit-for-purpose for allocating new funding to implement duties introduced by the Care Act, where patterns of demand are more closely linked to affluence rather than deprivation. **We are therefore extremely disappointed that the DoH has introduced this new grant and allocation formula at this late stage with no period available for consultation.**

### ***Local Welfare Provision Grant***

14. CCN member councils are strongly opposed to the proposed cut to the local welfare provision grant. Members are in agreement with the SCT who have stated that this proposal provides a misleading impression that funding has been specifically provided to maintain this responsibility. In reality government has identified £129.6m from upper-tier authority's RSG. This is not new money and will not be ring-fenced.
15. We call on government to reverse this proposed cut to local authority budgets for 2015-16 and at a minimum add £129.6m to Revenue Support Grant. The local welfare provision grant provides emergency help for a range of vulnerable people who fall into unexpected crisis, such as women fleeing domestic violence and homeless people. The removal of funding would be shortsighted and could in the long run produce unintended consequences with these vulnerable people drawing on more resource intensive public services at a future date if their crisis worsens.

### ***Timing***

16. **CCN member councils are disappointed with the Government's continued practice of publishing the local government finance settlement in late December.** Local residents, Councillors and local authorities need time to fully understand, consider, challenge and to develop innovative solutions to the proposed local government finance settlement.
17. Government guidance clearly states that local authorities are accountable to residents for the delivery of a balanced budget, providing best value and ultimately delivering on local priorities.<sup>5</sup> The December publication of the local government finance settlement means that there is only a small window for local authorities to finalise and publish budget proposals. This in turn means that residents have a very short time to make representations to the Council, their local Councillor or through overview and scrutiny

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<sup>4</sup> CCN Response Care Act Funding Consultation (2014) <http://www.countycouncilsnetwork.org.uk/library/july-2013/file83/>

<sup>5</sup> [Accounting Officer Accountability System Statements for Local Government and for Fire and Rescue Authorities, DCLG, Sept 2013](#)

committees. **If the Department's policy of 'Making local councils more transparent and accountable to local people' is to be achieved in a meaningful way then it is vital that the local government finance settlement is published in the autumn of each year.**

### ***Local Government Finance Reforms***

18. To achieve this counties need a new deal from government going forward. As highlighted in our policy document *Our Plan for Government 2015-20* local government finance must be reformed to ensure long-term sustainability of the sector, proposals for change include:

- **Long-term financial settlement:** The Government should introduce long-term indicative budgets for local authorities of up to at least five years. The settlement should be published no later than the end of November, to allow more time for budget planning and consultation with local people.
- **Barnett Formula Review:** The Government should replace the Barnett Formula with a fairer funding framework for England by the end of the 2015 Parliament. A new formula must ensure that it takes full account of needs and is compatible with incentives.
- **Review of rural funding allocations:** Ahead of the 2020 reset, the Department for Communities and Local Government and HM Treasury should conduct a review of rural funding allocations. Funding formulae must adequately reflect the challenges and additional costs of delivering services in less urban, more sparsely populated and larger geographic areas.
- **Review funding incentive mechanisms:** Government should review the system of incentive mechanisms in two-tier areas, such as the New Homes Bonus and Business Rates Retention Scheme, to reflect that most of the levers for growth promotion, and cost of service and community infrastructure, are at county, not district, level.
- **Council tax freedom:** 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.
- **Unit Cost Analysis:** Counties recognise the need to account for every pound spent, and remain committed to continuing to be the most efficient part of the public sector. As part of this process, we will employ unit cost analysis and benchmarking with our peer organisations to ensure we continue to realise efficiency gains and make best use of public funds.
- **Care Act Reserve Fund:** Concerns remain that current funding for the Care Act in 2015/16 will be inadequate and the reforms could have an adverse impact on local care markets. However, the true costs of implementation will not be fully known until after May 2015. To ensure the Care Act does not breach the New Burdens Doctrine,

the incoming Government should establish a contingency fund, not top-sliced from current funding, to provide additional in-year funding if costs arising from key aspects of the reforms, such as assessments, carers or eligibility, are higher than expected.

- **Adult Social Care Funding Review:** The Government should urgently review the long-term funding settlement for adult social care, including a full review of the distribution of funding. A new funding settlement for social care must be delivered that is sustainable and fair following the implementation of funding reform from April 2016. The Relative Needs funding formula must be reviewed as part of this process, and aligned to real patterns of demand.

### **Consultation Questions**

***Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15?***

19. CCN member councils are strongly opposed to the complete cut in funding for local welfare provision from 2015-16.
20. Our members are baffled by the fact that government deem it acceptable not to reverse the cut to local welfare funding for councils, originally set out in the local welfare provision consultation in late 2014. The notion that local authorities can continue to resource local welfare provision from within existing budgets at a time when the majority are proposing significant cuts to their budgets is incomprehensible.
21. We are in agreement with the SCT who have stated that this proposal provides a misleading impression that funding has been specifically provided to maintain this responsibility.
22. A survey of local authorities carried out by the LGA in September 2014 highlighted that the removal of separately identified funding for local welfare assistance from 2015 is likely to have a detrimental impact on the longevity of the scheme. Over 55% of respondents stated that the removal of funding would either lead to their local welfare assistance programme being significantly scaled back or cancelled altogether.
23. The scheme offers emergency help for a range of vulnerable people who fall into unexpected crisis, such as women fleeing domestic violence, homeless people or those affected by crises such as flooding. The removal of funding would be shortsighted and could in the long run produce unintended consequences with these vulnerable people drawing on more resource intensive public services at a future date if their crisis worsens.
24. We call on government to reconsider this proposed cut to local authority budgets for 2015-16 and at a minimum add £129.6m to the Revenue Support Grant. If government decides not to add this funding to the RSG, then this line should be removed from the provisional funding settlement. Beyond this CCN member councils would welcome the

opportunity to work with government on developing a fair and sustainable solution for the future delivery of local welfare provision.

***Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16?***

25. It is right that all parts of the public sector take their fair share of reductions in public spending to reduce the national deficit. The proposed level of reduction to this funding should be taken in consultation with local government as a sector given that at present this is drawn from Revenue Support Grant.
26. CCN member councils recognise the importance of sector-led improvement and the role of the Local Government Association in leading this work.
27. It is vital that the next comprehensive spending review looks at all public spending in its entirety, across all government departments, to ensure that any proposed budget reductions are fair and sustainable.

***Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m?***

28. CCN member councils welcome the reduction of RSG holdback by £50m and the redistribution of this through the settlement.
29. CCN member councils are of the opinion that government should review the system of incentive mechanisms in two-tier areas, such as the New Homes Bonus and the Business Rates Retention Scheme, to reflect that most of the levers for growth promotion, and cost of service and community infrastructure, are at county, not district, level.

***Do you agree with the Government's proposal to increase the rural funding element from £11.5m, as previously proposed, to £15.5m?***

30. CCN member councils welcome the proposed increase in funding for 2015-16.
31. However, as highlighted in our policy document *Our Plan for Government 2015-20* it is vital that DCLG and HM Treasury conduct a review of rural funding allocations ahead of the 2020 reset. Funding formulae must adequately reflect the challenges and additional costs of delivering services in less urban, more sparsely populated and larger geographic areas.

***Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority ?***

32. CCN member councils are opposed to this proposal. The fire and rescue funding element of Revenue Support Grant was already expected to decrease by £112m

compared to 2014-15, this proposal would increase the reduction by a further £2.153m.

***Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15?***

33. In line with the government's New Burdens Doctrine, CCN member authorities agree that funding for any government policy decision, such as the cap on the business rates multiplier in 2014-15 and 2015-16, must be fully funded. Therefore we welcome the proposal to compensate local authorities for the cap on the multiplier ion 2015-16.
34. If you would like to discuss this response further please contact CCN and we would be glad to meet with you and your team. CCN looks forward to reading the Government's response to the consultation.

Yours Sincerely



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