

## 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 2500 councillors and serve 23 million people (46% 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. CCN has worked closely with the Local Government Association (LGA) and Society of County Treasurers (SCT) to reflect national concerns in relation to the technical issues arising from this consultation. This submission is a general response to the key aspects of the Local Financial Settlement 2015-16.

## 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 since 2010. Between March 2014 and the end of 2015/16 the funding gap for local government will stand at £5.8bn, with the LGA estimating that the funding gap for adult social care during this period alone to be £1.9bn.<sup>1</sup> There is a growing realisation across local government that the challenges ahead present a real threat to statutory services, let alone vital discretionary interventions.
4. In particular, we continue to have major concerns over New Burdens Funding for the implementation of the Care Act during 2015/16. Last year, the technical consultation outlined the additional £335m revenue funding for Care Act implementation during 2015/16, with indicative allocations announced alongside the 2014/15 settlement last December. The Department of Health (DoH) has recently revised allocations and published new allocations formula for specific aspects of this Care Act funding for 2015/16 (assessments, deferred payments and prisons).<sup>2</sup>
5. Although CCN welcomes the new allocation formula and provisional increase of up to £28m in CCN member allocations; we continue to have major concerns that implementation funding for the Care Act during 2015/16 will be insufficient and

<sup>1</sup> LGA & ADASS Joint Submission to Consultation on 2015/16 Care Regulations & Guidance (2014)

<sup>2</sup> DoH. Consultation on funding formulae for implementation of the Care Act in 2015/16

compound the existing county pressures in adult social care. We set our concerns in full during our response to the DoH consultation, to be submitted by October 8<sup>th</sup> 2014.

6. In last year's response to the technical consultation, CCN argued that it was clear from the consultation and detailed analysis undertaken by the LGA and CCN member authorities that that the decrease in funding far exceeded the headline figure of 10% indicated in the 2013 Spending Round. The decrease also hugely exceeded the 2.3% reduction in 'local government spending' quoted by Ministers at the time of the Spending Review in June.
7. **The figures therefore showed local government services will face a cut of 15% in real terms for 2015/16, in the region of an additional £1bn deeper than those signalled in June.** This exceeds the pace of cuts seen over the period covered by the 2010 Spending Review.
8. **Whilst CCN member authorities accept that they will continue to play their part in deficit reduction well into the next parliament, this scale of reductions is becoming increasingly difficult to deliver.**
9. CCN's recently published **Our Plan for Government 2015-20**.<sup>3</sup> This document, attached in appendix 1, outlines a number of policy suggestions for reforming local government finance that we believe the next Government must implement to ensure the system is sustainable over the long-term, including:
  - **Fiscal devolution:** Counties should be provided with increased financial freedoms and flexibilities to achieve greater financial independence. The details of these proposals are outlined in the Economic Growth and Prosperity sections of the Plan for Government (pages 11-17).
  - **Long-term financial settlement:** The Government should introduce long-term indicative budgets for local authorities of 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

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<sup>3</sup> County Councils Network. Our Plan for Government 2015/20 <http://www.countycouncilsnetwork.org.uk/library/july-2013/file79/>

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.
- **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.

## Presentation & Announcements

10. **CCN is extremely disappointed that yet again key finance consultations relating to the majority of local government funding have taken place over the summer.** The timing of the consultation makes it difficult for member authorities to engage fully with the consultation. Moreover, the capacity of the DCLG to respond to queries and calls for clarification are also severely reduced.
11. Following publication last year, the true impact of the Spending Round has only emerged through close analysis of the figures in the Technical Consultation. This was mainly due to the inclusion of £3.8bn Better Care Fund (BCF) within the core settlement to offset the total reductions for local authorities. **The inclusion of BCF funding by the DCLG was highly misleading, particularly in light of recent changes to BCF funding allocations.** Reductions of this scale require careful planning and management. This process is totally undermined by the way in which the true figures have emerged during the consultation period itself.
12. The democratic process requires honesty. Local residents need to understand the scale of reductions that local authorities are managing, and the difficult decisions that are required in the face of rising demand and costs of key services. **Local government settlements need to be presented plainly and clearly from the outset so that the impact can be understood, and effective financial and service planning supported.**

13. In the light of these points, we urge the department to ensure individual provisional settlements are provided in sufficient time to facilitate effective local authority budgetary management and the DCLG are fully transparent in the presentation of total funding reductions for 2015/16. **It is unacceptable for local authorities to wait until the latter part of December to receive such fundamentally important information.**

### **Consultation Questions**

***Question 1: Do you agree that compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups, as in 2014-15?***

12. Yes, CCN agrees with this methodology.

***Question 2: Do you agree that the 2014-15 Council Tax Freeze Grant should be rolled into Revenue Support Grant, and combined with the 2013-14 Council Tax Freeze funding element as a single element?***

13. Alongside the LGA, CCN has maintained its opposition to the referendum policy, which restricts the ability of councils to appropriately plan for the provision of sustainable local services. Despite the unprecedented funding reductions, our members have remained conscious of the need to continue to bear down on council tax rises. **CCN believes that member authorities are directly accountable to their electorates and should have the freedom to set their own council tax levels based on local circumstances without the need for a local referendum with an arbitrary trigger threshold.** Whilst we agreed with the methodology for creating a single freeze grant from 2014-15, the compensation continues to leave those councils that accept the freeze financially worse off. We repeat our call for greater local authority freedom over local taxation.
14. Whilst CCN maintains its opposition to the council tax freeze and referendum policy, its supports this approach on the grounds of simplicity and consistency with other council tax freeze grants. It would also provide members with a degree of assurance that, once base-lined, the funding should be on-going. However, CCN believe that once base-lined council tax freeze grants **must** be protected in cash terms and that this is fully transparent.

***Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014-15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?***

15. With the SCT, CCN does not support the inclusion of Efficiency Support Grant in the base-line.
16. This was a grant that was initially allocated for 2013/14 and 2014/15 for those authorities who had a reduction in their 2014/15 spending power of more than 6.9%. In making satisfactory progress the CCN and SCT would expect that qualifying authorities

would have by now implemented the necessary changes to accommodate the impact of the reduction in spending power.

17. CCN member councils would therefore anticipate that this funding should be returned and redistributed across all authorities.

***Question 4: Do you agree that the 2014-15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?***

18. Yes, the CCN agrees with this methodology
19. CCN, alongside the SCT and Rural Services Network, have continuously highlighted the additional cost pressures associated with rural service delivery. Comprehensive research undertaken by LG Futures in 2011 concluded that specific cost drivers associated with rural service delivery led to 'a substantial cost penalty' for predominately rural areas. They argued that 'the provision for sparsity within the formulae is very small compared to the size of the actual cost penalty'.<sup>4</sup>
20. CCN strongly welcome the research project commissioned by the Government to refresh this work and examine further whether rural authorities face additional costs in providing services compared to authorities in urban areas and are keen to contribute where appropriate. CCN has made contact with the organisation undertaking this research on behalf of the DCLG & DEFRA, and hopes CCN member councils play a full and active role.

***Question 5: Do you agree with the proposed methodology for reducing funding to authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Exchequer?***

21. In response to last year's technical consultation, CCN stated that we did not support any adjustment to take into account changes to the **Carbon Reduction Commitment Scheme**. No additional resources were put into the scheme under the New Burdens Doctrine when the scheme was introduced, so it is not legitimate to remove funding simply because the withdrawal of state funded schools from the scheme will now result in some local authorities falling below the threshold.
22. The Carbon Reduction Commitment Energy Efficiency Scheme was originally supposed to be a trading scheme and not a tax. No other private or public sector organisation falling out of the scheme are expected to compensate for "lost" tax revenue.
23. CCN would like to reiterate the points made in the 2014-15 Settlement: Technical Consultation. They believe that since transparent funding did not accompany the introduction of the Carbon Reduction Commitment reducing the local government settlement to compensate HM Treasury for their loss in income simply represents a tax

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<sup>4</sup> LG Futures. Sparsity Partnership for Authorities Delivering Rural Services (SPARSE-RURAL) Costs of Providing Services in Rural Areas (2011)

on local government. Furthermore it does not support the Government's own New Burdens Doctrine to fully fund new responsibilities.

24. 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



Cllr David Hodge  
Chairman



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Vice Chairman



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CCN Management Committee

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