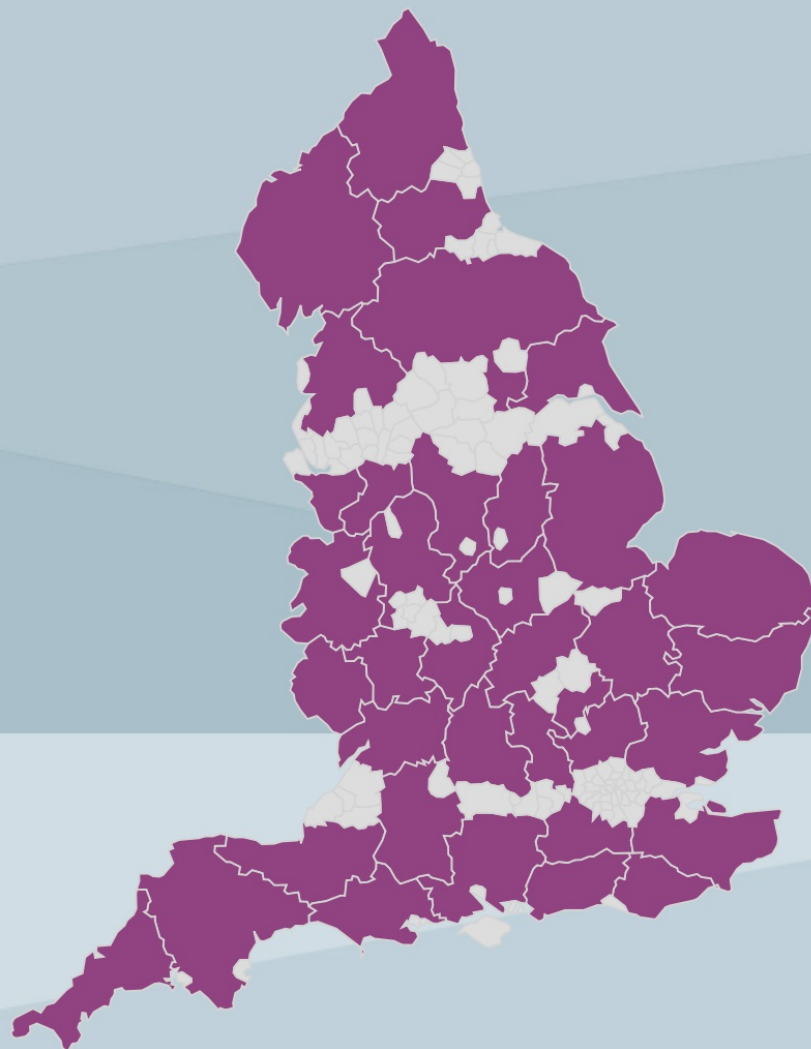


MPs Briefing



Local Government Finance
Settlement 2017/18

INTRODUCTION

HEADLINE RESPONSE

The County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross party organisation, expressing the views of member councils to the wider Local Government Association and to central Government.

Members of Parliament will discuss the Local Government Finance Settlement on Wednesday 22nd February.

Following the debate, MPs will vote on the settlement confirming council funding for the next financial year.

As County MPs, the debate provides an opportunity to raise issues of importance for the authorities that provide over 80% of council services in your areas.

There are a number of critical issues County MPs could raise during the debate to ensure longer term changes to the way county authorities are funded, including;

- The need for new additional funding for social care to be announced as part of the March 2017 budget.
- An acceleration in the 'Fair Funding Review' of council funding taking place.
- Support for a 'cost drivers' approach to the Fair Funding Review.
- Support for the redirection of New Homes Bonus to social care.
- No change to the distribution of transitional funding and an extension of payments to 2019/20.

Summary of key points

- CCN remain concerned that the levels of funding proposed are insufficient to meet the increasing demand for life-critical services such as social care in county and rural areas.
- Genuinely new funding in the March 2017 Budget is required to place Adult Social Care on a sustainable footing in the short, medium and longer term. CCN members are determined to play a full and active part in delivering sustainable care, putting forward evidence-based solutions to meet the challenges ahead.
- County and Rural areas remain significantly underfunded compared to London and Urban areas. The Needs-Based Fair Funding Review, announced as part of reforms to Business Rates Retention, must be conducted in full and bought forward to address these inequities.
- The use of the Transition Grant, announced in the final 2015/16 local government finance settlement, to smooth the pace of these cuts should not be altered at this late stage. This would have a detrimental impact on service provision in county areas already faced with acute pressures on care services. Consideration should be given for this funding to be extended, to run until the Fairer Funding Review is fully implemented.
- The provision of the Adult Social Care Support Grant, though through the means of a reduction in the New Homes Bonus (NHB) Grant, recognises the critical social care pressures facing upper tier authorities and should not be reversed. Any transitional funding made available to soften the changes in NHB must be channelled to upper tier and unitary authorities who have seen a reduction in funding from central government as a result of the NHB changes.
- The flexibility added to the Adult Social Care Precept also reflects these immediate pressures, however residents in county areas already face higher tax bills which are further compounded by this measure.
- CCN believe the introduction of the Local Government Finance Settlement over a multi-year period is welcome, providing a limited level of certainty for councils over their expected levels of funding.

FAIRER FUNDING

For Counties



Counties receive
£249 per head
For key services



London receives
£550 per head
For key services

Met boroughs receive
£407 per head
For key services

Non-CCN unitaries receive
£334 per head
For key services

As a result...



The social care crisis is most intense in counties

Counties receive

41% less

Funding for over 65s compared to London



There is a council tax disparity across the country

The average county bill is

£1,600

Compared to £1,141 for inner London



Services for vulnerable children are under pressure

Counties receive

24% less

Funding for children's services compared to London

The Government's fair funding review could address these inequities

Any new system must be based on genuine cost drivers, not a regressive formula. CCN is calling for it to be accelerated to address the severe funding pressures faced by counties.

County Finance - Key Facts

- Counties have faced an estimated 37% real-terms reduction in government funding since 2010. They are also facing the highest reduction in Revenue Support Grant of 93% by 2019-20, far higher than other types of authorities, with an average cut across England of 78%, and 69% in metropolitan areas.
- The use of the Transition Grant, announced in the final 2015/16 local government finance settlement, to smooth the pace of these cuts should not be altered at this late stage. This would have a detrimental impact on service provision in county areas already faced with acute pressures on care services.
- Funding reductions have already had significant implications for county residents, who have had to make much larger tax contributions to receive similar levels of service. While residents in Westminster paid £669 for their council tax in this financial year; county ratepayers paid close to treble this amount in the likes of Dorset, Lancashire, and Nottinghamshire for a similar level of service.
- The introduction of Business Rates Retention by the end of the Parliament, with the linked Needs Based Review, offers a genuine opportunity to address this inequity. Funding must be determined on the basis of need, looking at the factors that drive costs such as demographic change, as opposed to previous expenditure.

Adult Social Care Precept

- We have been clear that Government must deliver genuinely new funding to ensure that social care is placed on a sustainable footing in the short, medium and long-term to protect and support the most vulnerable people in our society. Without this, upper-tier authorities will be forced into the unenviable position whereby the type and level of care provided has to be reviewed and in some cases restricted as a result of the growing social care pressures. Government should address this by providing additional funding in the March 2017 Budget.
- These funding issues are most acute in county areas, who are faced with the highest levels of demand, the fastest growing elderly population and rapidly diminishing funding. This situation has only been further exacerbated by new burdens such as the National Living Wage (NLW) which have only been partially funded through increases in local taxation, leaving an increasing gap in funding.
- The introduction of the Adult Social Care Precept in 2015/16 has increased the cost placed on local residents, and has done little to reduce the significant funding gap for care services.
- Large number of CCN member councils may take-up the option of the additional council tax flexibility offered by the social care precept due to the immediate pressures outlined above. However, the option of frontloading the precept with a 3% increase in 2017/18 and 2018/19 will only have a nominal effect. Councils may reluctantly choose to draw down on reserves to minimise the impact on local council tax payer, although these can only be used once and are by no means a long-term solution to the pressures facing social care.

Adult Social Care Support Grant

- CCN welcomes the additional funding from the Adult Social Care Support Grant in 2017/18. The reprioritisation of funding from the New Homes Bonus for the purpose of social care recognises the immediate and significant pressures facing adult social care. However, it is the reprioritisation of funding from New Homes Bonus for the Adult Social Care Support Grant is neither an ideal or sustainable solution to the funding crisis facing the sector. This funding is significantly less than is required to meet the financial and demand challenges facing upper-tier authorities in county areas.

- Reforms to New Homes Bonus to provide additional funding for social care were announced in December 2015. The Government clearly set out its preferred option of a move to future allocations of 5 years in 2017/18 and 4 years from 2018/19. This is the option that should now be implemented as intended.

- 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'. In addition to this, the 80:20 split 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.

- It is clear from recent announcements on housing that there has been a shift in Government thinking on how to best incentivise an increase in the rate of construction away from the NHB. CCN will continue to work with county unitary and district partners to secure sufficient levels of funding to deliver Government's housing ambitions in county areas.

- If Government decide to provide transitional funding for NHB changes, then this must be genuinely new funding. This funding must be targeted to minimise any negative impact on upper-tier authorities as a result of the reprioritisation of NHB funding to safeguard frontline life-critical services.

- CCN agree with the use of RNF to distribute the adult social care support grant.

Rural Services Delivery Grant

- Rurality has significant associated costs which are not fully accounted for through sparsity funding. County residents in sparse districts may not receive the full share of Rural Service Delivery Grant. In two-tier areas there are districts eligible for RSDG where the respective county is not, e.g. Lancashire.

- This is despite counties being on average 70% rural and county council being responsible for 90% of budgeted expenditure in those areas. In these areas the county must still provide social care, transport, and other critical services in sparse localities without remuneration. Residents within these rural areas may be disadvantaged by this funding gap, with an inevitable impact on other county residents.

REVIEWING



LOCAL AUTHORITY FUNDING

SIX STEPS TO FAIRER COUNTY FUNDING

HOW PARLIAMENTARIANS CAN HELP MAKE THE CASE FOR BETTER FUNDED SERVICES FOR THEIR RESIDENTS

Regressive formula



The current local government funding system uses the past spend of councils and past use of services to determine council's future funding levels. Because this 'regression' based system looks backwards it does not account for the fast changing demographics of the country.

The impact on your local services

This means that the large and fast growing older populations in counties and rural areas, and the associated social care costs are not being properly funded. There is already substantial inequality of funding between councils, and this will continue to increase over time unless this is addressed.



Higher local taxation



One consequence of underfunding is that counties are having to raise higher levels of council tax to maintain the same level of services than other areas. This seems particularly unfair when we consider that some London councils have been able to reduce already low levels of council tax, and counties continue to be placed under pressure to increase them.

Resolving these inequities

We therefore welcome Government's commitment to a **Fair Funding Review** which aims to re-balance the way funding is distributed across the country. We need to ensure that Government prioritise this review, and ensure that work is accelerated to put in place a new funding formula during this Parliament.



Moving towards a 'cost drivers' approach



We must ensure that the funding review moves away from the old 'regression' methods, and instead moves to a 'cost-drivers' based approach. This approach would take into account the biggest drivers of council costs, based around measures such as changing populations and demographics, while also factoring in pressures caused by deprivation and rurality etc.

A system based on how much services cost

We also believe that the new funding system should be as simple as possible; we should look at the most substantial drivers of cost and resist adding hundreds of measures which would simply recreate current Government funding streams and funding inequalities.



WHY... *your* county matters



Maintain highways & rural roads



Build vital infrastructure for communities



Support local economies and job creation



Care for the elderly and disabled



Protect vulnerable young people



Oversee high quality schools and deliver school places



Provide bus services for residents of all ages



Deliver public health services and advice



Ensure decisions and accountability are both local

Counties do all this, and more, despite heavy funding cuts.

This is why **your county matters**

CCN
COUNTY COUNCILS NETWORK

Join the campaign: www.countycouncilsnetwork.org.uk/yourcountymatters

 @CCNOffice

CONTACTS

CCN

COUNTY COUNCILS NETWORK

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County Councils Network