Local Government Finance Settlement 19-20

Briefing

This year's Local Government Finance Settlement follows a Budget that gave county authorities some breathing room in response to rising demand led-pressures. The 36 county councils in England were facing a funding black hole of £3.2bn and had been expecting to have to find £1bn in further savings during the 2019/20 financial year.

Whilst significant savings will still need to be found, counties welcomed the additional funding that the Chancellor announced for adults and children's social care alongside funds for road maintenance, as this provides relief for some of the areas where demand-led pressures are rising fastest.

The settlement also contained the announcement of new business rate pilot areas to trial the forthcoming 75% retention policy - 12 out of 15 of these areas are in counties.

In short, this year's settlement provides vital short-term resource for councils for the next financial year, preventing local authorities from cutting as deeply as initially feared.

But more importantly, county leaders are now looking forward to the fair funding review, which will determine the way that the local government grant is distributed from 2020. A consultation on part of the new formula was published at the same time as the settlement.

Counties are looking for your support to ensure that some of the imbalances of the funding system can be corrected, ensuring that county authorities are able to cope with their present and future demand for public services, and that those councils can remain on a sustainable footing to deliver the services that matter the most to your constituents.

Key LGFS announcements

- In response to CCN advocacy, this settlement confirms that the government has recognised short-term pressures facing local government and announced a welcome injection of resources.
- CCN welcomes the additional £180m funds from the levy account being returned to local government. We accept the need to use the 2013/14 Settlement Funding Assessment as a means of distributing the £180m as the only available formula to use at the moment, despite CCN authorities receiving just 26% of the total funding due to it being distributed using an outdated formula (see fairer funding section below).
- CCN supports giving local authorities maximum flexibility in their ability to generate more revenue from council tax. A core 3% for the second year in a row is therefore welcome. However, 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 and has long called for the abolishment of the council tax referendum policy.
- While the settlement contains vital short-term support, it does not solve medium term financial pressures, nor does it provide long-term certainty. The uncertainty beyond 2020 is creating great financial risks for our member councils. A failure to provide a significant uplift in funding for county and county unitary authorities from 2020 onwards will challenge the long-term financial viability of the services provided by local authorities.
- It is vital that local government has a long term, sustainable solution to its future funding that encourages autonomy and incentivises growth, whilst providing sufficient resources for people-based social care services. This will require government to provide an overall increase in the resources available to local government at the Spending Review; a longterm funding plan for adult social care through the forthcoming Green Paper; and reform to existing funding streams, such as the New Homes Bonus and reforms to business rates retention.

The Fair Funding Review & Spending Review

- The government is also consulting on how it will fund councils in the future through the Fair Funding Review. CCN has welcomed the review as the present system of funding is outdated, unfair, and opaque; unable to fund councils based on the demand they face in the present day. Crucially, the county areas you represent receive the lowest amount of funding per-head from government grants and retained business rates (see table below). It is therefore imperative that the Fair Funding Review genuinely corrects the imbalances within the current system, and comes into effect from 2020, as scheduled.

- The current direction of travel for the review is welcome. The government has taken on board our arguments for a formula that provides a flatter distribution of needs and that is responsive to population growth, as well as using notional council tax and partial tax equalisation in the methodology - with counties' higher taxbase masking the inequity in grant funding they receive. Finally, we welcome initial efforts to properly recognise the costs associated with providing statutory services in rural areas.

- Nonetheless, with the formulae on the two social care services still be consulted on, there is a long way to go. We would like county MPs' support in ensuring that the review is delivered on time and genuinely creates a fairer system.

INNER LONDON	MET BOROUGHS	UNITARY	COUNTY AREAS
			CCN COUNTY COUNCILS NETWORK
£437	£319	£225	£153

- At the same time the local government sector is looking to the Comprehensive Spending Review to secure a long-term settlement that properly meets its needs. Over the past ten years local government has dealt with reductions in central government funding by taking difficult decisions to make sure that budgets are balanced and provide as many of the services that residents rely on as possible. However, financial pressures on local authorities are growing quickly at the moment:

  - CCN estimates that between 2018 and 2020 counties face a combined funding pressure of **£3.2bn**. In total, **58%** of the funding pressure is caused by demand for services
  - A questionnaire to county leaders last year found that **two-thirds** of local leaders are not confident of setting a balanced, legal budget in 2020/21 without a significant uplift in funding
  - County areas are seeing unprecedented demand for care services: receiving **66** requests per day on average for adult social care support in 2017/18 whilst they collectively overspent by **£264m** on children's services alone last year

- As a result councils are looking for an increase in funding through the Spending Review to ensure that they can limit visible reductions to frontline services, such as adult social care, children's services, libraries, children's centres, and road repairs, or to raise or introduce new charges for residents.

- Equally, the Spending Review must provide local government with a long term, sustainable solution to its future funding that encourages autonomy and incentivises growth, whilst providing sufficient resources for people-based social care services. As well as an uplift in funding for councils, local authorities need a long term funding plan for adult social care through the forthcoming green paper; and reform to existing funding streams, such as the New Homes Bonus. In addition, CCN is keen to ensure that counties are able to properly share the proceeds of business rates growth with district councils from the 75% retention of rates, reflecting the widely-recognised demand-led pressures which are greater on upper tier authorities .

Further info: James Holden, Senior Policy Officer
james.holden@local.gov.uk | 020 7644 3037