The provisional 2017-18 local government finance settlement: confirming the offer to councils: Consultation

Response from the Society of Local Authority Chief Executives and Senior Managers (SOLACE)

Solace is the representative body for Chief Executives and senior managers working in the public sector in the UK. We have members in 90% of local authorities across the UK and 80% of Local Authority Chief Executives are members of Solace.

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

Our sector has repeatedly asked the Government for greater funding certainty around Revenue Support Grant (RSG) allocations, and so the option of a fixed settlement until 2019/20 has been welcomed by many. This would help the budgeting process in many authorities by enabling clearer financial forecasting. However, the Government commitment to deliver this has been complicated by the decision to use the New Homes Bonus to fund social care. Likewise, the late issue of the settlement, so close to the Christmas break, is extremely problematic; likewise the ‘drip drip’ release of information regarding other grant notifications – many of which have a significant impact on budgetary assumptions – over a period of weeks after the Provisional Settlement.

Local authorities, who have a duty to consult with local people over changes to local service delivery, will have little chance to do so in a way that meets legislative and case law expectations if they are to set a budget in the required timeframe and meet all legal obligations, e.g. sending out council tax invoices. A more timely and joined up release of information from Government Departments would greatly assist the Local Government sector in meeting their legal obligations.

Some members also suggest that this multi-year settlement information be provided as a ‘minimum funding guarantee’. They suggest this would allow for more strategic, sustainable and accurate financial planning, whilst leaving open the option of allocating additional funding through the general formula if required.

However, it must be noted that the continued reduction in funding for many authorities since 2010 continues to have a significant impact on councils’ ability to deliver services. Particularly for those authorities with low Council Tax and Business Rates bases, there is a little scope to make up the budget shortfall other than through continuing and severe cuts.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?
Question 3: Do you agree with the Government’s proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

The New Homes Bonus has had a mixed impact on our membership.

For those who have never enjoyed significant income from New Homes Bonus (NHB) it has historically been seen as a source of lost potential funding top-sliced from the RSG. However, many now see this position worsening with the adjustments proposed for 2018/19, particularly as these were not included in the Government's consultation and so were not included in councils' forecasts.

Some had anticipated that this funding would be returned to Local Authorities either as additional Settlement Funding Assessment or as additional Improved Better Care Fund Allocations, however they are clear that the funds they have been allocated for social care funding do not add up to the full potential sum that could be released from the NHB; they are still losing out overall. As such they urge CLG to revisit or disclose the calculations behind these figures to determine whether or not it is possible to release more funding to support Adult Social Care service provision.

A number of authorities challenge the fact that the baseline for housing growth has been arbitrarily raised from the 0.25 per cent they commented on in the technical consultation (and to which 80 per cent of consultation responses in any case disagreed)[1] to 0.4 per cent. This is clearly contrary to the views of the sector. It will mean that some authorities with particular planning constraints may struggle to get over the threshold.

Additionally, the changes to the NHB, including the new threshold, are being brought in retrospectively, therefore cutting payments that were given with the express assurance that they would be for six years. The fifth and sixth years now face being cut. As stated in answer to Q1, this has undermined the Government's commitment to funding clarity for local authorities.

Additionally, the final scheme design for NHB back in 2011 expressly stated "The grant has been designed to be stable and predictable"[2]. Likewise, with a clear focus on stimulating local growth, it states that "local authorities will be able to decide how to spend the funding in line with local community wishes". That this scheme is now being used to prop up an ailing national social care system seems entirely contrary to the stated intentions of the NHB.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

Whilst increasing the social care precept will give short term relief to a few local authorities, ultimately, relying on a regressive local taxation system is not a long term

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6004/1846530.pdf

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577904/NHB_Consultation_Response_Doc.pdf

solution to tackling the long term sustainability challenge our health and social care system faces. It simply shifts the burden of addressing a national issue onto the Council Tax payer.

Likewise, taking money from the New Homes Bonus may offer similar short term minimal relief to a few authorities, but simply robbing Peter to pay Paul will not tackle a systemic funding problem.

These measures do not in any way close the extensive funding gap for social care, neither in the short nor the long term. This needs a long term national solution that does not simply exacerbate existing imbalances.

The logic of the social care precept is flawed. Evidence shows that those authorities with the least income generating ability – that is, those with the lowest tax base, likely to be most economically deprived – are those with the greatest levels of need in their population – that is, vulnerable residents requiring statutory services like social care. The more economically deprived an area the more likely it is to have a significant need of resource but the least ability to generate funding. This will not create a sustainable system for funding the growing demand for social care.

Additionally, raising Council Tax may not be an option for all areas, regardless of the level of need for the additional income. Raising Council Tax is politically risky, and a step which many local politicians view with caution; particularly where Council Tax has already been raised year on year to mitigate against funding cuts, it may not be possible to take this measure. Again, this is making a local burden of a national problem.

Our local populations are not well served by a system that forces local authorities to squeeze their budgets to support the minority in society who are most vulnerable. Local authorities need to be able to plan ahead to deliver growth that works for everyone.

The Society is keen to work with the Government to develop a long term, sustainable plan for funding social care – and indeed for the system as whole. This period of considerable change for both Central and Local Government, including significant devolution to many areas, and the changes likely to be brought about by Brexit, would seem to present a unique opportunity for a greater review of how the whole central/local government funding system works. Simple tweaks to Council Tax and Business Rates, and other funding mechanisms, will not ultimately provide for the long term sustainability of our public services.

Question 5: Do you agree with the Government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

The transition to the new Local Government Finance regime and Business Rates Retention (BRR), and the phasing out of the RSG, is causing concern to many across the sector. Though the incentive to generate local growth is welcome, the impact across the country, and between authorities, will be hugely varied. In some areas this may mean significant income growth, in other areas it may be a struggle to stay afloat as the RSG is phased out.

As with the comments made regarding the social care precept; a council's ability to generate income through Business Rates may be directly related to the levels of deprivation and need in its population. Those with the highest demand for core services may be those least able to generate growth and thus additional income. The incoming system is likely to exacerbate existing imbalances.

Many members therefore strongly argue that there needs to be a long awaited review of 'need' in the funding formula and they seek clarity as to how this will be delivered.

Additionally, the incoming reliance on business growth opens councils up to further vulnerability. Periods of economic decline or recession as we saw from 2008 onwards, if repeated, would threaten councils' income at a time when historical precedent shows demand for services would rise. This presents significant risk to essential public services.

It is also clear that the BRR arrangements will be extremely complex and produce considerable uncertainty in terms of projecting levels of income year on year. The significant implications arising from revaluation exercises and changes such as revisions to Small Business Rate Relief will make the system even more complex and volatile.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

No response.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

No response.