



DISTRICT COUNCILS' NETWORK

Innovative and collaborative
solutions for people and places

District Councils' Network Budget 2016 representation response

The District Councils' Network (DCN) is a cross-party member led network of all 201 district councils. We are a Special Interest Group of the Local Government Association (LGA), and provide a single voice for district councils within the Local Government Association

District councils in England deliver 86 out of 137 essential local government services to nearly 22 million people - 40% of the population - and cover 68% of the country.

The DCN represents the planning and housing authorities in district/county areas and are centrally placed to fully support and deliver the Government's housebuilding ambitions. We have a unique understanding of our localities and we call on Government to enable us to fully realise this central role, through some of the proposed solutions outlined in this document.

The DCN also fully supports the priorities of the government for local Government to expand devolution and provide more financial freedoms for local Government through the retention of 100% of business rates.

District councils will continue to play a central role in generating the economic growth required in localities to ensure that the national economy can continue to grow. The DCN welcomes increased devolution across the country and is clear that when it comes to devolution it should be for local areas to determine what works best for their locality with need at the centre of any devolution developments.

Devolved arrangements should be firmly rooted in the principle of subsidiarity, ensuring that decisions are made at the level closest to those people affected by them and incentivised so the benefits of growth can be at least partially retained in the areas that host them. Looking to the future we hope that the autumn statement will provide further clarity regarding the Government's intentions relating to future devolution deals.

To ensure that district councils can continue to provide the solutions required to deliver the Government's priorities, the DCN has identified a number of key issues that we hope will inform HM Treasury's policy-making in the run up to the Autumn Statement on 23 November.

The key areas set out in this document are as follows

Districts delivering housing growth - particularly the key role that districts could play in developing and delivering solutions to speed up the delivery of more housing growth through new financial and planning mechanisms as well as related funding streams such as the New Homes Bonus to drive national housing growth.

100% business rates retention and needs – particularly in relation to incentivising growth

Districts' role in prevention, public health and demand reduction– including the potential to reduce demand on the social care sector through a 2% prevention precept to match the 2% social care precept.

Four year settlement and Council tax – specifically the ability to raise council tax beyond 2% without a referendum

Internal drainage boards – considering ways to change drainage board funding to precepts like other bodies.

Districts Delivering Housing Growth.

Districts Councils are solutions focused and we are keen to deliver one of the key priorities of the Government to deliver more housing. We welcome the recent Government announcements relating to CPO sites, installing infrastructure and selling the serviced plots to self-builders and SME builders. We look forward to contributing to the Housing White paper in due course.

DCN is very keen to build on its good track record, to provide solutions to expand growth and help the Government deliver on its target of one million new homes during the current Parliament.

As Gavin Barwell, Minister for Housing and Planning, identified in his recent speech there is no 'silver bullet' solution to housing growth, instead there needs to be a focus on a variety of housing solutions from a variety of housing providers. The DCN has identified a number of issues which would enable districts councils to build on the good record they have in delivering extra homes. These include

- the expansion of private and social housebuilding by local authorities,
- enhanced powers for local authorities to take over stalled sites and build them out,
- retaining and enhancing the new homes bonus
- unlocking planning permissions

The potential solutions to these issues are set out below. The DCN would urge the Government to consider making a commitment in the Autumn Statement to some of these proposals (we have provided considerable detail to the DCLG on some of these issues already) which would help further unlock the potential for districts councils to be in the vanguard of delivering extra housing. The DCN would also urge the Government to consider a range of housing products, be they to buy or rent, to ensure access to appropriate accommodation for those on lower incomes or those not yet in a position to buy.

New Homes Bonus

The DCN would also urge the Government to send a strong signal of the priority they place on housing growth by reaffirming its commitment and financial support to the New Homes Bonus Scheme. The NHB is the revenue source that most closely matches and tracks increases in populations and demand generation for council services.

The New Homes Bonus scheme has acted as a powerful incentive to deliver increased housing growth across the country. Whilst DCN recognises there is a balance to be made with regard to the reforms of the system, we are keen to see the continuation of the scheme at similar levels, which shows communities the benefits of growth and is a well understood growth incentive by residents, elected members and local authorities

The DCN responded to the consultation in March but the Government has yet to respond with any detail as to how the NHB will continue going forward. This is creating great uncertainty for district councils who are being asked to agree to 4 year settlements without knowing the detailed implications of any reforms to the scheme which forms a significant element of some councils total funding. The DCN would urge the Government to show greater clarity on next steps and demonstrate their real commitment to new homes, through a scheme that continues to reward and incentivise those that have delivered and will continue to deliver housing growth.

The DCN is aware of the recent announcements by the Government that they were exempting supported housing from the Local Housing Allowance rates until 2019/20. We understand that after this date there will be a new funding model which continues to fund the sector at current levels, with core housing costs funded through Housing Benefit/Universal Credit at the Local Housing Allowance level topped up by local councils who will receive a ring-fenced grant. The DCN will work closely with the DCLG and LGA in terms of the development of the technical detail of how this will work in practice to ensure that the intention of the ring fenced grant is delivered

- Expansion of private and social housebuilding by Local Authorities

It is currently not cost-effective for districts to deliver additional social housing due to the **limitations on borrowing imposed by the Housing Revenue Account system.** As recommended by the House of Lords Select Committee on Economic Affairs in their report titled Building More Homes “allowing LAs to borrow under the prudential regime to build all types of housing” would be a significant step forward and would potentially help increase delivery of housing

- Enhanced powers for LAs to take over stalled sites and build them out

The DCN would **welcome an extension of the compulsory purchase regime** to enable councils to take over stalled sites at market value more quickly than the current CPO regime allows for. Such sites could either be built out either directly by the local authority (or arm’s length company, or JV further detail below), or could be parcelled out for sale and delivery to SME builders, or for custom/self-build increasing choice and competition in the local housing market.

Additionally, a **more pragmatic approach to financing and “enabling infrastructure”** nationally to unlock sites for delivery of new homes. For example by allowing local authorities to pool CIL income and being able to borrow against future CIL income to forward-fund infrastructure which can be a key barrier to delivering

some larger sites. It would appear irrational that authorities can borrow against expected s106 receipts but are prohibited from borrowing against CIL even when charging notices have been issued.

- **Unlocking existing planning permissions**

The DCN proposes that in order to minimise the risks of slow delivery on sites with planning permission, the current arrangements for Planning Performance Agreements could be expanded into Planning Delivery Agreements, with the PDA setting out arrangements to secure actual delivery of new homes. For PDAs to work effectively, they would need to be binding on all parties, including the developer/housebuilders, statutory consultees and utility companies. A further option would be for the levy of Council Tax on unbuilt units if they do not build out to time agreed in the PDA. There should also be more freedoms to establish development corporations across LA geographies.

- **Localisation of planning fees and local plans**

The majority of fees and charges levied for public services are set locally, by the relevant authority, to reflect local costs. However two fee regimes continue to be set nationally – planning and licensing. **In the majority of cases the centrally set fees do not cover the costs of delivering the service and the DCN would emphasise the importance of receiving income which reflects the cost of the service provided in order to ensure districts can continue to invest and deliver high quality services.** The gap between income and the cost of provision is also increasing despite efforts to keep costs to a minimum, meaning in effect that council tax payers are subsidising commercial activity. The DCN has responded to the detail of the alternative provider model and urges the Government to provide clarity on the localisation of planning fees and this model going forward.

The DCN fully supported the LPEG report and recommendations and views speeding up the local plan process as vital to the delivery of more homes. DCN welcomes the report and recommendations and reiterates its offer of assistance in its implementation.

In a similar vein, DCN would also urge Government to consider allowing councils to cover the full cost of development control and licensing by being able to set the level of fees for the various applications, licences and permits. The current arrangements, whose prime beneficiaries are those who wish to have their applications, licences or permits approved, has to be subsidised by council tax payers and business rate payers in general. Matching income with expenditure would give councils security in meeting the staffing and other operating costs of regulatory work, and protect other resources that support housing growth and economic regeneration.

- **Right to buy receipts**

It would be helpful if the Autumn statement could consider relaxing the very tight rules around the treatment of Right to Buy receipts. Currently these receipts have to be spent within a three year period and match funded by the Housing Revenue Account in order to use them to build new homes. Most housing authorities with their own stock have taken a hit on their 30 year housing business plans because of the unexpected 1% cut to rents announced by the Chancellor last year and this leaves them short of funds with which to match fund their Right to Buy receipts. It

would be helpful if those authorities that can demonstrate they have clear plans for using the receipts to build homes, for example in regeneration schemes, could have an extension of the three years in which to use them. It would also be helpful if these receipts could be used at cash-value rather than the insistence on match funding

100% business rates retention and needs

The DCN has responded in detail to both the 100% business rate retention consultation¹ and the future funding call for evidence².

The DCN supports the move to 100% retention of business rates growth. This shift will allow district councils to generate economic growth and reinvest within their localities.

It is premature to decide upon the split between tiers until the additional functions have been decided. Nonetheless, it is important that if additional responsibilities are more growth-related then the authorities responsible for delivering growth should take a greater share of any uplift.

However the system will need to be introduced in a way that avoids unintended consequences (for example, ensuring a fair split nationally, dis-incentivising growth), but which also rewards those councils that prioritise business rate growth. The DCN would emphasise some of the issues that it set out in its response, which are relevant to the macro-economic environment as follows.

- Responsibilities

The DCN together with the rest of the local government community would like to make the point in the strongest possible terms **that the transfer of any new responsibilities must not only be fiscally neutral to each local authority at the point of transfer, it must remain fiscally neutral in the medium to long term.** It is also important that the funding for new responsibilities over the medium to long term is not confused with any growth incentive and the retention of business rates growth proceeds.

From the work that the needs working group are undertaking, it is clear that a new needs formula is required which properly identifies the current elements of major need based upon the 'now' rather than the 'past'. Although historic spending information is always a useful reference point, it should not be taken as a reliable measure of current need – many local authority budgets have changed significantly in recent years as they match revised priorities to reduced resource levels (and no doubt this will continue into the future).

¹ http://districtcouncils.info/wp-content/uploads/2016/09/160923-DCN-final-Response_Self-sufficient-local-government_100-Business-Rates-Retention_For_Web.pdf

² <http://districtcouncils.info/wp-content/uploads/2016/09/160926-DCN-Response-Call-for-Evidence-on-Needs-and-Redistribution.pdf>

The DCN would also emphasise the following principles (agreed with the County Councils Network and the Rural Services Network) which it would urge the Government to act upon in relation to local government finance and the autumn statement. Specifically that the system should

- be fair, transparent and evidence based and avoid unnecessarily complexity
- enable real and lasting self-sufficiency for local government
- be needs-led, account for changing pressures over time and adequately fund statutory demand-led services now and in the future
- meaningfully incentivise and enable the delivery of economic growth, infrastructure, skills and housing
- properly account for the demographic make-up of resident populations and additional costs of deprivation, sparsity and rurality
- take a whole public service approach, enable financial and service reform and recognising council services can reduce costs in other areas
- allow flexibility for local priorities and innovation

District Councils role in public health prevention and demand reduction

Whilst the DCN fully recognises the growing demand and need for services such as Adult Social Care, we would advocate that the relative needs assessment must take account of the value of prevention services and the impact these can have in reducing demand, improving outcomes and delivering long-term savings for 'upstream services' in other parts of the public sector. Any new system must incentivise prevention. A [2015 King's Fund](#) report outlined the key role that district councils play in the delivery of prevention services and concluded that such preventative expenditure repays by almost £70 for every £1 invested. The role of districts in prevention services should be considered as part of the needs assessment and DCN would welcome the opportunity to work with government on developing proposals around this, potentially exploring a taper to incentivise prevention and demand reduction work. **The DCN has also previously proposed a prevention council tax precept (a 2% prevention levy for district councils) to reflect the key role that districts play in prevention and demand reduction across the country, and this may be a mechanism through which to ensure prevention is incentivised.**

Four Year Settlement and Council Tax

The move to a four-year financial settlement and the reaffirmed commitment to the settlement as outlined in the technical consultation for the Local Government Finance Settlement 2017/18, is welcomed by the DCN.

The overall financial impact of the four-year settlement figures can only be put into context once the outcome of the consultation on New Homes Bonus funding is known – until that time it remains a challenge to plan into the medium term with any degree of confidence. Longer term – the outcome of Business Rates reform is also required to get a full picture – in particular the nature of the additional service expectations that will come local governments' way.

The proposed funding figures for latter years show significant reductions for many district councils in the final year. Although there is a wide range of impacts across the district family, **DCN would urge the Government to consider transitional measures to dampen the impact.** We recognise that these figures relate to assumptions that are being made about the reduced funding for New Homes Bonus therefore more consideration needs to be given to this issue through the separate NHB consultation. The cumulative impact of grant and NHB reductions for authorities who have worked hard to promote new house building will be particularly acute and consideration of 4 year settlements, the new homes bonus and the impact of 100% business rates retention must be done in the round to ensure that district councils are not financially worse off in the financial interplay between these 3 areas. The uncertainty also means that some districts may be reluctant to borrow externally, reducing their capacity for capital investment.

Council Tax

The DCN notes that the Government are proposing that the referendum principles relating to district councils and council tax will continue to apply for the 2017/18 settlement and that these principles will be extended to those parish and town councils which set a precept higher than the lowest district council's council tax. The DCN feel that decisions over the level of Council Tax should be a wholly local decision and not influenced by Government referendum thresholds. Referendums on council tax also add an unnecessary cost pressure.

The DCN wants to see the end of the council tax referendum policy, and local politicians once again able to determine their own local rates of tax, as democratically elected politicians. In a recent survey with our members, 89% of respondents said they would like to see the removal of the mechanism for referenda on council tax increases. Local areas should also be given local freedoms to hold revaluations, review the bands, and set the tax rate. We recently surveyed our DCN membership and 73% of respondents wanted these local freedoms and flexibilities with regard to council tax.

Consideration should be given to introducing new property values bands into the system. The introduction of new bands is a relatively simple way to proceed – it would avoid the need for a wholesale revaluation exercise.

Internal Drainage Board Levies [DN this may change as we are looking to secure agreements on wording with ADA]

The payments of Special Levy and Local Levy by councils to IDB's for the specific use to manage the maintenance and operation of drainage, water levels and flood risk is a crucial part in helping to manage water resources and reduce flood risk to people, businesses, communities and the environment. The current levy system of funding of Internal Drainage is not transparent for the local taxpayer. The costs of local drainage measures are managed and controlled by the Internal Drainage Boards and under legislation these costs are levied on the Local Authority. Where Special Levy payments form over 50% of an IDB's income, then the Local Council appointed Board members are able to democratically hold 51% of the voting rights on that Board. For many years 87% of the sum levied was reimbursed through the Revenue Support Grant. The significant reductions in Revenue Support Grant in recent years are perceived to substantially erode the proportion of the cost of drainage levies reimbursed to local authorities. As a consequence, Local Authorities

now find it necessary to raise their Council Tax or make savings against their own services to meet increases in the drainage levies voted for by the Board Members of IDBs. The Special Levy is not separately identified within the council tax bill and consequently there is no awareness or visibility to the council taxpayer that a part of their council tax payment contributes towards the vital work of the IDBs locally in terms of drainage, water management and flood defences.

DCN and the Association for Drainage Authorities (ADA) have submitted a separate joint proposal on the levies as part of the autumn statement process. This proposes that would see the Special Levy 'decoupled' from the relevant Local Authorities Council Tax and established as a precept and shown as separate entries on council tax charges. The DCN and ADA will work with DCLG to address the technical details of the implementation of the proposal.

Transitional funding measures

We would support the continuation of the Efficiency Support Grant, to support authorities through this transitional period. However, this grant should on the whole be given to those authorities that can demonstrate that they are moving towards a position of a balanced budget (through their efficiency plan).

FURTHER INFORMATION:

For further information, please contact the DCN Office in the first instance:

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