DISTRICT COUNCILS' NETWORK
Innovative and collaborative solutions for people and places

District Councils' Network Budget Representation – Briefing for debate on 'The future availability of resources for the provision of District Council services in two-tier areas'. (Lord Greaves) – Thursday 19 October

About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 200 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 over 22 million people - 40% of the population - and cover 68% of the country by area. As the housing and planning authorities, Districts are integral to the UK's future prosperity. We approve 90% of all planning applications and enabled almost 50% of all housing completions in our areas last year.

District councils have a proven track record of building better lives and bigger economies in the areas that they serve. Districts protect and enhance quality of life by safeguarding our environment, promoting public health and leisure, whilst creating attractive places to live, raise families and build a bigger economy. By tackling homelessness and promoting wellbeing, District councils ensure no one gets left behind by addressing the complex needs of today whilst attempting to prevent the social problems of tomorrow.

We congratulate Lord Greaves on securing this important debate and welcome the opportunity to highlight some of the impact of recent policy decisions on the future availability of resources for the provision of District Council Services in two-tier areas and also set out some positive proposals to secure greater financial security for district councils to deliver high quality services for our residents

Key messages

Based on the 2017-18 Settlement data from DCLG,

- **146 out of the 201 District Councils (72%) will be facing a negative RSG position by 2019-20**.

- The core spending power year on year changes in the Local Government Finance Settlement have hit district councils far harder than others, with **huge**

reductions in core spending power for shire districts of over 5% from 2016-17 to 2017-18.

- Districts are continuing to see reductions in their core spending power for the whole period, compared to other councils which are seeing a small increase.

Impact of changes to the New Homes Bonus (NHB) on district councils

- The introduction of the 0.4% baseline threshold for the NHB (under which no new homes bonus is received**) removed funding of over £70 million to district councils in 2017-18** and was passed to adult social care authorities, Despite this, 57 adult social care authorities were worse off as a result. Proper funding for adult social care is crucial but it must be from new, additional funding, rather than recycling existing local government funding.

- Raising the threshold for the NHB further – which is mooted in the Governments technical consultation on the local financial settlement - will reduce an incentive which generates support for housing growth in localities and which will have a negative impact on the delivery of more homes at a time when this is a key policy objective of the Government.

- **The DCN position is that the Government should completely remove the 'baseline' from the NHB funding. However if Government are fixed to this 'baseline', then Government should commit to no further increases in the NHB 'baseline' from the existing 0.4% level.**

Sustainable Funding of Social Care and a prevention precept

The funding crisis for social care is significant and a durable solution to it needs to be found. However the recent changes to New Homes Bonus do not constitute such a solution as they only recycled existing local government funding and do not tackle the wider need for a sustainable and long-term funding solution, alongside a far greater focus on prevention to reduce demand on hard pressed adult social care services.

- Shire districts play a huge role in prevention, especially in helping families with children which creates savings in operational social care where the greatest cost pressures lie. Equally district councils are responsible for leisure and recreational services, tackling homelessness, providing debt advice and making adjustment to homes to make them safer. All of these responsibilities reduce the burden on adult social care and NHS as they help prevent residents needing to access services both in the short and long term

- The Kings Fund report 'The district council contribution to public health' stated that every for every £1 District Councils invested in preventative services, for example home adaptions, can save the wider public sector up to £70.

- **District Councils should have the ability to raise an additional 2% 'prevention' precept on council tax to reflect the key role that districts play in prevention and demand reduction for the wider public sector**

across the country. This would raise approximately £25 million but could generate savings over the longer term many times that amount.

Growing the Economy

District Councils are the planning and housing authorities and therefore ideally placed to deliver growth and drive the economy, one local economy at a time, to raise additional revenue. **Looking forward, the review of 'fair funding' must provide long term incentives to grow the economy, whilst providing a safety net for areas where growth is more challenging.** Devolution must also extend to district areas and ensure that devolution are 'rooted in place[1]' and allow district areas to access the financial flexibilities available in metropolitan devolution deals

District councils can do more to deliver housing locally, especially the genuinely affordable homes that their communities need. They need more fiscal freedoms to unlock their potential to deliver more housing. Especially as those authorities with some of the greatest housing potential do not have a Housing Revenue Account owing to the stock transfer to RSLs. We are calling for the following changes to allow us to meet our potential

- increasing the time available to spend them and allowing councils to retain 100% of Right to Buy receipts; Local authorities with no HRA should have greater access to borrowing to

- lifting the borrowing cap for the housing revenue account;

- greater compulsory purchase powers for councils to ensure that developers can build on future certainty over rent setting policy and the sale of high value assets.

District council's also need certainty for the future of funding, including clarity on when the 100% business rates retention will come into force, the areas this will cover and what this means for councils with negative RSG amounts in the existing 4 year settlements.

Planning Fees

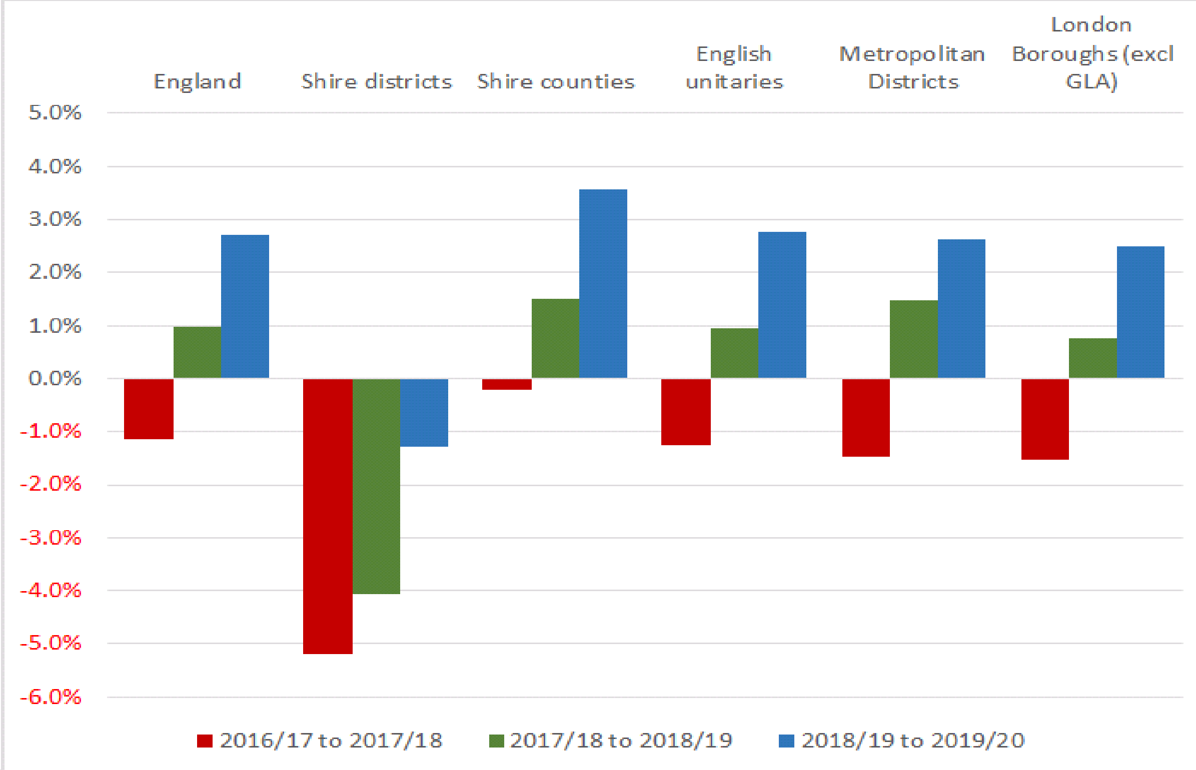
The Government announcement to enact a **20% increase** to planning fees was widely welcomed and **we would urge Government to implement this announcement as soon as possible** and we would welcome a commitment from the Government as to the exact date this will be bought forward to ensure effective financial planning. The DCN is currently considering the proposals around the detail of the further 20% increase and respond accordingly in the relevant consultation.

[1] http://districtcouncils.info/wp-content/uploads/2017/07/Collaboration-and-devolution-inquiry-final-version.pdf

Detailed Briefing

Current funding position for district councils

Based on the 2017-18 Settlement data from DCLG, 146 out of the 201 District Councils (72%) will be facing a negative RSG position by 2019-20 totalling -£56.2m. The core spending power year on year changes in the Local Government Finance Settlement have hit district councils far harder than others, with huge reductions in core spending power for shire districts of over 5% from 2016-17 to 2017-18. Districts are continuing to see reductions in their core spending power for the whole period, compared to other councils who are seeing an increase (as shown in the graph below).



The current multi-year Settlement ends in **2019-20 and there is no future certainty for Councils when setting budgets and medium term financial plan past this two year time period.** Additional cost pressures continue to rise, such as increased homelessness (44% increase over the last 6 years in the number of homeless households needing accommodation), the apprenticeship levy, National Minimum Wage and the National Living Wage (NLW). Whilst we support the ambitions of the apprenticeship policy and the principal of the NLW, these are new unfunded costs to local government which adds additional pressure.

All parts of local Government are under financial pressure. But whilst the impacts of today are acute managing day-to-day caseloads and particularly budgetary pressure, the system will only be sustainable in the long run if

- More revenue can be raised by economic growth – and districts are the planning & housing authorities which can drive the national economy one local economy at a time

- Demand for services can be reduced – and districts offer the preventative services (ranging from tackling homelessness to debt advice) that aim to solve problems for every family.

Fair Funding

The Fair Funding review is necessary and it is important that this is carried out properly and structured to enable delivery of local services. Wherever possible the assessment of needs should be evidence based and judgement should be minimised. The priority for government should be to ensure that existing services are adequately funded and resourced. DCN recognise that it is right to have a consultation on the key factors and principles of the fair funding review and DCLG should work with groups such as ALATs who have carried out significant modelling in this area to identify a set of principles to simplify measurement of need. The Fair funding review must also reflect the financial challenges facing district councils in both rural and urban areas. DCN also call on Government to provide an updated an ongoing multi-year Settlement so that Councils have some certainty to set their 4 year medium term financial plan and budget.

Fairer funding isn't just about meeting case load pressures of today – it must recognise need to reduce demand for tomorrow by solving, not just managing problems and districts councils, with their functions which focus on prevention, are best placed to do this

Impact of changes to the New Homes Bonus

Previous Government reviews have concluded that the New Homes Bonus (NHB) provides a powerful incentive to deliver new homes. In recent years NHB funding has been scaled back from 6 years to 5 years and is being further reduced to 4 years next year. Added to this reduction was the introduction of the 'baseline' of 0.4% which resulted in 14 district councils receiving no NHB allocation for 2017-18, This is particularly concern for those city centre-based authorities where there is a new disincentive to redevelop more intensively including building upwards and in national parks, where there are restrictions on growth.

The stated policy objective of providing more money for Social Care was undermined because the cumulative reductions in district/county areas like Surrey exceeded the additional Social Care grant received. The quantum of the reductions to district authorities amounted to up to 10% of net district budgets yet the money actually raised will only contribute a tiny proportion of the extra funding needed to put adult social care on a sustainable footing. The DCN continues to call for a long term sustainable solution to social care funding to be bought forward as soon as possible which emphasises the importance of prevention as well as managing demand.

The technical consultation on the new homes bonus is currently out and suggests that the New Homes Bonus may be cut further, with the Government potentially considering an increase in the baseline rate under which councils receive no new Homes Bonus course. The New Homes Bonus (NHB) has provided districts with a positive and powerful incentive to build more houses and support growth in our localities. In many cases this funding is used by district councils to invest in infrastructure and regeneration in their area, thus making their areas even more attractive places to live for future potential residents **However, the proposed 0.4 per cent threshold for the NHB is not acceptable to district councils and any suggestion that this could increase in the future will not be supported by the DCN.**

The existing baseline creates a perverse incentive which penalises district councils for delivering more housing growth. For those authorities who face difficult housing constraints the incentive to grow from a lower base is completely removed. Raising the threshold above the 0.4% baseline would also reduce the incentive for even more district councils to encourage housing growth, as set out below (based on 2017/18 figures).

Reductions to District Councils Compared to 0.40% Baseline Based on 1718 Allocations		
Baseline Level	**£ reductions Compared to 0.4% Baseline**	**No of Additional Districts Councils receiving no NHB**
0.50%	10,121,068	19
0.60%	19,422,099	30
0.70%	27,866,834	46
0.80%	35,273,628	75
0.90%	41,249,972	94
1.00%	46,293,560	109

It is essential that successful schemes such as the NHB scheme remain fit for purpose and continue to incentivise growth into the future. District Councils are also concerned that decisions relating to the NHB continue to be made only a few months before the start of the new financial year therefore impacting on the ability for district councils to understand the impact on their budgets. This runs contrary to the stated aim of 4 year settlements which was to reduce uncertainty. **The DCN position is that the Government should completely remove the 'baseline' from the NHB funding. However if Government are fixed to this 'baseline', then Government should commit to no further increases in the NHB 'baseline' from the existing 0.4% level.**

District Council Precept

Shire districts play a huge role in prevention, especially in helping families with children which creates savings in operational social care where the greatest cost pressures lie. The Kings Fund report 'The District Council contribution to Public

Health[2]' stated that every £1 District Councils invested in preventative services, for example home adaptions, can save the wider public sector up to £70.

The DCN recognises the difficulties facing councils responsible for social care and recognises the need for additional adult social care funding to meet ever-increasing demand. The funding crisis for social care is indeed significant and a durable solution to it needs to be found. However the recent changes to New Homes Bonus to provide a small amount of funding to adult social care does not constitute a sustainable solution as this only recycles existing local government funding and does not tackle the wider need for a sustainable and long-term funding solution, alongside a far greater focus on prevention to reduce demand.

DCN would also like to re-emphasise a proposal that we have raised previously, which is the relevance and importance of a new 2% prevention precept on council for district councils - to reflect the key role that districts play in prevention and demand reduction for the wider public sector across the country. This is in addition to existing council tax arrangements for district councils

If all districts raised an additional 2% prevention precept on their existing council tax charge this could raise up to an additional £25m funding per year (based on an approximate £3.52 (7p per week) annual increase on the district council charge on an average Band D property) and then deliver significantly increased savings, by solving rather than managing problems, allowing resources to be refocused on more difficult cases. This would also reward a greater focus on prevention and ensure that district councils are able to introduce a precept on reducing demand in social care through prevention just as all unitary and County Councils are able to set an additional precept on social care in order to manage demand.

The district role in health prevention is well known and evidenced. District councils have a central and fundamental role in improving housing, providing leisure and recreational facilities, offering debt advice, tackling homelessness, supporting troubled families, joined up help services and improving air quality all of which help reduce demand on social care and health services. The recent study by the Kings Fund (The District Council contribution to public health) showed that up to £70 can be saved for every pound spent on prevention investment such as home adaptions.

Therefore the extra £25 Million raised though the prevention precept, could lead to potential savings of up to seventy times the initial outlay. This will help reduce demand on hard pressed social care provision and reward a renewed focus on early intervention and reducing demand.

The table overleaf demonstrates just some of the savings that can be made through early intervention and preventative investments[3]

[2] https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/district-council-contribution-to-public-health-nov15.pdf

[3]http://webarchive.nationalarchives.gov.uk/+/http:/www.officefordisability.gov.uk/docs/better_outcomes_summary.pdf

- every £1 spent adapting 100,000 homes where a serious fall is likely to otherwise occur could save the NHS £69.37 over 10 years
- every £1 spent dealing with overcrowding in 100,000 homes that is otherwise likely to lead to health problems could save the NHS £6.71 over 10 years.
- every £1 spent improving 100,000 homes where residents are otherwise likely to require treatment due to issues of excess cold could save the NHS £34.19 over 10 years
- The average cost to the State of a fractured hip is £28,665. This is 4.7 times the average cost of a major housing adaptation (£6,000) and 100 times the cost of fitting hand and grab rails to prevent falls
- Estimates suggest that the use of acute hospital services for people sleeping rough, or in a hostel, squat or on a friend's floor, is around four times higher costing at least £85 million per year
- Sport England has estimated the economic value of sport in terms of its health benefits as £11.2 billion per year (2011-12), £1.7 billion of which is thought to be via savings to health care-associated costs.

Housing

District Councils are at the heart of housing delivery. In 2016-17 districts accounted for almost 50% of the total number of housing completions in England. Last month the Housing Minister, Alok Sharma praised[4] districts like the Gloucestershire district Councils, South Norfolk and South Derbyshire as making some of the greatest contributions to enabling new housing starts, which soared to the highest level for ten years.

But district councils can do more to deliver housing locally, especially the genuinely affordable homes that their communities need. They need more fiscal freedoms to unlock their potential to deliver more housing. Especially as those authorities with some of the greatest housing potential do not have a Housing Revenue Account owing to the stock transfer to RSLs. These include; amendments to the Right to Buy receipts, increasing the time available to spend them and allowing councils to retain 100% of Right to Buy receipts; lifting the borrowing cap for the housing revenue account; future certainty over rent setting policy and the sale of high value assets.

The housing revenue account borrowing cap in addition to the 1% rent reduction per year and the time limitation on spending right to buy receipts all supress district councils delivery of much needed new homes. There are no powers currently for local government to deal with slow or stalled delivery on sites, the actual delivery of the house building is essential to tackle the demand for new homes and to help address homelessness and affordable housing.

[4] https://www.gov.uk/government/news/housebuilding-soars-to-highest-levels-in-almost-a-decade

Authorities with the greatest housing growth potential often do not have HRAs (because of LSVT) so need fiscal levers and financial freedoms to invest outside the general fund.

District Councils are concerned that homes delivered though alternative housing vehicles may have to offer Right to Buy. This requirement will threaten the viability of models which aim to provide affordable housing for the local community. The DCN would strongly urge Government ruling out the extension of right to buy to these vehicles.

The cost and complexity of local plans and their examination continues to be a concern for many of our members. The amount of evidence required is often disproportionate and could be considered to be a waste of public money. The Local Plan Expert Group (LPEG) recommended a smaller more proportionate evidence base and we would urge Government to consider taking this recommendation forward.

Business Rates

100% Retained Business Rates

The proposed Finance Bill did not proceed through Parliament before the General Election and did not appear in the Queens Speech. Therefore the 100% retained business rates retention work has changed. Given the intention for funding of local government to be funded entirely through business rates by 2019/20, The DCN seek clarification as to the precise format 100% retention of business rates will take going forward.

Currently 50% of business rates that are collected by district are accessible to local government with the rest being controlled nationally. In district/county areas this sees a 80/20 split given the central role of districts in business growth. Therefore districts receive 40/10 split of the total business rates currently collected.

Despite this headline figure in reality after allowing for tariff payments the actual percentage retained by districts is around 8% on average (ranging between 3% & 17%) based on 16-17 data.

Pilot schemes

The DCN welcome the recent invitation form Government for further pilot areas, particularly in two tier areas, to inform development of the new scheme, although we note that the time frame is very tight**. However we are concerned that the 2018-19 pilots may not include the same 'no detriment' clause as the current pilots, which would put district/county areas at a disadvantage to current pilots.** Equally for piloting to fully work it is crucial that no area will lose out, otherwise those areas which experience less buoyant growth are more likely to lose out and conversely less likely to take part in a pilot

We remain committed to working with Government to deliver further business rates retention and re-iterate our previous message that any new scheme must balance incentivising growth and reducing demand, incentives only work if they exist for a sufficiently long period of time. If baselines are determined properly at the outset, then the system must be developed to properly reward local authorities that continue to generate economic growth. It must also ensure that those local authorities continue to benefit from a significant proportion of the increase in business rates into the longer term (i.e. beyond any resets) to allow certainty for re-investing this business rates income into future projects (i.e. infrastructure, such as link roads that unlocks economic development projects). Partial resets over longer periods reward growth and allow long term investment by authorities in infrastructure.

We would urge the DCLG to consider the approach to appeals and relief challenges nationally (for example the application for charitable relief by some NHS trusts). External companies will be the financial winners from these appeals, but the impact on Government funding as a whole is simply the un-necessary movement of funds from one Government area to another. Instances where money is simply passed from one public sector to another in relation to business rates should be minimised or eradicated, with local government fully compensated for this.

Locally Set Fees and Charges

The majority of fees and charges levied for public services are set locally, by the relevant authority, to reflect local costs, however those fees which are set nationally (i.e. planning and licensing) do not cover the costs of delivering the service and thus represent a cross-subsidy from taxpayers to developers. District Councils have invested heavily in online planning systems with the result that many more people than ever before are engaging with the planning process and making representations which need to be taken into account. This democratisation of an administrative process has produced better decisions but has added to cost. It is imperative that local authorities are able to set fees and charges locally so their income reflects the costs of the service provided, in order that authorities can continue to invest and deliver high quality services. We therefore welcome the Government commitment to increase planning fees by 20% and ask that this is introduced as quickly as possible.

In the long term, the DCN has long called for locally set planning fees so as to increase the capacity of our planning departments. The recent LGA analysis of planning application costs clearly shows that the current level of nationally set fees are heaping financial pressure on local authorities and putting councils' ability to deliver housing growth in a timely manner at risk. District councils have invested heavily in online planning systems, with the result that many more people are now engaging with the planning process and making representations, which need to be taken into account. This important democratisation of an administrative process produced better decisions but has added to cost. There is no doubt that district councils play a fundamental role in boosting growth, as the authorities responsible for housing and planning. However, as demand for council planning services increases, pressure caused by wider council funding cuts, and the ongoing inability for local authorities to recover the true cost of processing planning applications, continues to grow. This research demonstrates the importance of the Government agreeing to locally set planning fees going forward.

DCN proposes that Government allow councils to set ALL fees and charges locally, allowing them to cover the full costs of the service. Matching income

with expenditure would give councils security in meeting the costs of this work and investing in improving the service delivery, whilst protecting other resources that support housing growth and economic regeneration.

If you require any further information or have questions relating to this briefing please contact Matthew Hamilton Director of the DCN dcn@local.org.uk or on 0207 664 3049.