# District Councils' Network submission to the Comprehensive Spending Review 2020

**Date: 24 September 2020**
**Contact:** DCN@local.gov.uk

DISTRICT COUNCILS' NETWORK
BETTER LIVES – STRONGER ECONOMIES

## About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 187 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. District councils have a proven track record of building better lives and stronger economies in the areas that they serve, their agility in delivering for communities proved again in responding to the Covid-19 pandemic.

We welcome the opportunity to input into the Comprehensive Spending Review, and call on the government to prioritise:

- A framework for a fair and sustainable future for districts:
  - Meet all additional covid-related costs and lost income during 2020-21 and 2021-22
  - Reverse the decline in spending power for districts with an overall uplift in each year of the spending review between 2021 and 2024
  - Set districts free to attract and use income in ways that are locally responsive and accountable, including allowing them to set discounts and increases for council tax and business rates, to raise other levies, and to set local planning fees. Withdraw proposals to restrict borrowing through the Public Works Loans Board.
  - Replace the complexity of different national programmes with simpler allocations to councils, with long-term certainty and freedom for them locally to best meet needs.
  - Continue to incentivise home building and ensure the delivery of supporting infrastructure through the review of the New Homes Bonus.
  - Provide long-term certainty about the replacement for EU funding by adopting a seven-year funding horizon.
  - Any policy change which creates a financial burden must be properly assessed and appropriately funded, both at implementation stage and in the longer term.

- Building better lives and stronger economies as we live with, and recover from the pandemic:
  - Support for jobs, skills, and the vulnerable
  - Focus on community health and wellbeing
  - Invest in sustainable homes for social rent
  - Support districts to deliver a green recovery.

**Context**

A perfect storm for district finances

Districts have proven again that they deliver for communities and businesses, with a focus on those in most need. However, the Covid-19 pandemic has intensified and accelerated the financial pressures faced by district councils following a decade of austerity. As we detail through this submission, the pandemic has created a perfect storm– with districts facing additional cost pressures, the collapse of income streams, and the impact of the wider economic challenges in their area.

The Institute of Fiscal Studies[1] reported in August that shire districts face combined pressures from additional costs and lost income averaging 23% of pre-crisis expenditure, compared with less than 15% on average for other council types, and that even with government grants and the income guarantee, an 8% shortfall will remain.

Districts will continue to innovate in delivery to provide quality and efficient services against a backdrop of increasing demand. To collaborate with partners to build homes, deliver infrastructure, prevent poor health and revitalise high streets. And to set their local villages, towns and cities onto a prosperous and sustainable future benefitting everyone; levelling up across the country.

It cannot be over-emphasised how important longer-term financial certainty, stability and local flexibility will be an essential basis on which districts can achieve these aspirations for our citizens and businesses.

Stepping up to the challenge

Across the country, district councils have stepped up to the challenges posed by the Covid-19 pandemic – keeping essential services such as refuse collection and planning going throughout, taking on new responsibilities, and supporting the national effort to protect the shielded and vulnerable. Using their local knowledge and data to respond effectively, districts have tapped into local networks to provide for vulnerable residents and support rough sleepers. They have delivered food parcels for shielded individuals and set up buddy systems where food parcels are delivered to those who fall through the provisions set by the Government.

Districts have pivoted their whole council effort towards reopening and recovery, while continuing efforts to beat the virus. Engaging with a wide range of partners and businesses locally to understand their needs and opportunities, using their environmental health functions to ensure Covid-19 safe premises and public spaces, and bringing forward adaptations and longer-term investment strategies for adapting high streets and town centres. And as the authorities responsible for families facing particularly difficult times - a critical element of the local safety net and health landscape - districts are working hard to support and spread opportunity to everyone in their villages, towns and cities.

As the billing, planning, and licensing authorities, districts know their local economies and communities like no one else. As a result, districts can respond at pace. This has been evidenced through the delivery of the Small Business Grants Scheme and the Retail, Hospitality and Leisure Business Grants fund and more recently via the Discretionary grant scheme, tailoring the design to the needs of local priority sectors. By mid-April, districts had

---

[1] https://www.ifs.org.uk/uploads/R-174-COVID-19%20and%20English-council-funding-how-are-budgets-being-hit-in-2020%E2%80%9321.pdf p1-2

already made 428,282 payments to businesses, 54% of the total payments identified at that time, significantly ahead of other types of authorities.

**Our asks**

It is essential that Districts have certainty to plan for a longer-term sustainable future so that they can continue delivering quality, much needed services. The Spending Review must cover a three-year period, with the three-year financial settlement to follow straight after, and districts must have the information they need as soon as possible to enable them to plan for the coming years. Many districts will be looking to consult residents and businesses on budgets in late Autumn – any delay to the spending review will increase the likelihood of districts planning for significant cuts to services. We would like to see both the CSR and financial settlement published by the end of November. The spending review period will be critical for establishing a stable financial future for the essential local services that districts deliver to our communities.

District councils will need confidence in the financial system and their financial future in order to continue innovating and invest in services and in local economies. The Spending Review needs to take the first steps to properly enshrine long term, locally led investment in the economy and infrastructure as well as take steps towards a place-based rather than agency-based model of funding local public services.

Analysis from Grant Thornton undertaken for the DCN and Society of District Council Treasurers ahead of the spending review demonstrates that the impacts of covid will not be felt evenly across places, and highlights that there are significant levels of variation within county areas. With the pandemic highlighting just how much local government can do, given the powers, freedoms and funding it needs, the diverse local impact of covid reinforces our view that local, place-based responses are what will be needed to support the recovery from Covid-19.

As put into stark relief by the pandemic and recent protest movements, Government ambitions for levelling up must go beyond addressing regional variations and include interventions to address those inequalities felt nationwide. At the same time, building on those 'silver linings' of improved air quality, reduced travel times, greater connections to our local places, and community care, have accelerated a positive cultural change and should not be lost – and yet to date, it is noticeable for example that the government has not allocated any funding to local government to deal with tackling climate change and biodiversity. These are key issues our communities want us to address.

Summarised below, and explored in more detail through our submission, we urge government to prioritise:

- **Sustainable revenue funding:** Reimburse districts for all additional costs and income losses incurred as a result of Covid-19 during both 2020/21 and 2021/22 and reverse the decline in spending power for districts with an overall uplift in each year of the spending review between 2021 and 2024. New Homes Bonus is a significant funding stream, (which is helping to incentivise house building), worth nearly £300m to districts in 2019/20, and the ongoing uncertainty on the future of this is causing added pressure, particularly with pressures on other sources of income, and the collection fund. Business rates are currently an important source of revenue for districts, and the current business rate review needs to consider the impact of any changes on their immediate, and longer-term funding needs. Government should consider carefully and properly how to respond to the new ways of working while ensuring that business does contributes to the local services that enable it to flourish.

- **Economic and Social Investment**: Bring forward important investments from the UK Shared Prosperity Fund, Housing Infrastructure Fund, Social Housing Decarbonisation Fund, Local Growth Fund and expand the Stronger Towns Funds and Future High Streets Funds to recognise the nationwide impact of the pandemic. Avoid bureaucratic bidding rounds; allocating funding directly to districts. Accelerating these funds will enable districts to bring forward the many capital and regeneration projects they have planned; boosting employment and local economies. Explore other opportunities to invest in places, including land value capture. Invest in social housing, addressing the growing climate crisis, community health and wellbeing, and locally led skills provision to set the framework for building better lives over the coming years.

- **Capital Finance**: Pursue other changes in respect of capital finance that would assist with recovery and addressing demand for housing, such as enabling districts to retain all Right to Buy receipts and use them flexibly and allow councils to set Right to Buy discounts locally. Continue the review of the Green Book that currently encourages business cases to be developed in isolation from local strategies and where local impacts are not given enough consideration. Proposals for the design and scale of the UK Shared Prosperity Fund are well overdue, and consultation is needed. Relax rules on using capital for revenue so as to invest in services during these straightened times.

- **Flexibility**: Districts should be free to attract and use income in ways that are locally responsive and accountable. The Government should remove council tax referenda and allow districts to set all discounts and increases for council tax and business rates, to raise other levies, and to set local planning and licensing fees. The current centralised system has been shown to be broken - for instance, when councils have not been able to reduce licence fees to reflect that pubs have been shut for 3 months.

**In detail, the Comprehensive Spending Review should deliver:**

**1. A framework for a fair and sustainable future for districts.**

**1.1 Meet all additional covid-related costs and lost income during 2020-21 and 2021-22**

The crisis has had a severe impact on district council finances that were already stretched from a decade of austerity.

Analysis from Grant Thornton undertaken for the DCN and Society of District Council Treasurers ahead of the spending review confirms that local, place-based policy interventions are needed to support the recovery from Covid-19. Having compiled an index of vulnerability and recovery across a basket of key indicators looking at people, place, economies and health, their analysis demonstrates that the impacts of covid will not be felt evenly across places, and indeed highlights that there are significant levels of variation within county areas.

Their analysis of key economic and social indicators confirms that while deprivation is an important factor impacting vulnerability, government must take a much broader view of factors influencing local vulnerability and potential ability to recover. The report demonstrates:

- There is no clear north/south divide in terms of overall vulnerability and coastal communities appear more vulnerable across a number of factors, such as reliance on at-risk industries, and poor connectivity. Three coastal districts for example appear as the most vulnerable overall.

- More rural areas have vulnerabilities as expected around access to shops and broadband, but some urban areas have specific vulnerabilities around levels of overcrowding, and the proportion of people living in the social rented sector.
- Potentially impacting the recovery of key sources of income for districts, as well as demand for services, the majority of districts have above average levels of employment in at risk sectors, as well as above average levels of older people.

It is also important to consider that district councils have faced the biggest reduction in their spending power since 2015 compared to other types of councils. District councils have worked hard to make savings and develop new income streams to become self-sufficient as funding from central government has fallen, while demand for services has increased. They have been able to protect their core statutory services, as well as their valued discretionary services as a result. A survey of councils conducted by the LGA in 2019 highlighted that district councils, in common with other councils, already held significant concerns about their ability to protect key services in the following four years: 'Thirty six per cent of districts were most concerned about housing and homelessness, 25 per cent said waste and 16 per cent said culture and sport'.[2] The survey also demonstrated that around a third of districts had already been faced with noticeable cuts to service provision impacting sports and leisure, and funding for the voluntary sector.

The IFS reported in August[3] that shire districts face combined pressures from additional costs and lost income averaging 23% of pre-crisis expenditure, compared with less than 15% on average for other council types, and that even with government grants and the income guarantee, an 8% shortfall will remain. This overall average also disguises significant variation, as the IFS highlight:

*'It is clear that shire districts, with their particular reliance on SFCs (sales, fees and charges) and commercial income, are facing proportionally larger income and hence overall pressures than other types of councils. It is also clear that per-capita spending pressures are a bigger issue for more deprived areas, whereas income pressures as a proportion of revenue expenditure are a bigger issue for areas with higher population densities (and, once one controls for population density, less deprived areas).[4]'*

With spending per resident cut by over 40% since 2009-10, districts will be facing little option but to cut services, and/or use up reserves – with little potential in sight of rebuilding these reserves ready for the next emergency situation. Even then, the IFS tell us 4 in 10 councils would still face a shortfall if they used all the reserves they consider to be available.

Districts' income streams have suffered dramatically through the crisis, and impacts will continue to be felt over this financial year and beyond. Some income will be irretrievable. For instance, one district tells us their usual monthly car parking income of £600,000 is down to £3,000 and showing no signs of returning to pre-pandemic levels. The impact car parking fees have on supporting the local economy should not be underestimated yet they are also a significant part of a district councils' finances – any fluctuations are keenly felt. Furthermore, the increase in claimants for Universal Credit is causing a surge in people eligible for Local Council Tax Support. Government support through grants and the income guarantee are

---

2 https://www.local.gov.uk/sites/default/files/documents/Spending%20Review%20survey%20of%20councils%202019%20WEB.pdf p12-13

3 https://www.ifs.org.uk/uploads/R-174-COVID-19%20and%20English-council-funding-how-are-budgets-being-hit-in-2020%E2%80%9321.pdf p1-2

4 https://www.ifs.org.uk/uploads/R-174-COVID-19%20and%20English-council-funding-how-are-budgets-being-hit-in-2020%E2%80%9321.pdf p30

welcome, but do not go far enough – they do not fully protect districts from losses that are not of their making, and subsequently put at risk districts' contribution to the recovery.

Not only this, but restrictions on how the income guarantee can be used are resulting in unfairness. This is most clearly evidenced in the way leisure is treated through the income guarantee. The IFS reports that compared to pre-covid plans for income generation, income from Sales Fees and Charges from culture and leisure services is forecast to decline by over 50%[5]. In April 2020, our members told us that leisure services in district councils lost over £45m in income compared with April 2019. Looking ahead, they are forecasting £306m in lost income over 2020/21. Despite repeated requests, government has so far failed to deliver a funding package in support of this critical industry. Leisure centres were closed by government decree, and open with government restrictions, and yet the funding design penalises councils depending on the way leisure provision is funded in their local area, putting many districts, and their communities, into very difficult positions. The same is true for culture. Many districts subsidise cultural provision through local theatres, and some councils tell us they are anticipating at least five years before these return to profit.

It is recognised that Town and Parish Councils have also similarly had their finances adversely affected by the pandemic. Alongside NALC (National Association of Local Councils), we would support a level of separate financial support for Town and Parish Councils, instead of this being a further pressure on District Councils' finances.

Additional costs also continue to be incurred even while restrictions ease – maintaining a safe public realm, enforcing popular tourist hotspots, responding to the requirements of the Business and Planning Bill, and planning for, and managing, local outbreaks, places further demands on already stretched Environmental Health teams at a time when recruiting such professions is challenging. Housing and benefit teams continue to see an increase in claimants and expect this to increase further as the furlough scheme winds down.

Districts delivered on the government's ambition to support rough sleepers into accommodation during the immediate crisis of the pandemic, and share government aspirations to end rough sleeping, and ensure that rough sleepers don't return to the streets. However, districts tell us that the costs of this have not been fully met by government, and with the ban on evictions coming to an end, further costs will continue to be incurred, which would likely be significant as more people become priority need homeless and the duty of the council to accommodate in a market with inadequate availability of affordable or appropriate housing. Tackling homelessness through a housing-first model requires a focus not just on accommodation, but on intensive interventions with wraparound support. Ongoing government funding will be needed.

Looking ahead, future collection on business rates and council tax remains a concern not just for 2020/21 and assurances over the likely adverse effects to 2021/22 and beyond should be considered. Councils have been insulated from the wider economic crisis through the furlough and business support arrangements that the government put in place – with these ending, the increase in unemployment and in businesses ceasing to trade will present additional challenges. Local government has received compensation for the move from RPI to CPI uprating during the current Spending Review period and it would lose out if this were not to be continued.

With this in mind, Government must accept that the financial cost of covid for districts will be felt into 2021/22 and beyond. For example, the income guarantee around sales, fees and

---

[5] https://www.ifs.org.uk/uploads/R-174-COVID-19%20and%20English-council-funding-how-are-budgets-being-hit-in-2020%E2%80%9321.pdf

charges so far only covers 2020/21, but should be extended into 2021/22. Not forgetting that the guarantee itself only covers a proportion of the costs, does not extend back to the lockdown order in March 2020, and excludes several key income streams.

**1.2 Reverse the decline in spending power for districts with an overall uplift in each year of the spending review between 2021 and 2024**

Districts saw a 13.9 per cent real-terms reduction during the current spending period, bearing a disproportionate share of the local government reductions. The majority stopped receiving revenue support grant by 2019/20. In our response to the Local Government Finance Settlement in January this year, the DCN welcomed the proposal to eliminate negative RSG again in 2020-21. However, any continuing uncertainty about negative RSG represents a threat to districts' ability to set a credible and sustainable medium-term financial strategy.

Business Rates: Business rates form an important part of revenue funding for local government. Any changes in legislation or policy, including replacement of business rates with other taxes, should not diminish funding for local government. This includes continuing to ensure that local government has access to growth in business taxes as it does under the current arrangements for business rates; and that there should be arrangements for sharing the growth in shire county areas ("the tier split") based on the approach that the DCN proposed to MHCLG in 2019.

The business taxes that fund local government should be set by councils. This includes any exemptions, discounts or supplements. Councils set council tax and decide the level of council tax reduction support for working age households. There is no reason why they should not decide such issues for business taxes that fund local government.

We believe a business rates reset in 2021/22 would pose a significant financial cliff-edge for most districts against forecast business rates. The scale of impact of Covid-19 on business rates over the coming months remains uncertain, and there is a risk that gains achieved by districts will be eroded by the economic slowdown. Research undertaken by LG Futures on behalf of the Society of District Council Treasurers estimates that shire districts face a fiscal 'cliff edge' of up to £524.1m after 2020/21, from lost business rates revenue gains (£220.1m) and end of the New Homes Bonus (£303.9m). This potential loss falls to £482.0m if it is assumed that NHB funding is reallocated in proportion to each authority's baseline funding level. The analysis assumes that COVID-19 will eliminate the gains available for reallocation from the business rates retention scheme. On average, this loss of revenue is equivalent to 15.8% of shire districts' revenue expenditure in 2019/20.

If government continues with a reset, we seek confirmation that there will be transitional relief measures put in place to support councils negatively affected, ensuring that those who have worked tirelessly to grow their local economies and consequently increase these funding streams are not penalised. There remains uncertainty over the business rates reset and what this means for renewable energy receipts – districts need confidence and stability to invest for the long-term, and clarity is needed – if the receipts are to continue, districts can take a longer-term view of these receipts and the best way to use them.

We are also asking Government to close the current business rates tax loophole which allows second homeowners to avoid paying any council tax or business rates on their properties. Currently, owners of second homes can apply to the Valuation Office to register their domestic properties for business rates if their property is available to let for a minimum of 140 days per year. If registered for business rates, a large proportion of these properties qualify for small business rates relief and are eligible for 100% relief and this in turn means they have no business rates to pay.  Whilst we appreciate that the Government consulted on tightening the rules in November 2018, no action has been taken on this. We also feel that the Government consultation could go further, domestic properties should be treated as council tax payers and pay council tax, irrespective of whether they are let for part of the year or not, unless it can be shown that the property is genuinely operating as a business.

Rural Services Delivery Grant: Sparsely populated rural councils need certainty that the Rural Services Delivery Grant will be continued for 2021-22. We urge government to engage and consult with districts at an early stage before taking any steps in relation to the above.

Drainage Levies: Nearly four-in-ten (37%) district councils are subject to special levies imposed by internal drainage boards. The District Councils' Network (DCN) has previously asked the Government to seriously consider removing the internal drainage board levies from the current council capping criteria. The DCN would like these levies to be treated as a totally separate precept from that of the local authority, in just the same way as county council, police and fire precepts are.

As drainage board fees are a levy, not a precept, increases in drainage board levies are not limited and district councils must pay them out of their budget. Therefore, a major increase could have a significant effect on a council's finances. For example, if a drainage board chooses to increase its levy, which many may need to do in response to increased incidents of the kind of flooding many areas experienced this winter, the district council either has to raise their council tax to compensate or absorb the cost.

Given that districts are restricted to increases of 2% (or £5.00 on Band D for those in the bottom quartile of council tax rates) it is conceivable that an increase in council tax, aimed at providing essential services would have to be 'diverted' to pay the drainage board levy.

It seems an anomaly in this era of transparency and when budgets are as constrained as they are, as well as inconsistent and unreasonable, to have drainage board expenditure 'count' as district expenditure. The DCN would like to work with government and our regional internal drainage boards to develop a fair and transparent system to ensure council taxpayers know how their money is being spent.

**1.3 Set districts free to attract and use income in ways that are locally responsive and accountable, including allowing them to set discounts and increases for council tax and business rates, to raise other levies, and to set local planning fees. Withdraw proposals to restrict borrowing through the Public Works Loans Board.**

Mixed messages from Government are unhelpful – councils were encouraged to be innovative and self-sufficient, and subsequently developed new income streams to replace lost funding. And yet now government is seeking to place restrictions on their ability to borrow to invest – directly and indirectly - as a consequence of the proposed PWLB changes, without any move to a more sustainable funding position for the longer term.

Restrictions proposed within the recent PWLB consultation must be paused and revisited given the unprecedented nature of this crisis. Put simply, services will be reduced, and S114 notifications will follow if the government refuses to fund districts' additional costs and lost income, whilst simultaneously putting in place restrictions on districts' ability to develop new income streams. District councils should have more autonomy over how local funding is raised and utilised to drive growth and deliver the services that matter most to their communities, being held accountable for these decisions through the ballot box.

Research undertaken for the DCN by Professor Colin Copus confirms that by comparison to overseas local government taxation regimes, English local government has one of the narrowest sets of local taxation powers – council tax and business rates - and one heavily restricted and controlled by the centre. Greater fiscal autonomy will strengthen local government when faced with crisis, such as the Coronavirus outbreak, as existing finances will be more resilient and additional sources of finance will be available without the need to wait for the centre. Greater fiscal autonomy, for example, would have enabled local government to develop their own financial packages to support local businesses and their employees and to support communities with financial assistance. All of this would have supported the government's own initiatives and, given local government's closeness to its businesses and communities, councils are able to respond quickly with vital support.

The Government should enable this by allowing district councils further freedoms in the following areas:

*Local Taxation:*

- The DCN notes that the Government wishes to give local people the final say on council tax, with the power to veto excessive rises. Therefore, if referenda are to be retained, there should be much higher criteria to define what constitutes an excessive rise from 2021/22 onwards. Government should increase the threshold significantly above 3% and in addition allow district councils to apply a 3% prevention precept, raising up to £42 million a year to reduce the burden on adult social care.
- Give councils discretion to introduce a tourism tax should they choose to do so - to be set and retained locally by districts, in line with most other countries. Give councils discretion to introduce a tourism tax should they choose to do so - to be set and retained locally by districts, in line with most other countries. This would help to offset the exceptional additional costs coastal Districts faced this year and may well do for several years to come as a result of staycation. Since the relaxation of lockdown, many coastal areas such as South Hams District Council for example, have seen an unprecedented influx of holidaymakers. Coupled with a switch from traditional eat-in establishments to take-away services, this has increased the amount of litter, fly-tipping and waste collected from bins and recycling banks. For instance, on one weekend in July 2020, South Hams lifted from their litter bins 3 - 4 times the amount of waste compared with the previous year. In June 2020, the tonnage of recycling deposited in their recycling banks was approximately 60% higher than the average for June in the past three years. So far this has cost the Council approximately £6,000 in June, £7,000 in July and £12,000 in August mainly for extra bin and bank collections. Ongoing costs are expected to remain at between £10,000-12,000 per month until the holiday season subsides

*Flexibilities and Fees:*

- Determine all exemptions and discounts for business rates and Council Tax, including the design of transitional relief schemes at revaluation
- Locally set the poundage for business rates. This could be subject to a mechanism to ensure that the business rates poundage did not grow faster than council tax, so that businesses were not treated differently from residents
- Locally set planning and licencing fees enabling full cost recovery. Last year district council taxpayers subsidised planning applicants by £30 million.
- Set Right to Buy discounts locally and retain 100 per cent of sales receipts to enable delivery of more council homes. We note that the HCLG committee have reached the same conclusion and urge government to act on this: 'local authorities should receive 100 per cent of Right to Buy receipts. The time limit for using these receipts to fund a

replacement should be extended to five years, rather than three. Councils should also be allowed to combine receipts with other pots, like grant funding, to maximise flexibility. Receipts must be used to fund like-for-like tenure replacements: a sold social rent home should be replaced with a new social rent home.' [6]

- Continue to allow councils to decide whether and how much to charge for collecting garden waste.
- Allow councils to retain all HRA capital receipts without any restrictions on use. This would allow ambitious, active councils further freedom to use their assets and finances productively.

Introducing greater local flexibility around fees and charges provides the opportunity for councils to raise more income, subject to the decisions taken locally.

There is an opportunity for government to give urgent consideration to the role of the PWLB and how it could better support district councils – particularly as we look towards economic recovery where it is district councils that hold the legal levers, the local connections and the place power to drive forward the national economy.

We therefore urge the government to:

- Leave unchanged the current legislation, prudential framework and policy so that councils can borrow from the PWLB for commercial investments. The PWLB could offer a lower rate similar to that permitted for housing schemes, but for regeneration schemes.
- Reform the PWLB to offer short-term, low rate borrowing to support cashflow in times of financial stress.
- Introduce a zero- or low-rate borrowing facility from the PWLB, for revenue or cash flow if required. This would need to be accompanied by a temporary change to capital finance system to allow borrowing for revenue purposes.
- Permit a two-year holiday on Minimum Revenue Provision (MRP), which would provide short-term revenue relief and enable councils to take a longer-term view on debt repayments.
- Government could provide incentives to councils such as a discount on the cost of early repayments on existing debt.

**1.4 Replace the complexity of different national programmes with simpler allocations to councils, with long-term certainty and freedom for them locally to best meet needs.**

The National Audit Office's 2018 report into the financial sustainability of local authorities highlighted how 'the more recent funding landscape has come to be characterised by one-off and short-term funding initiatives, which can undermine strategic planning and create risks to value for money'. For example, many funding streams outside the main local government financial settlement can require application and reporting processes. Furthermore, the approach creates uncertainty that can make staff recruitment, retention and development difficult, and create cliff edges and complexity in funding and services on matters – such as homelessness and housing development – where coherence and certainty are most necessary for achieving outcomes.

The DCN considers that the current plethora of grant schemes, particularly around housing and homelessness, can be simplified. For example, Disabled Facilities Grant funding should be given directly to district councils, and the audit regime associated with housing benefit

---

[6] https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17311.htm#_idTextAnchor040 section 21

grant is considered excessive.  More recently, while government funding for the reopening of the high streets was welcome, the arbitrary restrictions on eligible expenditure have been less helpful, with a bureaucratic claims process that adds another administrative burden onto districts. Complex bidding processes are unhelpful – bureaucracy should be kept to a minimum, and democratically-elected local authorities should be trusted to deliver. Not only that but using the money for funding so called ‘covid marshals’ or ambassadors, was explicitly restricted, and yet now councils are being asked to introduce these, with confusion around any additional funding that may or may not be provided. It was disappointing that the Defra Hardship Fund was provided to county councils rather than district councils in shire county area – billing authorities are responsible for housing, benefits, and council tax support, and therefore they are the natural fit for administering this type of funding quickly and efficiently, to those who need it most – because they already know the households most in need.

To the extent that many of the revenue grants are decided by formula, these could be rolled into the Revenue Support Grant, accompanied by a transparent process about the amounts provided to each council through this route and on the basis that councils would not receive less funding as a result. To aid councils’ financial planning, councils need to be notified of the total amounts well before the start of the financial year.

**1.5 Continue to incentivise home building and ensure the delivery of supporting infrastructure through the review of the New Homes Bonus.**

In 2018/19, shire districts delivered 47% of the net additional dwellings built in England. Research undertaken by Residential Analysts for the DCN shows that that DCN authorities have been delivering an increasing share of national affordable homes, from around 30% of the total in the early 1990s to over 40% last year.

It is critical that district councils continue to see incentives for new housing so that communities see the benefit of new housing development. Councils work hard to win local support through connecting new development with the new local services and infrastructure it brings, and an incentive for home building is central to funding these services.

We call for engagement from Government with our members on the review of NHB and the approach to legacy payments. Government should seek to incentivise and reward all growth, with the reward paid over a period of years, recognising that housing growth is fundamentally dependent on local plans and district planning decisions.

We note that the government commits to providing new burdens funding to support local planning authorities to transition to the new planning system and call for engagement with the sector to establish likely costs as the detail emerges.

**1.6 Provide long-term certainty about the replacement for EU funding by adopting a seven-year funding horizon.**

Proposals for the design and scale of the UK Shared Prosperity Fund are well overdue, and consultation needed. The value of the UK Shared Prosperity Fund must be at least equivalent to the EU programmes that it replaces, and decisions on projects should be taken locally with formula-based allocations for each economic area and with all principal councils in that area involved directly in decision-making.

Government tell us that any roles that are currently directly supported by EU structural funds through existing projects will continue to be funded in line with existing contracts, as UK projects will be unaffected by the UK’s departure from the EU for the lifetime of these projects. However, we're concerned about projects where posts are funded through EU funds to 31 Dec 2020, but activity is intended to continue beyond this time, and which would therefore ordinarily be the subject of a bid to the next round of EU funding for Jan 2021 onwards. This won't be possible because the route will be via a bid to the UK SPF, which won't yet be operational. Unused EU funding should be used to cover the gap between January and April, and urgent transitional arrangements are needed to ensure there are no gaps in funding, and with sufficient time for districts to make arrangements to secure key posts during November and December.

**1.7 Any policy change which creates a financial burden must be properly assessed and appropriately funded, both at implementation stage and in the longer term.**

The New Burdens funding provided for the Homelessness Reduction Act was insufficient to sustain the work required to fully implement legislative changes, with only one in five districts feeling that the current level of funding was enough after just 6 months from its introduction. Where additional injections of funding have been provided to address this shortfall, it has been fragmented and often involves resource intensive bid processes. Many of these funds could be rolled into an expanded Flexible Homeless Support Grant, set over three years so that councils can plan services focused on prevention.

When the New Burdens Funding was launched, it was anticipated that in year 3 and beyond (2020/21 onwards), estimated savings from the implementation of the new Act would be greater than the estimated costs of the changes primarily due to reduced use of Temporary Accommodation (TA). Feedback from member councils [1] does not suggest that any savings will offset the increased costs associated with delivering the Act. We would encourage MHCLG to undertake the independent post-implementation review of the new burdens as part of the wider review of the Act.

It is essential that any new burdens resulting from changes to waste collection are fully funded in perpetuity. The DCN estimates a spend of £5.8m per year for each district to deliver Government's preferred option outlined in the Resources and Waste Strategy, a £2m increase on the costs to deliver waste and recycling services in 2017/18. This presents an unsustainable new burden approaching £400m a year. This is significantly more than the Government's modelling where the largest estimated additional yearly costs stand at £133.2m in 2023 for districts and reach only £333m for all authorities. We have worked with the LGA to commission further detailed modelling on the financial impact of the proposed waste reforms.

It is vital that the Government focuses on sustainable, long-term policy changes and in the case of waste, DCN encourages the Government to invest in strategies for waste minimisation, not just about meeting targets while consuming large sums. Additionally, if the Government implements changes to food waste charges, all costs should be completely covered.

Recent government proposals for reform to the planning system are another case in point – measures to improve digital engagement with communities are welcome, but could require significant upfront investment by councils, as well as ongoing maintenance costs.

## 2. Building better lives and stronger economies as we live with, and recover from the pandemic

### 2.1 Support for jobs, skills, and the vulnerable

Covid-19 has had a colossal impact globally, but certainly across the UK. It is estimated that the minimum jobs lost at this point is around half a million[7] across the UK.

Employment plays a vital role in building better lives and providing security to households. In order to mitigate the impact of the Covid-19, the Government can support councils in supporting residents through numerous steps including:

- Enhance the Apprenticeship Grant for Employers, so the financial burden is not on the employer, particularly in key sectors
- Pause the Levy funds expiry policy to avoid funds already committed activity which have been delayed due to the crisis period from expiring
- Support councils and partners to undertake local skills audit, based on labour market intelligence and local employer engagement, used to influence local commissioning.
- Retrain and develop skills for adults for in-demand local jobs with adjustment courses, flexible, part time learning by increasing / devolving Adult Education Budget.
- Work with councils to step up investment in create jobs, especially in sectors able to take on people made redundant elsewhere, and that achieve other goals, for instance in green infrastructure, in building social homes, and in retrofitting homes.
- Bring forward important investments from the UK Shared Prosperity Fund, Housing Infrastructure Fund, Towns Fund and more, ideally allocate to councils single pots they can use flexibly to drive through local projects and link to local job creation, matching and advice efforts.
- Continue to support councils to use public procurement to create local jobs and develop local supply chains.
- Consider implementing a Job Protection Scheme, subsidising part of the wages in the hardest hit sectors to reduce redundancies and labour costs

Councils have stepped up in an extraordinary way to meet the Government's demands of providing emergency accommodation for rough sleepers. In order to effectively address the complex needs of rough sleepers and vulnerable individuals, the Government can invest in the following areas:

- Resources to help local authorities to keep rough sleepers off the streets, including ring-fenced funding to alleviate this pressure. This could be for accommodation or for wraparound/key worker support
- Increase housing benefit to cover the cost of average rents, and lift the benefit cap so people can access this money, including re-evaluate Universal Credit, so that those in the lowest-income 10% of the population on average do not lose the most from universal credit – a 1.9% fall in their income, equivalent to £150 per year per adult.[8]
- Investment in prevention which includes wraparound services to meet the complex needs of rough sleepers and others, with max freedom to support people, and look at providing for the support needs of NRPF clients when/if accommodation is found for them.
- Increased ring-fenced funding for councils to flexibly use to prevent homelessness and families being housed in expensive and sometimes inappropriate temporary accommodation, delivering ambitions of the Homelessness Reduction Act

[7] https://www.ft.com/content/9d8875be-626b-44e3-a7b7-4cb643cf8999
[8] https://www.ifs.org.uk/publications/14083

- Work with councils to create and guarantee quality supported housing provision, and amend regulations so that the Government meets the shortfall between benefits and housing costs charged by private providers of supported housing. These costs are currently being met by councils, which is unsustainable in many places.
- Invest in a renaissance of council house building to create homes, jobs and growth

### 2.2 Focus on community health and wellbeing

Proposals for the long-term reform and funding of adult social care absolutely cannot be delayed any longer. Districts play a key supporting role in supporting social care – particularly through their housing responsibilities, and delivery of measures such as the provision of Disabled Facilities Grants. But their role is also felt more widely – helping people to age well through the provision of parks, leisure and culture facilities, social prescribing, and welfare. Through schemes such as 'walking for health', districts help beat loneliness, connect people to nature, and keep people active. For instance, in research commissioned by the LGA, Shared Intelligence note that a study by the *Fields in* Trust estimated that parks and green spaces save the NHS around £111m per year, based solely on a reduction in GP visits[9].

Districts deliver leisure services that keep people out of our overstretched and expensive health and social care systems. They are also critical public health partners with the Government. Sport and physical activity contribute £39 billion to the UK's economy – not only beneficial for health but also economy and the Kings Fund recently found the leisure services provided by districts create up to £23 in value for every £1 invested. With obesity and dementia key risk areas for complications from Covid-19, now is the time to invest to protect leisure services from collapse.

District councils also know that leisure and sport are significant contributors to our physical and mental health, general wellbeing, and our local economies, drawing people into town centres, creating spaces for community and enterprise, supporting our local businesses. A substantial funding package for leisure and culture is overdue, and desperately needed.

Based on research within our memberships, the projected loss of income for leisure services/providers over 2020/21 for 64 district councils that responded to this question is £104,640,000. The average is £1,635,000. Modelled for all 187 district council areas, we expect the total loss to be £305,745,000 for 2020/21. Members have been in touch saying that in some cases, their leisure providers will not be able to open at all. The Government can intervene with the appropriate funding to protect this vital sector.

As housing authorities, districts can help people to live independently in their homes for longer. The Disabled Facilities Grant could be expanded to address issues around poor-quality housing.

### 2.3 Invest in sustainable homes for social rent

An increase in social housing should be at the heart of the recovery. Social housing accounts for just 1/6th of total housing stock, and 1.1m households are on local authority housing lists (2018-2019)[10]. The introduction of affordable rent in 2010/11 has seen the proportion of those in the social rented sector spending more than a third of their income on

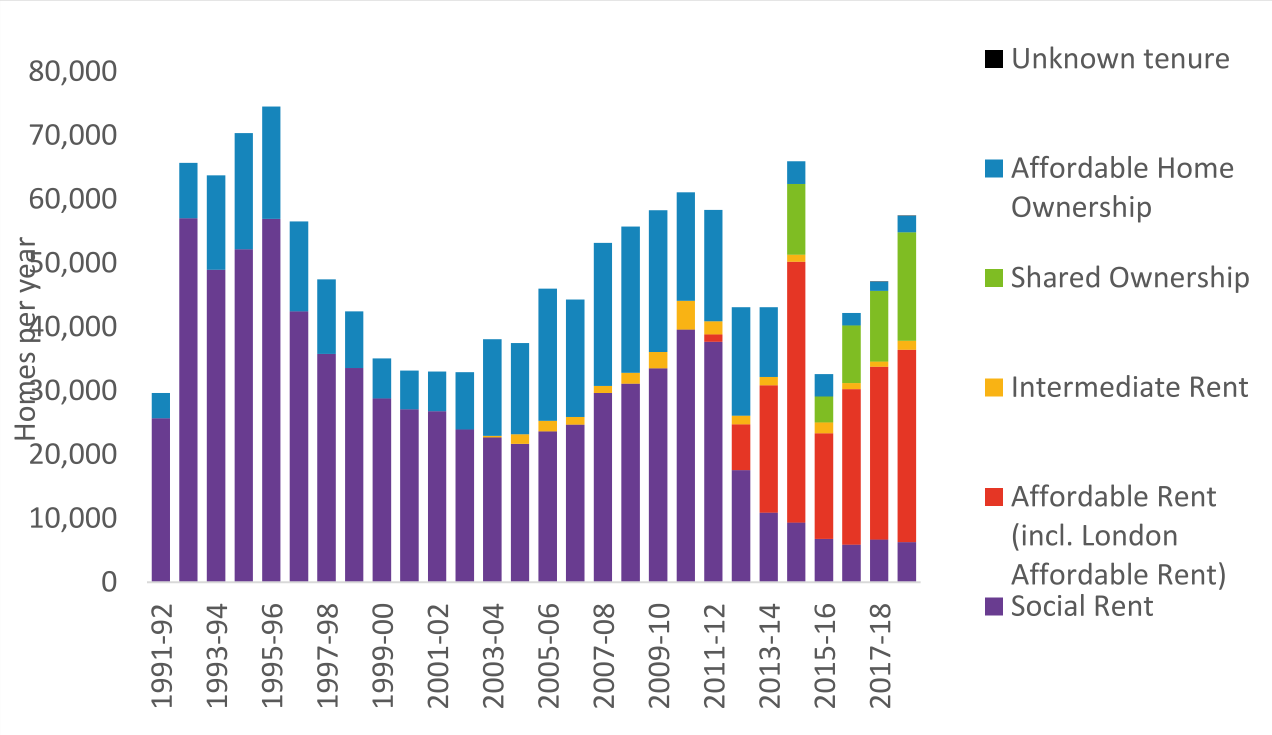
---

[9] http://www.fieldsintrust.org/Upload/file/research/Revaluing-Parks-and-Green-Spaces-Report.pdf, p6

[10] https://www.gov.uk/government/statistical-data-sets/local-authority-housing-statistics-data-returns-for-2018-to-2019

housing rise, [11] with the number of homes for social rent diminishing – as shown in the table below.

Table: Affordable housing supply by tenure




We urge Government to act on the conclusions of the government's own commissioned inquiry in building more social housing',[12] which concludes that England needs 'at least 90,000 net additional social rent homes a year, recognises that the evidence shows that spending on a long-term social housebuilding programme pays back to the Exchequer over time, and urges further grant funding from central government to deliver. As the committee have written: the cross-subsidy model has reached its limit. Government should explore other opportunities to invest in places, including land value capture.

A downturn in the property market puts affordable housing delivery via the planning system at risk. However, the opportunities are at their greatest now; capitalizing on low interest rates to invest in social housing to deliver significant returns on investment, mostly through jobs and growth and increased tax receipts, and housing benefit savings. Previous research by Capital Economics demonstrates investment in social housing 'could return £320 billion to the nation over 50 years[13]', and that 'each new social home would generate a saving of £780 per year in Housing Benefit and generate a fiscal surplus through rental income'.[14]

**2.4 Support districts to deliver a green recovery.**

Districts and their residents understand the scale of the challenge – at least 67% of districts have declared a climate emergency[15], and will be developing detailed action plans looking at

---

[11] https://www.jrf.org.uk/data/housing-costs
[12] https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17311.htm#_idTextAnchor040
[13] https://www.local.gov.uk/delivery-council-housing-stimulus-package-post-pandemic
[14] http://d3n8a8pro7vhmx.cloudfront.net/themes/5417d73201925b2f58000001/attachments/original/1519256246/CapExRents.pdf?1519256246
[15] https://www.climateemergency.uk/blog/list-of-councils/

their role as encouraging behaviour changes among their workforce and residents, adapting their practices as a major employer, and driving change in their local economies.

The £50m announced by the Chancellor for low-carbon retrofitting of social housing is a welcome start, but we urge the government to bring forward proposals for the £3.8bn social housing decarbonisation fund, to kickstart jobs and support the journey to Net Zero. We need to uprate at least eight million homes in ten years to get anywhere near on track for reaching net zero. Yet the Green Homes Grant is for one year only. This is no substitute for a multi-year plan to systematically uprate energy efficiency in domestic properties. Unless the Government replaces the grant with a long-term scheme by the middle of next year, it risks achieving very little. There are some clear areas of investment areas that the Government could look into to support green recovery:

- Provide districts with funding and resources to implement rapid decarbonisation of local infrastructure
- The Government should provide local authorities with resources to fund climate specialist and consultants to work closely with
- Invest in and link the Apprenticeship Levy, the National Skills Fund and the National Retraining Scheme at local level to support reskilling, retraining and research for a net-zero well-adapted economy.[16]
- Produce a joined-up, multi-billion pound place-based clean infrastructure fund to enable local authorities to develop low-carbon and climate-resilient infrastructure[17].

We want to see homes that are not only affordable to live in, but that enable a higher quality of life – accessible to work, transport and schools, rooted in communities, with access to high quality outdoor space. All of which will help our journey to net zero.

**For more visit https://districtcouncils.info/ Contact dcn@local.gov.uk**

[16] https://friendsoftheearth.uk/climate-change/green-recovery-local-authorities-have-indispensable-role
[17] https://friendsoftheearth.uk/climate-change/green-recovery-local-authorities-have-indispensable-role