DCN
DISTRICT COUNCILS' NETWORK
BETTER LIVES – STRONGER ECONOMIES

District Councils' Network Budget Representation - Spring Budget 2020

About the District Councils' Network:

District councils deliver 86 essential services to over 22 million people across 68 per cent of the country – building better lives and stronger economies. We are closest to the residents, communities and businesses that make our country great, and we know what they need to reach their full potential.

General comments:

The DCN welcomes the opportunity to input into the Spring Budget 2020, we have set out below our key issues and policy suggestions.

Districts will continue to deliver and improve the quality local public services that residents can see and access in their communities every day, to do this we need:

- A reversal in the decline in spending power for districts with an overall uplift in each year of the spending review between 2021 and 2024.
- Districts set 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.
- To 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.

In detail:

The 3-year Spending Review period will be critical for establishing a stable financial future for the essential local services that districts deliver to our communities. To take this opportunity, the Government should:

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.

Districts are key to growing the economy with ONS data showing that non-metropolitan areas contribute 56% of England's Gross Value Added (GVA). Between 2010 and 2015, these areas increased their GVA per head by 13%, which was double the growth rate for London. The sustainable funding of district council services will be central to continuing economic growth.

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

In 2017/18 District councils delivered 44% of the net additional dwellings built in England, and 45% of completions of affordable housing. 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.

The DCN is keen to discuss options with Government to help shape the review of the New Homes Bonus (NHB) and recognising the significant role of this income stream funding a range of important services by many district councils We call for early 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.

It is also important to note the continuing impact of the increase in the PWLB lending rate which has had a very significant impact, particularly on councils that have their own housing stock and have programmes of house building predicated on borrowing from the PWLB.

Set districts free to attract and use income in ways that are locally responsive and accountable.

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. 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.
- Introduce a tourism tax to be set and retained locally by districts, in line with most other countries.

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 tax payers 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.
- Continue to allow councils to decide whether and how much to charge for collecting garden waste.

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

Business Rate Review

The DCN would like to acknowledge the efforts the Government have made over time to engage with local government, and asks that this positive engagement continues, with attention given to the important and essential services that districts provide.

The district council role in delivering business rate growth is key, it's essential for funding services and rejuvenating town centres. It is why the current split was settled in the first place at 80/20. Districts have been the main engines of growth in shire county areas and that has led to further growth in business rate income. Any final split which delivers less than 53.5/46.5 in favour of districts would mean they are worse off overall, despite the move to greater retention and we firmly believe that a key principle in business rates reform is that all types of councils must benefit under the move to 75% retention, particularly given the proud record of district councils in generating growth in their areas.

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

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. For 191 districts 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, which we will publish shortly.

To date, the government has not allocated any funding to local government so far to deal with tackling climate change. This is an area of growing concern for residents who are keen to see initiatives such as high speed charging points, higher environmental standards in our public gardens, green transport measures etc. While the announcement about funding for

[1] Councils canvassed in 2019 for the Call for Evidence on the Homelessness Reduction Act

electric buses is welcome, the way the funding will be allocated illustrates our final point below.

A move away from one-off and short-term funding initiatives

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 grant is considered excessive. 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.

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

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.

For more visit https://districtcouncils.info/

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