# DCN Consultation Response

**Provisional Local Government Finance Settlement: Consultation response from the District Councils' Network**

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**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. 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 stronger 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.

**General Comments**

We recognise that the overall package of financial support provided by the Government for districts so far has been substantial, but there's a long road ahead, and districts are particularly severely impacted. Confirmation that the government will underwrite 75% of irrecoverable business rate and council tax losses for 2020/21 is good news, but we are concerned the scheme's definition of 'irrecoverable losses' may not cover councils' losses to the extent needed. For example, on council tax, the irrecoverable losses covered actually only relate to expected council tax liability at budget that did not materialise over the year (e.g. as a result of increased council tax reduction scheme costs or unachieved council tax base growth).

We are pleased that the income guarantee will be extended into the first quarter of 2021/22, and that the government proposes to calculate support based on 2020/21 budgets, which is the right approach. The lack of certainty and clarity around Covid grant funding has been a key frustration, so the upfront confirmation of additional Covid funding for part of 2021/22 is a positive step that will help districts to plan, although the uncertainties around their funding for 2021/22 remain challenging.

We ask that MHCLG keeps listening to districts in the months ahead, as our path out of the pandemic becomes clearer, and commits to extending the income guarantee past the first quarter of 2021-22.

Managing the complex plethora of business grants is adding increased pressure on district finance teams, with new burdens funding forthcoming at too slow a pace. The delay between ministerial announcements and subsequent publication of guidance results in high levels of enquiries from businesses who assume the funding will be available from the moment it is announced. The increasing complexity of the schemes – there are now 10 schemes open – and requirements for providing monitoring data are putting huge pressures on district teams.

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We note there is no mention of extending business rates relief into 2021/22 but, given the uncertain outlook, this should be extended.

There are also significant additional cost pressures on district council budgets, as set out below:

<u>Housing and homelessness</u>

Our members tell us their housing and homelessness case numbers are soaring – one council for example has seen caseloads more than double compared to this time last year, to 86 cases per officer. Tenancy teams are also seeing huge pressures in relation to the additional issues being faced by tenants – such as increases in domestic abuse, financial and mental health issues, and rising evictions from privately-rented properties. So far there has been no dedicated financial support at all for councils with their own housing stock.

<u>Leisure services</u>

Analysis from a survey of our members forecasts a financial hit to outsourced district council leisure centres of around £324 million this year – which will send many out of business – just as we need them for our nation's health recovery. The £100m leisure package is a good step but entails too much bureaucracy at a time when district resources are fully stretched: cost-recovery is needed, not bidding processes. The fund will go only to some leisure services and will cover only the period from December 2020 to March 2021, leaving operators and district councils to absorb the heavy losses incurred this year.

<u>Compliance and enforcement</u>

It is shire district councils who are the "boots on the ground" leading on compliance with business and retail. Funding should follow function, and shire districts should be properly funded to deliver compliance, and a proportion of the Contain Outbreak Management Fund should therefore be passported directly to districts to fund this work. The Secretary of State has directly requested that shire districts step up this work, in support of the national efforts to tackle the virus. At a minimum, we feel that this should be set at a quarter of COMF funding.

<u>Managing the financial support for business</u>

Managing the complex plethora of business grants is adding increased pressure on district finance and revenues teams, with new burdens funding forthcoming at too slow a pace. The delay between ministerial announcements and subsequent publication of guidance results in high levels of enquiries from businesses who assume the funding will be available from the moment it is announced. The increasing complexity of the schemes – there are now 10 schemes open – and requirements for providing monitoring data are putting huge pressures on district teams.

We note there is no mention of extending business rates relief into 2021/22 but, given the uncertain outlook, this should be extended.

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**In Summary: Our Asks**

- Recognise the ongoing impact of Covid-19 and commit to meeting all Covid-related costs, in both 2020-21, and 2021-22.
- Urgently review and increase the support for leisure services, addressing the inequities and inadequacy of the current competitive support package, and extending the scheme into 2021-22.
- Ensure districts are provided with the funds they need to deliver on the government's expectations for compliance and enforcement of covid-19 regulations through the Contain Outbreak Management Fund. At a minimum, we feel that districts should receive a quarter of COMF funding.
- Provide districts with flexibility to determine local council tax levels, with the ability to increase by up to £10, if they choose to do so. A £10 a year increase is less than 20p a week per household at Band D and equates to just 0.63% of the Council Tax Requirement for shire counties, (including adult social care but excluding local precepts).
- Continue to fund a housing incentive, bringing forward proposals for the reform of New Homes Bonus. DCN asks Government to temporarily remove the threshold before which payments are made in respect of housing growth in 2019/20. The threshold of 0.4% reflects historic average growth, pre-pandemic, and will not reflect the actual growth in 2019/20. As an alternative, the threshold needs to be reduced from 0.4% to the average housing growth achieved in England for the 12-month period relating to the 2021 award of NHB.
- Consider carefully and properly how to respond to the new ways of working while ensuring that business contributes to the local services that enable it to flourish. If government pursues a business rates reset for 2022-23, transitional measures should be put in place to support councils negatively affected – ensuring that those who have worked tirelessly to grow their local economies are not penalised.
- Close the current business rates tax loophole which allows second homeowners to avoid paying any council tax or business rates on their properties
- Explore freedoms and flexibilities that will enable district councils to generate income locally.
- Work with districts to identify the unintended consequences that may result from the introduction of the new lending restrictions to the PWLB.
- Reduce the plethora of short-term and one-off bidding pots, moving instead to long-term, locally determined, and sustainable funding.
- Invest in councils, reducing the reliance on council tax to fund key services, and setting out a clear and urgent plan for reform of Adult Social Care funding.
- Ensure that the 2021 Spending Review later this year is a multi-year review, with a multi-year settlement, providing districts with the ability to plan effectively.

# DCN Consultation Response

**Question 1**

**Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?**

Yes

**Additional comments**

DCN are supportive but would point out that there are now very few districts that receive this funding. We also believe the distribution methodology is now many years out of date and therefore highly unlikely to reflect current spending needs.

Given the further delays to the changes in the Business Rates Retention System and the Fair Funding Review, uprating of the Revenue Support Grant in line with the change in inflation seems sensible, and provides certainty over funding levels for Districts that receive it.

Looking ahead to the 2021 Spending Review, this must be a multi-year review, and districts must have the information they need as soon as possible to enable them to plan for the coming years.

**Question 2**

***Do you agree with the proposed package of council tax referendum principles for 2021-22?***

No

**Additional comments**

The Spending Review and Settlement signify ongoing and increasing reliance on council tax for overall core funding – the IFS calculate that council tax will account for 61% of core funding in 2021-22, compared to 40% in 2009-10. We know that ability to generate revenue from council tax favours more affluent areas and means that funding does not follow need. Government plans for 2021-22 to direct grant funding to areas facing higher deprivation is welcome, but real, new investment is needed if the government is to level up across the country – with IFS analysis pointing to a 3% fall in core funding per capita over the past six years. [1]

In addition to our call for new investment, we consider that as locally elected, and locally accountable bodies, government should refrain from setting a limit on council tax increases and leave this to be determined by locally elected and accountable districts.

However, if government continues with its proposed approach, we will want to see greater flexibility than is proposed in the consultation.

Shire districts may raise their council tax by up to 2%. We recognise that this will add to the burden on taxpayers, during what is a very difficult time for many households. However, our members tell us many will see their council tax base eroded – by increasing numbers of defaulting households and increases in the numbers receiving local council tax support. The commitment to underwrite 75% of council tax losses goes some way to address this, but

[1] IFS Briefing Note BN314, Assessing England's 2021-22 Local Government Finance Settlement p6

leaves councils footing the bill for the rest. The position is that a 2% increase would, in fact, generate less revenue than it would have done in the current financial year.

While we welcome the additional flexibility of “or £5, whichever is the greater”, the value of this for many districts will be eroded compared to the current financial year where their tax base has fallen, through no fault of their own.

Shire districts also face a detrimental position in relation to the 2% cap on council tax compared to unitary authorities and county councils. Both can generate an additional 3% for social care, and yet districts also play a key role in looking after people, through their welfare and benefits, housing, and leisure roles. PCCs can increase their precept by up to £15. Town and parish councils have no limits set. We also know that the cap leaves historically lower-precepting districts facing a gap to their peers they are unable to close, and for this reason, government could consider giving lower precepting authorities the flexibility to increase their council tax to the county or national average over a period of time.

The services underpinning the social fabric in our places should have further flexibilities to raise the funding to support the leisure, cultural and sporting amenities that will deliver a healthy recovery in our towns and cities. This helps to relive pressure on social services and the NHS. The country’s economic recovery also depends on the investment that districts make in economic development and regeneration, planning and housing growth. To support this effort, the Government must spread the opportunity for districts to raise a small additional precept should they wish to, benefiting from flexibilities similar to county and unitary councils. This should include shire district flexibility to raise their precept by up to £10, should they choose to do so. **A £10 a year increase is less than 20p a week per household at Band D**. This flexibility would allow districts to take the decision that is right for their communities locally, using their local knowledge and discretion to invest in health, wellbeing, and other local services that improve public health and reduce demands on social care and primary care service, helping to rebuild our social fabric, our resilience, and our recovery.

If the Government accepts our advice, the flexibility of £10 would allow the average district to increase its council tax by under 5.3% a year, providing broadly comparable flexibility to what is possible for shire county councils and unitary authorities. However, the amount of extra resource that might be raised, whilst welcome to district councils in supporting the range of important services we have outlined above, would be very modest compared to other types of authorities. It would be only two-thirds of the sum that might be raised by police and crime commissioners, for example, and only just over one-seventh of the sum that might be raised by shire county councils (and an even smaller proportion of the sum that might be raised by unitary authorities). **Moreover even if all districts took advantage of the maximum flexibility of a £10 increase, based on the current shire district council tax base, it would generate £75m in total, which would represent an increase of only 0.23% on total English council tax requirement in 2020-21, and 0.63% of the total Council Tax Requirement for shire counties, (including adult social care but excluding local precepts).**

We also want to make the point that early communication and consultation, and a longer-term framework that gives districts the certainty they need, will enable districts to make best use of the flexibility. The Spending Review for example mentioned only the 2%, the ‘or £5’ came in the provisional settlement over 3 weeks later.

District Councils have a clear role to play in reducing the pressure on social care authorities and the NHS, but are given no specific funding to assist with this.

We support the Government's proposals for criteria for shire county councils, although the need for the Government to produce proposals for sustainable future funding for social care is long overdue: this cannot continue to be addressed mainly through council tax increases.

We also support the proposal not to set any criteria for parish councils. This is the position all elected local authorities should be in. It is important that parish councils should continue to have complete flexibility so that they are able to play a full part in localism initiatives which see more assets and services devolved to them.

**Question 3**

***Do you agree with the Government's proposals for the Social Care Grant in 2021-22?***

Yes

**Additional comments**

DCN support the additional funding for this area but remain concerned that there remains no plan for a sustainable funding framework for adult social care. Indeed, the review hints at further cuts to spending in the years ahead. The ability to delay the 3% social care precept into 2022-23 further indicates no government intention to deliver a sustainable funding framework for adult social care before then.

Additionally, we are concerned over the historic distribution methods used as part of the Adult Social Care relative needs formula and refer to our County Council Network colleagues' response in this area.

Finally, we call on government to provide new funding to the sector for social care rather than recycling £150m of the £278m New Homes Bonus surplus for this purpose, which in previous years has been returned to the sector through the SFA.  Social care pressures have long existed and should reasonably be funded by government through new sector funding.

**Question 4**

***Do you agree with the Government's proposals for iBCF in 2021-22?***

Yes

**Additional comments**

We support the proposal but continue to be of the opinion that it would be more efficient for the Government to pass Disabled Facilities Grant funding directly to Districts, speeding up the process and allowing the money to start making a difference in the community more quickly.

**Question 5**

***Do you agree with the Government's proposals for New Homes Bonus in 2021-22?***

Yes, but with concerns about the detail.

**Additional comments**

District Councils' budgets are very sensitive to reductions in NHB (representing significant levels of Core Spending Power for most Districts) and adverse changes to the scheme will have a disproportionate impact on Districts' Finances and so we are pleased to see that there is a new round of payments for year 11. We accept that this is the final year under the current approach and pleased to see that government are honouring the previously announced legacy payments for years 8 and 9. We call for there to be a continuation of a housing incentive of some form and ask that there is a timely consultation on future proposals for the scheme.

We are also pleased that those councils who have seen a reduction in their Core Spending Power as a result of reducing bonus payments are protected via the minimum funding floor in the Lower Tier Services Grant.

However we understand that there is a surplus on the scheme of £278m which in previous years has been returned to local government through SFA share. This year, we note that, instead, the surplus is being used to fund a range of grants, including the increase in RSG, the new Lower Tier Services Grant, the increase in the Rural Services Delivery Grant and a contribution to the social care grant. Whilst we welcome a proportion of the surplus being distributed to support shire district services, and ensuring that these vital services do not see a reduction in the core spending power, either this year or in future years, we are concerned that a significant proportion of the surplus is being used to fund rural services and social care pressures which have long existed and which should reasonably be funded with new resources from central government.

We look forward to engaging with government on its review of the New Homes Bonus. This is a significant income stream for districts, worth over £280m to districts in 2020/21 and an important incentive to deliver much needed housing growth. The impact of reduced construction activity as a result of Covid means that payments due to shire districts in 2021 will likely be lower than expected. In recognition of the impact on shire districts' ability to deliver planned levels of housing growth, the DCN asks Government to temporarily remove the threshold before which payments are made in respect of housing growth in 2019/20. The threshold of 0.4% reflects historic average growth, pre-pandemic, and will not reflect the actual growth in 2019/20. As an alternative, the threshold needs to be reduced from 0.4% to the average housing growth achieved in England for the 12 month period relating to the 2021 award of NHB.

**Question 6**

***Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?***

Yes

**Additional comments**

We support the principle of a funding floor which, in 2021-22, will avoid a reduction in core spending power for almost half of district councils. However there are mixed views among our members about how the Government is choosing to fund the funding floor, by using resources that might otherwise have been allocated to all councils benefitting from the Lower Tier Services Grant. Many councils feel aggrieved that they were not protected when NHB allocations were significantly reduced in previous years. Our strong preference therefore is that the Government should, if possible, provide new resources for the funding floor and that the £25m currently allocated for this purpose from the NHB surplus should instead be distributed to all councils that receive Lower Tier Services Grant.

We note that the grant is intended to cover services such as homelessness, planning, recycling and refuse collection, and leisure services, and that electoral services are not mentioned. District councils face increased costs from holding elections before the COVID virus is fully under control and we expect the Cabinet Office to address this with new funding.

District Councils' budgets are very sensitive to changes in funding. We are therefore keen to understand whether this new approach for supporting the services that districts provide will feature in future settlements; and whether the approach to providing a funding floor will be replicated in the future when transitioning from the phasing out of the NHB scheme entirely and the resetting of the Business Rates baseline.

We are not supportive of the terminology "lower-tier" and ask that government consider calling this grant something less hierarchical. For example, community services grant or local services grant.

**Question 7**

***Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?***

Yes

**Additional comments**

DCN welcome the increase and call for the funding to be built into funding baselines in the future but remain concerned about the methodology that has been used to distribute the funding since there are some authorities with large rural areas who do not receive any RSDG allocations.

DCN also urge government to introduce new funding to the sector to support rural services instead of recycling New Homes Bonus surplus, which in previous years has been returned to the sector through SFA. We are concerned that the Government proposals are presented as if the Government has provided new funding, when in fact it has only recycled existing funding allocated to the sector.

**Question 8**

***Do you have any comments on the Government's plan not to publish Visible Lines?***

No

**Additional comments**

None.

**Question 9**

***Do you have any comments on the impact of the proposals for the 2021-22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.***

No

## Additional comments

None.