RESPONSE TO THE PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

January 2019

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.

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.

In relation to the current spending review period, as the NAO have recently confirmed "district councils will see a 13.9% real-terms reduction during this period. The majority of district councils… will stop receiving the revenue support grant by 2019-20". Districts are continuing to see reductions in their core spending power for the whole period, compared to other councils who are all seeing an increase. Overall since 2010/11 the median reduction for district councils has been just over 30%. This will need to be addressed in the next spending review period.

At a time when, due to the demands on the social care system in particular, many County Councils are struggling financially, it is crucial that the system is not further destabilised by more reductions in funding to District Councils that would undermine their ability to do work on prevention that saves money for both social care and the NHS. Now is actually the time to give Districts more financial flexibilities that will help them to deliver on their prevention role.

Key points:

- The DCN welcomes the government's decision not to increase the New Homes Bonus baseline in 2019/20. We are pleased that the consultation shows that, since its introduction, New Homes Bonus has incentivised delivery of 1.6 million new homes including 390,000 affordable homes. In line with the government's stated intention of avoiding perverse incentives in local government funding, DCN is still of the view that the baseline should be removed altogether and the New Homes Bonus retained in future as a successful incentive mechanism that rewards housing growth. We call for an early decision in favour of continuing the New Homes Bonus in full beyond 2019/20.

- The DCN believes that, in the spirit of devolution and localism, decisions over the level of Council Tax should be made by locally elected politicians and not subject to nationally set referendum principles.

- The DCN is continues to call for a basic maximum Council Tax increase of 3% or £10, whichever is the higher, to help Districts to cope with cost and inflationary pressures. We are, in addition, calling for a 3% prevention precept to reflect the role that districts play in prevention and reducing demand for the wider public sector. In order to access this additional precept, we would expect Districts to work with partners to set out a strategic "Prevention Plan" showing how the additional Council Tax raised will be invested in services that manage demand and reduce costs elsewhere in the public sector, particularly in social care and health.

- The DCN warmly welcomes the decision of the Government to eliminate negative RSG for 2019-20. We believe the government's decision honours its previous commitments to local government as a sector and is the right approach.

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

The DCN supports the methodology for the allocation of RSG, which is in line with the 4-year offer as set out in 2016/17. We would also call for certainty to be extended beyond 2019/20 as soon as possible, to ensure there is efficient and effective financial planning across the local government sector.

We are disappointed that the government will not be providing specific funding for Homelessness Prevention to the level outlined in the settlement Visible Lines of Funding document. As there is no specific funding allocated, the settlement figures imply that District Councils will have to find a combined total of £20m from Council Tax simply to maintain a service where demand is currently increasing exponentially. The New Burdens funding for additional duties under the Homelessness Reduction Act will not on its own be sufficient to help Districts to deal with cost pressures in this area.

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

The DCN welcomes the increased finding for adult and children's social care and the fact that it is not ringfenced. We support the proposed allocation formula.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

Yes, we agree. The DCN is pleased that the Government has accepted our arguments and decided not to increase the baseline from 0.4%. This helps to ensure that more Councils are incentivised to support the building of new homes as fewer fall below the baseline. In line with the government's stated intention of avoiding perverse incentives in local government funding, our view continues to be that the baseline should be removed altogether. We note from the consultation that the New Homes Bonus has been paid "in respect of 1.6 million new homes, including 390,000 affordable homes, and over 90,000 long-term empty properties returned to use." These figures are testament to the success of the New Homes Bonus as an incentive mechanism and support the argument for it to continue post the Spending Review.

The New Homes Bonus has been a powerful incentive for housing and economic growth across the country as a whole. Since the introduction of New Homes Bonus, the British Social Attitudes Survey shows that the proportion of people supporting new housing in their local area has almost doubled. Permanent housing completions in District Areas have increased by 45% since the start of 2011.

We ask for the future of New Homes Bonus to be clarified as soon as possible. **In the light of its success highlighted above, we ask for the New Homes Bonus to be retained in full as an incentive mechanism for the next Spending Review period.**

Any new approach to incentivising new homes delivery would create uncertainty and this very uncertainty would actually be a disincentive to Councils. We call for consultation at an early stage on any proposals.

Whatever happens, the legacy payments already earned under New Homes Bonus must be protected in the period of the next Spending Review, as these will already be built into Council's Medium Term Financial Plans. Districts have collectively earned £435 million in future legacy payments based on the allocations in this settlement and previous years, so to lose these would be financially crippling for many authorities. Urgent clarity on this particular issue is needed.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

Yes, we agree.

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?

We welcome the distribution of the levy account surplus. We recognise that basing the allocation on the 2013-14 SFA reflects the fact that authorities would have had lower RSG in the past to fund safety net payments, though we note that the surplus has been generated from higher levies which will have come principally from billing authorities such as Districts.

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

The DCN believes that decisions over the level of Council Tax should be a local decision and not subject to nationally set referendum principles. In the spirit of devolution and localism, it should be for democratically elected local councils to determine the most appropriate level of council tax, to drive growth and deliver those services that matter most to communities. Local politicians are already accountable for these decisions through the ballot box. Council tax referendums are an expensive alternative to existing accountability mechanisms through regular local elections.

We consider that the levels proposed should be amended to a basic maximum increase of 3% or £10, whichever is higher, to help Districts to cope with cost pressures. CPI was 2.2% in October 2018 and RPI was actually 3.3% and so greater ability to increase Council Tax is needed, simply to avoid real term reductions in Council Tax. In some Districts with low tax bases, just the national 2% pay award alone outweighs what they can generate from the current £5 maximum. A £10 annual increase by a district council on a Band D property equates to just 19p per week increase for the council tax payer (or 13p per week for a Band A property). Increasing this limit could therefore make a big difference to local councils, but would be a minimal impact to council tax payers.

We would also argue for an additional 3% prevention precept for all District Councils. A 3% precept would 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. In unitary areas, unitary councils are able to apply the adult social care precept in addition to the general Council Tax precept, but this option is only available to counties in district/county areas, which creates an imbalance in those areas.

If all districts raised an additional 3% prevention precept on their existing council tax charge, this has the potential to raise up to an additional £42m funding per year (based on an approximate £5.42 increase on the district council charge on an average Band D property). In order to access this additional precept, we would expect Districts to work with partners to set out a strategic "Prevention Plan" showing how the additional Council Tax raised will be invested in services that manage demand and reduce costs elsewhere in the public sector, particularly in social care and health.

We welcome the certainty for town and parish councils of no referendum principles being set for 2019-20.

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?

We agree with the governments approach. The DCN has long highlighted the unfairness of "negative RSG" which would have adversely impacted 146 District Councils in 2019-20. Therefore, we warmly welcome the decision of the Government to eliminate "negative RSG" via foregone business rates receipts. We believe the government’s decision honours its previous commitments to local government as a sector and is the right approach.

Question 8: Do you have any comments on the impact of the 2019-20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

No comment.