

Draft Settlement Response

This is a settlement for Leicestershire County Council which cannot be justified on any reasonable grounds and, as proposed, will have damaging consequences for the delivery of vital public services.

Over recent decades the system of local government finance has been subject to a series of political fixes, to such an extent that it is difficult to see any sense in the distribution of government funding. This is not just an issue for Leicestershire, but an issue for the whole of Local Government.

The latest redistribution of resources this settlement introduces shifts significant funding away from Leicestershire County Council and other counties to Cities and Inner London Authorities. The formula used to make that switch operates on the basis that if you have low government funding in the first place you will have a larger proportionate reduction than if you had high funding. This is a perverse and highly damaging method of distributing resources. It takes no account whatsoever of your actual spending power or local needs, which for counties where the budget is dominated by social care are growing significantly.

The problems with the system of Local Government finance go much deeper than this latest attempt at a fix. The table below picks out a few Authorities and looks at their overall spending power in 2019/20 and the level of funding Leicestershire would receive if it had the equivalent spending power. To compare unitaries and counties adjustments have been made for fire and districts have been included.

Spending Power Comparison

Authority	Spending Power in 2019/20	Extra Funding Leicestershire would receive if it had the same spending power
Islington	£2,146	£163m
Surrey	£1,944	£105m
Oxfordshire	£1,768	£55m
Westminster	£1,675	£28m
Northamptonshire	£1,623	£13m
Leicestershire	£1,577	

The table and Appendix raises a number of concerns and many questions such as;

- Are the service needs in Islington, Surrey and Oxfordshire really so much greater than Leicestershire ?
- Why is Leeds City Council £138m lower funded than the average of Islington, Rutland, Surrey and Kingston upon Thames?
- Why is Warrington £41m lower funded than Gateshead?

The principle of a four year settlement is welcome but not if its certainty, which is the Government's selling point:-

- increases the savings required and compels further service reductions in the short term, and
- does not take account of spending pressures at the end of the four years when a projected 3.5% increase in spending power for Leicestershire will be totally inadequate. Such an increase would simply not meet the needs of the over 65's, an increasing school age population and the cost of the Living Wage. The cash increase in spending power for Leicestershire County Council by 2019/20 equates to £12m. This compares to the increase in Adult Social Care costs over the same period of £50m.

It is extremely difficult to understand how a four year settlement can be issued when most of the elements of spending power will be subject to separate Government consultations. The figures published by DCLG pre-empt the outcome of those consultations.

Failure to address these concerns will no doubt result in service and financial failure for some authorities. DCLG is aware that some authorities are already teetering on the edge. Alternatively, if like Leicestershire you manage within a much lower level of resources residents will simply receive a much reduced level of local government service than elsewhere in the country. In effect a government imposed post code lottery. This hardly seems fair and will be as a direct result of a failure by DCLG, the Architects of this system, to come up with a sensible method of allocating resources.

DCLG also need to stop the pretence that the County Council has over £100m in reserves available to bridge any gaps.

Solution

The system of local government finance simply does not work and frankly no-one at the centre, locally, in business or in the academic world, believes it does – and it is becoming increasingly unfair. The system must be fundamentally reviewed including retained Business Rates, RSG, New Homes Bonus and Council Tax.

Since that is not going to happen anytime soon, the only practical way forward in the short term– which is not a solution - is for DCLG to offer some transitional relief for those authorities with low spending power.

The Chancellor's devolution agenda to support and grow the economies of cities is supported but the outcome at present appears to be at the expense of the shires. Addressing devolution to the shires should also be part of the way forward.

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

As set out in more detail above, the County Council strongly disagrees with the methodology for allocating central funding in 2016/17 and later years.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The County Council agrees with this proposal, as the council tax requirement for next year will not be established by the time of the final settlement.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

Yes.

Question 4: Do you wish to propose any transitional measures to be used?

The proposed allocation is deeply flawed and should not be implemented. If it is, there ought to be an element of damping to allow the lowest funded authorities, including Leicestershire County Council, more time to adapt to their lower than anticipated funding position.

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

The County Council has consistently argued against many of the features included in the New Homes Bonus grant, including the 80:20 split in favour of District Councils in two tier areas – particularly as county councils suffer a disproportionate effect of the top-slicing of Revenue Support Grant. As a matter of principle the County Council cannot support this proposal.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

Yes.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

The County Council has argued for many years that the various settlement formulae have consistently failed to recognise the scale of additional costs of delivering services in rural areas, especially when compared to the favourable bias applied to urban deprivation. This

proposal goes a very small way to redressing that imbalance. The County Council will not receive any of the proposed funding.

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

This seems disingenuous in the context of Revenue Support Grant disappearing for many authorities, including the County Council, over the next few years – a paper exercise and little more than a farce.

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

In the context of the removal of RSG for the County Council, no. It would be better for the grant to continue as a separate specific grant.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

This is not directly relevant to the County Council, as we did not qualify for freeze grant in 2015/16. It is however very disappointing to see that the previous elements of RSG relating to early freeze grants will effectively disappear and will be deemed to be funded by the local council tax and business rate payers of Leicestershire (and many other areas). We were led to believe that there would not be a "cliff edge" over which council tax freeze grant would vanish, but that appears to be the effect of the new, flawed allocation methodology.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

Yes.

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

In the context of the removal of RSG for the County Council, no. It would be better for the grant to continue as a separate specific grant.

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?

Yes.

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?

The grant should not to be ring-fenced.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

The County Council strongly opposes this. It is damaging enough that RSG disappears but to then lose elements of business rates income as a further reduction in funding makes the situation even worse.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

There should be protection for the lowest funded authorities, including the County Council, based on levels of Spending Power per dwelling or per head of population. The system should take account of actual Spending Power and stop the irrational preoccupation with equalising the change in Spending Power. The overall spending reduction would be achieved but with a different distribution over local authorities.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

The planned reductions to local authority funding will undoubtedly affect all of the residents of each local authority, as services will have to be curtailed or cease altogether to balance budgets. The Government has failed to take into account the significant pressures from the rising general population and particularly the rapidly rising older population. This will compound the effects of cuts to funding. The Government has also imposed significant costs on local authorities with the introduction of the National Living Wage without any additional funding. Persons who share protected characteristics will see an impact on the quality of services they receive over the next few years.

The flawed proposed methodology will also increase the problems faced by relatively low-funded authorities such as the County Council, with further implications for the services provided to vulnerable people than would be the case if a more equitable settlement methodology was to be applied.