"Spending Review 2015: A country that lives within its means"

Association of County Chief Executives

Introduction
The Association of County Chief Executives (ACCE) brings together the Chief Executives of over 30 large English upper tier and unitary county area local authorities. Members of ACCE work to identify common challenges, commission research and share solutions, and discuss key issues with senior Whitehall civil servants. ACCE works closely with a range of partner organisations, including the Society of County Treasurers (SCT), the County Councils Network (CCN) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

ACCE welcomes the opportunity to suggest how public services can be reformed and power devolved so that local people have more control.

Reforming and devolving local public services
The Government has signalled an historic shift in power for counties and cities across England. Local authorities are working together and alongside Local Enterprise Partnerships to develop radical proposals for the reform and decentralisation of public services. Their plans will help to achieve the important objectives of reducing the national deficit, increasing growth and productivity, and reshape the public sector landscape

County councils recognise that these devolution settlements will require strong leadership and governance arrangements. The form that arrangements take should be determined locally. The models adopted for the governance of large urban areas will not necessarily be appropriate in county areas. Government's focus in negotiating county area deals must be on ambition and outcomes and avoid creating unwieldy or unnecessary bureaucracy. ACCE hopes that county councils and Government can work together to focus on the local ambition and potential outcomes. The structures which deliver these must not be imposed from above: the Cities and Local Government Devolution Act should permit form to follow function.

Since the 2010 multi-year spending review, county councils have made a major contribution to the task of bringing down the national deficit, with local government absorbing the largest cuts in central government spending of any part of the public sector. This has not been achieved without pain, but local government overall has delivered significant efficiency gains, and prioritised the services local people value most.

In parallel with rising demand across our most expensive services, a similar level of reductions over the next spending period simply cannot be delivered without serious impacts on the delivery of services. The effects will be felt in crucial services for our most vulnerable residents such as adult social care and health and children's social care; services vital to our future economic growth including transport, education, and skills; and highly visible services such as routine and reactive road maintenance.

Business rates
Business rates raise £23 billion and are an important source of income for local government, on a par with council tax. The Government is legally required to spend business rate income on funding local services. The locally retained share of business rate income should be gradually increased to 100% for all areas to enhance incentives for economic growth, promote the vision of self sufficiency and fund local services. This should be accompanied by revised top-ups and tariffs to ensure no area is left behind.

One of the main sources of financial uncertainty for local authorities is the appeals system for business rates. Speculative appeals cause increased pressures for the Valuation Office Agency and uncertainty to councils which have to plan budgets on a prudent basis. The appeals system should be reformed to minimise undue risk to local government.

Council tax
English council tax bills are based on a register of properties that has not been reviewed since 1991. Values of new properties are estimated on the basis of what they would have been worth in that year. As a result, retrospectively assumed property values of new houses are likely to be out of step with the current state of the housing market. Local areas should be able to revalue properties should they choose to do so.

Since 2011-12 the average Band D council tax charge for member authorities has increased by only 2.5%, whilst over the same period inflation has grown by 10.5%. In future years democratically accountable local councils should have the option, if they so choose, of raising more money from council tax to reduce the amount of funding which has to be withdrawn from services.

Local authorities cannot vary the relative burden of council tax between different bands of property values as the ratios are set by primary legislation, with a Band H household paying three times the tax in comparison to a Band A household in every area. These ratios have not been reviewed since council tax was introduced and are no longer reflective of the shape of local housing markets, which are markedly different in places across England. Local areas should be allowed to change the relative liabilities of council tax bands and introduce new bands where appropriate.

No referendum is necessary for any of the taxes set by central government. The same logic should be applied to council tax - the primary accountability of local politicians is the same as that for national politicians: the ballot box at an election.

If the Government is not willing to abolish the limit entirely, more flexibility should be introduced in the way a council tax referendum is conducted, to ensure that an informed and considered conversation about the choice takes place before voting - for example by allowing authorities to identify up-front which budget decisions would be affected by the referendum outcome. Even a modest increase in the referendum cap up to (say) 5% would create a more flexible local system without significantly increasing the burden of taxation overall.

Funding formula
The four block model, which underpins the current distribution of the settlement funding assessment, is a widely discredited method of distributing formula funding. It is highly complex, whilst at the same time unable to reflect the nuances of differing local authorities. It allocates funding at hugely fluctuating rates and treats resources in manner totally unrepresentative of the way in which council tax is levied.

A needs-based calculation of authorities' settlement funding assessment should be undertaken to remove the inequalities currently locked into the baseline. The calculation should take account of future population projections. After this reset, authorities should be allowed to continue to benefit from the growth they achieve without interruption, for a period of five to ten years.

Longer term finance settlements
County councils endeavour to plan five years ahead. In recent years, provisional settlements have been published at the end of calendar year. The few weeks between Government's announcement of allocations and authorities' finalising the budget for the next financial year needlessly stands in the way of effective planning and strategic decision making.

In the Autumn Statement 2014, Government committed to giving local authorities and clinical commissioning groups indicative multi-year budgets as soon as possible after the next Spending Review. These settlements should span the same period as the Spending Review itself and cover the various funding streams local authorities receive. The December 2014 announcement of highways maintenance funding allocations up to 2020-21 is a clear step in the right direction.

Adult Social Care
The twin drivers of shrinking budgets and an ageing population with an increasing need for care are making these essential services unsustainable in the long term. Those pressures are more severe in county areas. Counties are under-resourced in comparison with inner city areas, receiving around a quarter of the funding per head of that received by inner London authorities[1].

County demographics, geography, funding pressures and complexity require Government to take specific and radical action to ensure the long term sustainability of social care provision. Government must not fall into the trap of assuming that the delay to the Care Act means that those challenges have been addressed: urgent action is needed now.

Government must ensure that the total £6bn for Part 2 of the Care Act is allocated to social care services to provide a more reasonable funding settlement for local services. Without a fully functioning and fully funded social care system our most vulnerable residents will be unable to receive the care and support they deserve.

Research by the County Councils Network[2] shows how funding reductions in social care budgets have led to significant downward pressure on the fees paid by county councils for residential and nursing care. This has led to unsustainable pressures in local care markets, with many providers on the edge of financial collapse. There is also growing evidence of the development of a 'two-tier' polarised market, with providers seeking an ever increasing proportion of their business from higher fee paying 'self-funders', locking out local authorities from accessing segments of their local market.

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[1] "The State of Care in Counties: The Integration Imperative", County All Party Parliamentary Group (March 2015) http://ccnnew.web-labs.co.uk/assets/files/234/County-APPG-Report-State-of-Care-in-Counties-low-res.pdf
[2] "County Care Markets: Market Sustainability & the Care Act", County Councils Network (July 2015) http://www.countycouncilsnetwork.org.uk/library/july-2013/file104/

National minimum wage
The Government's commitment to introducing a national living wage at a level significantly higher than the current minimum wage will be welcomed by many low paid workers. However it has also significantly altered county councils’ future planning assumptions. It is clear that if the costs to local government of this new central government pledge are left unfunded there will be a further pressure on the provision of frontline council services.

Some county councils already pay their directly employed staff more than the National Living Wage (NLW) but others will experience pressures as the rate moves to around £9 per hour by 2020. There is evidence, gathered by the Society of County Treasurers, which shows that for county councils estimated additional pressures of between £1m and £4m a year by 2020.

These in-house staff costs are expected to be considerably exceeded by the cost pressures associated with provider contracts. Extensive modelling work undertaken by one county council examined the impact the NLW will have on the various types of contracts. The results show that the largest pressures will be on social care contracts for residential and domiciliary care, as well as other services such as reablement and direct payments. The NLW is also expected to have an effect on contracts for highways maintenance and waste management.

In the first year of the NLW’s introduction, 2016-17 smaller county councils estimate additional pressures from contracts at between £2m and £5m, whilst larger authorities forecast costs of between £7m and £14m. By 2020 smaller authorities estimate annual additional costs between £6m and £11m and larger authorities £30m and £65m. If councils are not sufficiently funded for these additional costs there is a real risk of service failure.

Chairman of Association of County Chief Executives
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