Association of County Chief Executives

Response to the “Provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years”

1. Introduction

The **Association of County Chief Executives** (ACCE) brings together the Chief Executives of 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).

This response to the consultation sets out the Association’s significant concerns about the impacts of the provisional settlement on the people and communities served by the authorities in ACCE membership. The Society of County Treasurers’ response explores those concerns in more depth and addresses each of the 17 questions posed by the Department for Communities and Local Government.

2. The DCLG consultation process

The provisional settlement proposes fundamental changes to the Revenue Support Grant. Reductions have not been applied consistently across local authorities in the same manner as in the past. The calculation of 2016-17 RSG has been applied at service tier level and also takes into account authorities’ council tax requirement. These changes should have been consulted on over an extended period in the Summer and early Autumn of 2015: four weeks is insufficient. The Government’s own consultation guidance states that “for a new and contentious policy, 12 weeks or more may still be appropriate”. The New Homes Bonus consultation, which is likely to result in less significant changes, runs for twelve weeks and will not be implemented until 2017/18. The Home Office’s consultation on the provisional settlement for policing bodies lasts for five weeks and only very limited funding reductions are proposed.

3. Overall impact for county area local authorities

The provisional settlement is intended to address “the particular pressures experienced by councils which provide adult social care and children’s services” by allocating “funding in a way that reflects the different sets of services that councils provide” (para 1.10). The funding proposals for county area local authorities fundamentally fail to match this aspiration. The table below shows change in Revenue Support Grant across types of authority – of those with social care responsibilities, counties see the greatest loss in funding, with London and Metropolitan Districts seeing the smallest losses.

	15-16 RSG	16-17 RSG	Change
Type of Authority	£m	£m	%
England	9,509.365	7,183.929	-24.5%
SCT Members	2,832.124	1,986.384	-29.9%
Inner London (inc City)	849.700	686.405	-19.2%
Outer London	908.281	688.626	-24.2%
Metropolitan Districts	2,442.125	1,925.013	-21.2%
Metropolitan Fire	133.230	117.917	-11.5%
Unitaries	2,012.225	1,503.117	-25.3%
Shire Counties	2,350.680	1,644.860	-30.0%
Shire Districts	422.351	265.151	-37.2%
Combined Fire Authorities	215.177	182.696	-15.1%

(Source: Society of County Treasurers / County Councils Network)

The local government finance system should:

- Provide for a method of redistributing funding between local authorities which takes account of the available resources and the local needs and
- Soften the impact of changes to the way that that takes place through the use of thresholds such as "floors" and "ceilings".

The Association is concerned that the present proposals do not achieve either of those aims. A proper consultation should be undertaken seeking views from local government on, inter alia, aligning the method of allocating RSG to changes in the New Homes Bonus and the increased funding for the improved BCF.

4. Social care pressures

ACCE is concerned that the proposed redistribution model fails to take proper account of adult social care demand trends in county areas and heightens the risk of NHS failure. Ministers could end up spending more on remedying failures rather than being proactive and mitigating this heightened risk now. The Association urges the DCLG to delay the redistribution of Revenue Support Grant until it has identified a more equitable method for allocating funds across local authorities. It is essential that a fair and equitable method of allocating resources is determined with proper input by all interested parties. The rationale for the changes must be founded on a clear understanding of a number of factors:
a) Demand-led pressures, especially in adult social care
b) Unallocated Reserve levels
c) Ability to deliver increased income from the precept

Pressures on adult social care services provided by local authorities are rising across the country, due both to an ageing population, and the increased longevity of younger adults with severe disabilities. These are particularly acute in county areas where they have been exacerbated by historically low levels of funding for social care. As a result, the Government's proposal to decrease funding at a much faster rate for county area local authorities than was initially suggested by the Spending Review leaves them facing critical decisions about social care services. There is significant concern in those areas that the measures needed to achieve these savings will have a knock-on impact on local NHS services.

ACCE members are opposed to the changes to the distribution methodology for Revenue Support Grant because they only take into account resources councils are able to raise; they ignore the other side of the equation, namely, changes in need between authorities. The latest Mid-Year Estimates for 2014 population figures, published by the Office for National Statistics (ONS) in June 2015, show more than 1 in 5 residents (20.6%) of ACCE member authorities are aged 65 or over. In two ACCE member authorities the proportion is greater than 1 in 4, compared to an average of 17.6% for England.

The Association would be pleased to support with the DCLG and Department of Health (DH) on the development of a new social care needs formula, which takes into account current and future demographics for social care.

5. Council Tax

ACCE recognises and accepts that the purpose of the flexibility is to provide funding for additional spending on social care which would not otherwise be available. However, the Association is concerned by the complexity of the reporting requirements, notably the obligation to continue to demonstrate income from the additional flexibility as additional spending in future years of the Spending Review This is likely to become very complex after two to three years and members question the value of reporting such information in a context where the overall social care budget may be reducing anyway.

The Government should give consideration to allowing an additional 2% for social care on the total of the district and county council tax amounts in two-tier areas. The current proposals effectively disadvantage two-tier areas, as unitary authorities are able to levy the 2% increase for social care on a larger council tax amount than county councils, where the charge is lower reflecting that districts deliver some services.

The presentation of the additional 2% has been unhelpful in local communications. The detail of the announcement confirms that the funding is expected to meet the increased wage bill caused by the "Living Wage" announcement. Many authorities were planning on the basis that as a cost resulting from a government policy change this would be funded on a 'new burdens' basis. For those authorities this change is therefore a 'cost shunt' from Whitehall to local taxpayers rather than, as portrayed, an alleviation of the broader financial challenge.

6. Improved Better Care Fund

The Association recognises the Spending Review’s ambition for health and social care integrated across the country by 2020. The continuation of the BCF and development of integration plans with the NHS will enable county areas to drive out efficiencies. ACCE will continue to support work with government to ensure that financial incentives are realigned to focus on early intervention and prevention, rather than rewarding patient contacts. Without this the integration of services will only have a limited impact. However, Government’s failure to front-load funding for adult social care in a similar manner to the NHS will hinder the pace and scale of the integration.

The Association remains deeply concerned that even if county area local authorities each raise the additional 2% in Council Tax for adult social care and had the BCF budget front-loaded, there will still be significant funding gaps for adult social care.

The consultation paper invites views on the proposed approach in Chapter 6, for allocating additional funding through the improved Better Care Fund. ACCE does not support this approach as it unfairly penalises councils which are able to raise a greater proportion of their income through council tax. The use of the adult social care relative needs formula to determine overall funding is more advantageous to authorities in deprived areas, which generally have lower Band D council tax levels. Consequently, the inclusion of figures for the potential income from the social care council tax flexibility compounds this problem. As a result, counties are effectively doubly disadvantaged by this allocation methodology.

The methodology also assumes that councils will implement the full increase of 2% for social care. In areas with higher Band D levels, the full 2% increase is evidently a larger cash amount and therefore the decision to increase by 2% is likely to be more politically difficult than in areas where the cash amount would be lower. In principle, ACCE does not support the inclusion of funding which is subject to local decision-making in the calculation of funding allocated by central government. As the 2% council tax increase in some areas would raise a relatively low amount, it is easy to imagine circumstances in which some authorities will decide not to take advantage of this flexibility, thereby freeing themselves of the complex council tax reporting requirements, as well. Nevertheless, these authorities would still be able to benefit from significant funding through the BCF; whereas county area authorities that chose not to implement the council tax increase will only receive very limited funding through the BCF.

ACCE suggests that allocations are made according to an updated needs formula, which does not make assumptions that councils will raise the additional 2% social care council tax flexibility. As mentioned above, excluding taxbase differences, single-tier areas are effectively able to raise more from this flexibility, as the council tax charge supports upper and lower-tier services, whereas in two-tier areas the county precept only supports upper-tier services and is therefore generally lower. It is also essential that the additional BCF money does not come with complex reporting requirements or additional duties to fund. Local authorities should have maximum flexibility to spend this funding in the way most appropriate to support care services in their local areas.

7. Use of reserves

There is a strong steer that Government expect county area local authorities to off-set larger reductions in RSG during 2016/17 and 2017/18 by using unallocated reserves. Government is using questionable financial management practice and making over-optimistic assumptions about the potential to use reserves to support revenue spending. Reserves can only be used as a one off. They are not the solution to local authorities seeing services through to a period when Government hopes there might be an upturn in local authorities’ fortunes.

8. Future local government finance settlements

The Association welcomes the Government’s offer of a four year funding settlement to 2019-20 as part of the move to a more self-sufficient local government. The increased certainty over resources will enable longer term planning The first two years of the settlement are likely to be the toughest. County area local authorities therefore need to be confident that the levels of funding are derived from an open and transparent process. ACCE members would, if that were the case, be more able to support their local authorities in meeting the challenges over the four years.

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Chairman of the Association of County Chief Executives

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