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# CCN Consultation Response

## ***Provisional Local Government Settlement 2023/24***

**Introduction**

1. The CCN represents 36 English local authorities that serve counties. The 23 county and 13 county unitary authorities that make up CCN are the largest part of the local government family. They represent all four corners of England, from Cumbria to Cornwall, Durham to Kent, North Yorkshire to Suffolk, Derbyshire to Essex.

2. The essential services our members provide touch on the everyday lives of residents and businesses across 86% of England's landmass and 47% of its population. The areas represented by our members constitute 38% of local government expenditure; 44% of total public expenditure (£201bn); and generate just under half of all tax revenues (£255bn). The economies of our areas contribute 39% of Gross Value Added (GVA) and 42% of all employment.

3. CCN welcome this opportunity to respond to the consultation on the provisional local government settlement 2023/24. Below we set out detailed responses to the consultation questions. Before this, we set out our overview response to the settlement, including on the continuing financial challenges.

**Overview**

*Quantum of Resources*

4. In the lead up to the most recent Spending Review, CCN outlined the scale of the financial challenge facing our member councils in both 2022/23 and 2023/24 as a result of rising inflation. Our analysis showed that our councils across these two years faced £3.5bn of demand and inflationary pressures,[1] with our separate Budget Survey showing that only one in five of our member councils were confident in setting a balanced budget in 2023/24 without additional financial support.[2] To help meet the financial challenge, CCN argued that the Government needed to delay forthcoming charging reforms in adult social care and prioritise retaining and reinvesting £3.2bn of earmarked funding over the next two years for core services.[3]

5. CCN are therefore pleased that the Government listened to our advocacy in the lead up to the Autumn Statement by delaying reforms and retaining funding for councils, alongside providing additional resources to support to adult social care and increasing council tax flexibilities. We also strongly welcome the extension of the Household Support Fund for councils, which will allow our members to provide more support to families through the cost-of-living crisis, as CCN has previously called for.[4]

[1] https://www.countycouncilsnetwork.org.uk/worse-than-austerity-councils-warn-that-any-cuts-to-their-budgets-next-year-would-mean-they-are-only-able-to-offer-the-bare-minimum-in-local-services/
[2] https://www.countycouncilsnetwork.org.uk/only-one-in-five-of-englands-largest-councils-are-confident-of-setting-a-balanced-budget-next-year/
[3] https://www.countycouncilsnetwork.org.uk/councils-call-for-delay-to-flagship-social-care-reforms-warning-services-face-a-perfect-storm-of-financial-and-workforce-pressures-over-the-next-12-months/
[4] http://www.countycouncilsnetwork.org.uk/download/4473/

6. As CCN stated in response to the announcement,[5] the outcome is better than envisioned. We strongly welcome the government prioritising local government as an area for investment, with councils spared any further reductions over the next two years and seeing a rise in funding due to the additional resources for social care and extra flexibilities on council tax.

7. Despite welcoming the overall increase in resources, CCN have been clear that our councils would nonetheless continue to face a significant funding shortfall regardless of how the funding announced at the Spending Review was distributed at the provisional settlement. While the announcements help meet inflationary and social care pressures, councils still face very difficult decisions over the next two years, with little resource available for local leaders to protect non-care services and deliver improvements to vital services. In addition, some county leaders may be reluctant to levy a 5% council tax increase during a cost-of-living crisis considering ratepayers in county areas currently pay the highest bills on average.

8. Looking further ahead beyond the next two years, a reduction in planned funding growth from 2025 could be extremely difficult for local services, which are already under immense pressure. Unless government addresses inflation next year, and the economy picks up before 2025, councils' funding shortfall will grow year-on-year and become unsustainable.

*Social Care Resources & Conditions*

9. Confirmation that the reforms for adult social care will be delayed is a difficult decision but completely necessary. CCN understand that many will be disappointed but postponing these reforms and reinvesting a significant part of this additional funding into frontline care services is strongly welcomed and will protect the most vulnerable in our society as well as provide councils with vital time to stabilise the care system. This will go a long way to enable our councils to address existing pressures, commission more care packages, and ensure that the reforms are a success on day one of their introduction in 2025.

10. We strongly welcome the government retaining £3.2bn of earmarked funding for social care reforms over the next two years, distributing this using the adult social care relative needs formula and allowing councils to use the funding to meet inflationary pressures in both adults and children's social care.

11. Alongside this, the government have provided further resources for adult social care across the next two years. In the next financial year this includes £400m directly to councils and £600m jointly through the Improved Better Care Fund, of which £300m will be distributed to councils. This additional funding, alongside the existing £500m discharge fund, will support councils in delivering improvements to adult social care, including uplifting care fees, supporting the workforce, and speeding up hospital discharge.

12. While CCN welcome this additional investment, councils are still awaiting further guidance from the Department for Health & Social Care (DHSC) on grant conditions and reporting requirements. We urge the government to provide these details as soon as possible and minimise the conditions and reporting requirements to allow councils to work most effectively with local NHS partners.

13. Specifically, the settlement distributes £400m of additional adult social care grant alongside £162m for fair cost of care (FCoC) within the Market Sustainability and Improvement Fund. CCN welcome the retention of the £162m and support the overall distribution of this

[5] https://www.countycouncilsnetwork.org.uk/autumn-statement-2022-ccn-response/

funding. However, with charging reforms to adult social care delayed, including Section 18(3), it is critical that the government clearly communicates in forthcoming guidance to providers that the increase in the Market Sustainability and Improvement Fund is not solely to fund a fee uplift. It is to support a much wider range of adult social care improvement activity, including workforce recruitment and retention.

14. DHSC should be fully aware that social care providers' expectations were raised in 2022-23; as a result they are putting pressure on local authorities to honour rate increases in rates that were promised for 2023-24, when funding for this policy was expected to be higher and reforms were to be introduced that necessitated higher fee levels. These are potentially significant sums, and much greater than the £162m grant funding being provided. Councils should not be in a position where providers, potentially in legal challenges, cite the increase in Market Sustainability and Improvement Funds as a reason to fund higher, unaffordable, increases in fees.

15. Councils are committed to raising fees in line with the stated policy of 'moving towards' a FCoC, and in line with the allocations of the £162m they have been provided with to fund this. Any decisions to raise fees beyond this should be the decision of the local authority as part of an overall plan to stabilise local care markets and improve adult social care provision.

*Distribution of Resources*

16. CCN broadly supports the proposals in the provisional local government finance settlement for 2023-24. Below, we highlight some key aspects before providing detailed responses to individual areas.

17. The provisional settlement in 2023-24 delivers a 9.2% increase in Core Spending Power (CSP) for local government as a whole. On average, CCN members will receive a higher-than-average increase in CSP (9.7%), although 14 out of our 33 pre-existing member authorities will receive a CSP increase that is less than the national average of 9.2%.

18. There is a range of outcomes for CCN's member authorities. Derbyshire, Lincolnshire and Lancashire have the highest increases in CSP (11.0%, 10.9% and 10.7% respectively), and Buckinghamshire, Wiltshire, Central Bedfordshire and Surrey have the lowest (7.3%, 7.6% and 8.3% respectively).

19. CCN would in particular highlight that the decision to repurpose the lower-tier services grant to fund the 3% funding guarantee has meant that our unitary member councils have received a lower increase in core spending power than expected. With district councils overwhelming the beneficiary of the funding guarantee, CCN would have preferred if the government had funded the guarantee from additional resources, rather than repurposing funding that had previously been distributed to all unitary authorities.

20. CCN welcome the government listening to the advocacy of CCN and taking a proportionate approach to council tax equalisation within the distribution of the additional funding for adult social care. The distributional decisions made by ministers have helped to narrow the gap between the largest and smallest increases in CSP, while ensuring those with higher 'needs' receive larger increases in funding.

21. Crucially, achieving the increases in CSP that are outlined in the settlement will require local authorities to increase their Band D council tax by the maximum available. Whilst some will welcome the additional flexibility that the 5% threshold will give them next year, for many the cost-of-living crisis affecting their residents will make them reluctant to use the full 5%

threshold. As a result, CSP increases will not be as high as announced in the settlement – and this will affect the ability of our member authorities to tackle the social care pressures in their area.

22. Overall, the additional funding for local government that was announced in the Autumn Statement in November 2023 will make a very significant contribution to the financial pressures that are building-up in our member authorities. However, it is being widely reported to us by our member authorities that financial pressures such as inflation are rising by more than the increase in their resources. Despite the improvement in funding, councils will remain under severe financial pressure in 2023-24.

*Funding Reforms*

23. Another delay to the Fair Funding Review and wider reforms to local government finance is disappointing but not unexpected. Whilst our member councils are focused on immediate pressures resulting from inflation, we are pleased the review has not been scrapped and Ministers have set out as part of this consultation that they will still engage the sector on implementing reforms at the beginning of the next parliament.

24. It is vital that the government revisits this policy and works towards implementing it in the future. The age of the funding formulas used in the settlement is now really starting to show, in both the Adult RNF and in the SFA.

*Reserves*

25. As outlined in the response by the Society of County Treasurers (SCT), the government's commentary around the state and level of local authorities' reserves is unhelpful and suggests a lack of understanding of financial resilience and prudence. In uncertain times, more reserves are required to mitigate risks, not less. In addition, greater understanding is needed of what makes up these reserves, for example a significant level is unusable or committed and thus the actual usable level is far lower than stated. The government must not attempt to force local reserves down to an unsustainable level. CCN is keen to work with DLUHC to expand on helping greater awareness and understanding of local council's reserves.

*Settlement Length & Timing*

26. As outlined above, CCN broadly supports the proposals in the provisional local government finance settlement for 2023-24 and also the principles underpinning the settlement for 2024/25, which were outlined in the Local Government Finance Policy Statement. We recognise the importance of giving local government a stable settlement this year and we welcome the government providing the policy statement to give an indication of the settlement for 2024/25.

27. However, it remains the case that a multi-year settlement should be provided to the sector beyond this point, and we want to work with the government over the coming period to achieve this. Moreover, while the policy statement did give local authorities the key details of the settlement before its formal announcement, it would been preferable if the provisional settlement had been announced earlier, as previously recommended by the Hudson Review.

***Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?***

28. Revenue Support Grant (RSG) will be uprated using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The distribution of RSG will remain the same. "Negative RSG" will continue to be eliminated.

29. The change from RPI to CPI is reasonable and is one that was announced in the Budget 2017. Of course, our member authorities would have preferred the higher increase in RSG that would have flowed from using RPI but we recognise the pressure on the public finances. It is very welcome that RSG continues to be uplifted to match inflation.

30. Continuing to eliminate "negative RSG" is a sensible decision and continues recent practice. 14 of our member authorities benefit from this decision. However, the issue of "negative RSG" only arises because of the higher level of cuts in Settlement Funding Assessment (SFA) to these authorities in past years.

***Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?***

31. We support this decision and, as far as we are able to judge, the transfers have reflected the current grants received by local authorities.

***Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?***

32. All CCN member authorities will be able to increase their "core" Band D by up to 2.99% and then a further 2% for the ASC precept. The "core" threshold is higher than for the current financial year (1.99% in 2022-23) and will raise an additional £150m for county authorities.

33. County authorities will collect up to £300m if they use the full 2% ASC precept threshold. CCN supports the decision to increase the council tax thresholds for 2023-24 and to give local authorities greater flexibility in how they set their Band D for 2023-24. Council tax is an important source of funding for local government, and we would always support a higher threshold and more flexibility for local authorities.

34. But there is a limit to how much local authorities can ask their residents to pay. Our member authorities are very much aware that their residents will struggle to pay an increase in council tax next year, and they will want to balance the needs of local services with the ability of residents to pay. We are also aware that some of our member authorities will decide not to use the full Band D threshold – and this is not a sign that their finances are not under pressure, but that they are taking action to protect local residents at a difficult time.

35. Equalisation within the Social Care Grant means that local authorities effectively do not "keep" the 2% social care precept increase. The distribution of the Social Care Grant assumes that all authorities use the full 2% precept, and this is partly then deducted from allocations. There is an expectation that all councils will use the full 2% precept, which will not be the case in 2023-24.

***Question 4: Do you agree with the government's proposals for a new Funding Guarantee?***

36. CCN supports the general principle of giving all local authorities a minimum floor for core spending power. This ensures that no authority has very large reductions in their resources, and gives authorities some certainty about their future funding.

37. However, as stated previously, the decision to repurpose the lower-tier services grant to fund the 3% funding guarantee has meant that our unitary member councils have received a lower increase in core spending power than expected. With district councils overwhelming the beneficiary of the funding guarantee, CCN would have preferred it if the government had funded the guarantee from additional resources, rather than repurposing funding that had previously been distributed to all unitary authorities.

38. There is also no justification for why the floor guarantee is 3% and why it has increased from the 0% that was used in the Lower Tier Services Grant (LTSG). The additional cost is not significant (the 3% floor element costs £135m and it was only £19m in the LTSG). So, this is an issue of principle more than cost – although having a more-generous floor does reduce the amount that is available for social care. It has also meant that the Services Grant is lower, as we explore later on in our response.

39. CCN has some minor questions about the design of the "floor". The first is that it is inconsistent to exclude the Band D increases when calculating the 3% floor but to include them when equalising the ASC precept. The second is that authorities should not be fully-compensated for reductions in NHB. This is an incentive and should not be built into authorities' budgets (should it be included within the definition of <u>core</u> spending power?), and NHB should have been phased-out already. The new 3% floor will now bake-in any future losses of NHB for some authorities.

40. The use of "spare" resources that are not used for the 3% floor guarantee are distributed using the Settlement Funding Assessment (SFA) rather than the Lower Tier EPCS formula that was used in the Lower Tier Services Grant (LTSG). We support this change in the formula because the LTSG wrongly excluded shire county councils from the grant.

**Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?**

41. Using the 2013-14 Adult Relative Needs Formula (RNF) was inevitable but not optimal. Adult RNF has been used for every distribution of social care funding since 2013-14, including all the specific social care grants. But it is now over a decade out-of-date and does not reflect the current distribution of needs. An alternative formula has been developed by the Department for Health and Social Care (DHSC) and it should be implemented as a matter of urgency. Funding for social care is too important to be distributed using a formula that is so out-of-date.

42. We have already commented that it is unfair to take the full ASC precept increase into account. We support the decision made by ministers to mitigate the impact by only equalising £160m of the additional precept income, and funding half of this from non-social care resources. For some of our very-high taxbase authorities, the positive impact on their grant allocations is significant and very welcome. Of course, some of our member authorities have lost-out from the way that equalisation has been applied, but on balance we support the decision that has been taken.

43. The methodology used to distribute the Discharge Funding is not easily understood. The current iBCF allocations are themselves a combination of the Adult RNF and ASC precept increases between 2017-18 and 2019-20. These prior-year ASC precept increases have already been equalised and there is no need to do so again. This funding stream should use Adult RNF.

***Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?***

44. NHB is now desperately out-of-date and needs to be replaced. Without clarity about its future, NHB's incentive-effect is much diminished and there is a very strong case for its abolition after 2023-24. There have been promises about replacing NHB for a number of years, including at least two consultations. We would urge ministers to make a decision about NHB's future before the next provisional settlement in December 2023.

45. CCN would be keen to engage further in this consultation. We support continuing a housing-incentive scheme, but ideally one that is fair to all local authority tiers. Equally, we would be open to rolling the funding within NHB (now only £290.6m) into either SFA or social care grants.

***Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?***

46. CCN supports the continuation of the Rural Services Delivery Grant (RSDG). We would, however, have preferred RSDG to have increased in line with inflation, as is the case with other parts of the settlement (e.g. RSG). Costs are rising quickly in rural areas as well as urban areas, and there is no rationale for some grants keeping pace with inflation whilst other grants reduce in value in real terms.

***Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?***

47. The Services Grant has reduced by more than we expected, and this has affected our member authorities' share of funding. We would urge the department to provide more clarity about the adjustments that have been made to the Services Grant.

    - How has the £200m claw-back for the reversed National Insurance Contributions (NICs) been calculated? We understand the rationale for clawing-back the funding, but we need to see more justification for the amount and the basis of distribution.

    - How has the Supporting Families top-slice been determined, and how does this fit in with the wider funding programme?

    - What other adjustments have been made to the Services Grant?

48. These are not necessarily very significant amounts of funding but it is important that there is clarity and openness about how funding allocations have been calculated.