

Consultation Response

*Provisional Local Government
Settlement 2024/25*

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Executive Summary

- In the lead up to the Autumn Statement, CCN set out extensive and wide-ranging evidence based on the financial position of its member councils. CCN warned that the evidence presented to ministers showed councils were facing uncontrollable spending pressures that were far outpacing the expected and planned-for rise in core funding.
- Even after the planned increase in social care funding, anticipated savings and council tax rises in 2024/25, CCN councils had a remaining budget gap of £611m. This funding shortfall next year comes at a time when councils are already projecting in-year overspends of £639m for the current financial year.
- It was extremely disappointing that not only did the Autumn Statement not provide any additional support to local government to meet existing financial challenges but left our member councils in a significantly worse financial position than before due to higher-than-expected rise in the national living wage.
- In responding to the Provisional Settlement, CCN outlined that the absence of additional funding leaves its councils with no choice but to implement more severe reductions to services and to levy higher council tax rises, while an increasing number of local authorities will struggle to deliver a balanced budget next year. Our engagement with member councils since the announcement, and public reports of councils' draft budget proposals for the coming financial year, only reinforce our research findings, evidence presented to ministers and the repeated warnings we had made.
- The increase in funding in the provisional local government finance settlement fails to match the scale of the financial pressures facing local government, and particularly those pressures in our member authorities. Increases in SFA and social care grants (announced in the 2022 Autumn Statement) were well-trailed and matched our forecasts. But the cuts to Services Grant were substantial and unexpected (from £483m to £77m).
- CCN would therefore still urge the government to provide additional, emergency funding to councils through the final Local Government Finance Settlement. Given the pressures that CCN have identified, we strongly feel that any additional funding should be targeted towards upper-tier councils to meet pressures in children's social care and home to school transport.
- We welcome that ministers and officials have outlined clearly to CCN representatives and Leaders that this is an open and genuine consultation. It is imperative the government listens carefully to the responses to this consultation and responds accordingly.
- As the department will be aware, CCN has engaged county MPs to make them aware of the implications of the proposed 2024/25 settlement. A total of 46 MPs, including 44 Conservative MPs, have signed a County All-Party Parliamentary Group letter to the government, supporting CCN's calls for additional funding. This letter urges the government to rectify the situation at the final settlement to 'ensure MPs are able to support the vote on the Local Government Settlement within the House of Commons in early February'.
- CCN would want to avoid a situation whereby a lack of funding for upper-tier councils prevented the Local Government Finance Settlement from being approved by the House of Commons, creating further uncertainty for councils.

Introduction

1. The CCN represents 37 English local authorities that serve counties. The 20 county and 17 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 2024/25. We would also draw attention to the responses of our members and also the Society of County Treasurers given the pressures that we have identified as set out in the overview.
4. 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 facing our member councils as a result of the provisional settlement.

Overview

CCN member financial position

5. In the lead up to the Autumn Statement, CCN set out extensive and wide-ranging evidence based on the financial position of its member councils.
6. During September, CCN and the Society of County Treasurers (SCT) undertook a detailed budget survey focused on the current financial year 2023/24 and the anticipated situation running up to 2026. This included forecasts on budget pressures, in-year overspends and the anticipated 'funding gap' and 'Budget gap' (after planned savings) between 2022/23 and 2025/26.¹ The key findings, published on 1st November, showed;
 - Councils' total cost pressures this year top £3.7bn from a combination of higher-than-expected inflation and demand, with local authorities now forecasting that they will overspend their budgets in 2023/24 by £639m this year – an average of £16m per council.
 - Rising costs and demand totalling £319m in children's services account for almost half (45%) of the projected overspend. Adult social care (25% – £179m), education, transport – including home to school transport (HTST) – and highways (22% – £154m), alongside housing (£24m – 3%), made up the bulk of the remaining additional in-year pressure.
 - Overspends and cost pressures had worsened an already challenging financial outlook. This year, the funding gap for the 41 councils has grown to £1.6bn, with a further shortfall of £1.1bn in 2024/25 and £1.3bn in 2025/26, meaning a total funding shortfall of

¹ County Councils Network (2023) *Budget Analysis Autumn 2023* <http://www.countycouncilsnetwork.org.uk/download/5081>

£4bn between 2023-2026. Over the course of the three-year period councils have identified £2bn of savings and service cuts but this would only reduce the deficit by half.

- As a result of cost pressures soaring, and despite increased funding, council tax rises and £1bn worth of savings and cuts this year, councils were still forecasting a budget deficit of £603m in 2023/24, with the analysis showing 1 in 10 of these councils are unsure or not confident they can balance their budget this year.
 - Faced with this bleak financial picture, councils' confidence in setting a balanced budget plummets further over the next two years. Some four in 10 of these councils were unsure or not confident they can balance their budget in 2024/25, with this increasing to six in 10 by 2025/26.
7. This evidence was provided to both DLUHC and the Treasury well in advance of publication and before the Autumn Statement; and CCN made repeated representations to officials and ministers from both departments.
 8. In our representations, CCN outlined that we strongly welcomed the additional funding for adult social care provided through the 2022 Autumn Statement, which was funded by the decision – advocated for, and supported by, CCN – to delay the introduction of adult social care charging reforms. This includes the increase in funding announced in 2022 for the financial year 2024/25.
 9. However, despite this, CCN warned that the evidence presented to ministers showed councils were facing uncontrollable spending pressures that were far outpacing the expected and planned rise in core funding. Even after the planned increase in social care funding, anticipated savings and council tax rises in 2024/25, councils had a remaining budget gap of £611m.
 10. A combination of stubbornly high inflation, rising demand and broken provider markets were leading to these historically high in-year overspends and a projected funding deficit in 2024/25. Pressures are most acute in children's social care placements and HTST for those with Special Educational Needs and Disabilities (SEND). The challenges facing HTST SEND were further evidenced by the network in the lead up to the Autumn Statement in our independent report with ISOS Partnership. This showed that costs had increased by 33% in the last two years alone and were set to triple to £1.125bn over the course of a decade.²
 11. These pressures left well-managed authorities facing the prospect of deep cuts to services, with many running out of road to prevent financial insolvency.³ CCN clearly outlined the need to provide the necessary additional investment to prevent cuts to frontline services and increase confidence in their ability to set a balanced budget for 2024/25. Alongside this, CCN set out a number of practical reforms that could be implemented in children's care placements and HTST to reduce costs in the short and medium term.
 12. It was therefore extremely disappointing that not only did the Autumn Statement not provide any additional support to local government to meet existing financial challenges but left our member councils in a significantly worst financial position than before.

² County Councils Network (2023) *Spiralling SEND transport budgets threaten financial sustainability of England's largest councils, report reveal* <https://www.countycouncilsnetwork.org.uk/spiralling-send-transport-budgets-threaten-financial-sustainability-of-englands-largest-councils-report-reveals/>

³ County Councils Network (2023) *Councils warn they are 'running out of road' to prevent financial insolvency, as in-year overspends top £600m* <https://www.countycouncilsnetwork.org.uk/councils-warn-they-are-running-out-of-road-to-prevent-financial-insolvency-as-in-year-overspends-top-600m/>

Impact of Autumn Statement

13. The negative impact of the Autumn Statement on our member councils which compounded existing financial pressures was evidenced ahead of the publication of the Provisional Local Government Settlement through a survey of CCN member councils.⁴ This found that:
- Due to announcements in the Autumn Statement, such as the minimum wage increase, nine in ten councils said they were in a worse position than before. Five in ten councils said that they now need to make even more cuts as a result.
 - When asked what type of service reductions were more likely, seven in ten councils said they would have to propose staff reductions, whilst the same number also said they were now more likely to cut adult social care services and school transport services.
 - Five in ten councils said they now were more likely to pause or cancel major economic growth and regeneration projects, such as leisure centres, as well as closing and/or changing the opening hours of both libraries and household waste and recycling centres.
 - Based on the survey's responses, the increase in the National Living Wage is set to cost an average £6.3m per county local authority and £230m for all of those councils.
 - When asked how they would fund the minimum wage increase, eight in ten councils said service reductions and four in ten said higher council tax rises. Before the Autumn Statement, seven in ten councils said they planned to levy the maximum 4.99% council tax rise, with this now rising to nine in ten.
 - Before the Autumn Statement, four in ten councils were unsure or not confident of delivering a balanced budget in 2024/25 but this had now risen to seven in ten. Looking further ahead, almost eight in ten local authorities are unsure or not confident of setting a balanced budget in 2025/26.
14. On 6th December, 33 of CCN's Council Leaders sent a joint letter to the Secretary of State for Levelling Up, Housing and Communities outlining the findings and warned that failure to rectify the situation and provide additional funding for children's services would mean councils are likely to face the prospect of outlining painful reductions to frontline services.⁵ This point was reiterated when CCN's officers and political leadership were in contact with ministers and officials during the intervening period and had been hopeful that these messages had been received and understood.

Provisional Settlement

15. It was therefore bitterly disappointing that the Provisional Local Government Finance Settlement confirmed that there would be no additional investment in local government beyond that outlined in the Local Government Finance Policy Statement, which itself was based on funding assumptions set out in the previous year.

⁴ County Councils Network (December 2023) Councils in 'significantly worse financial position' after the Autumn Statement, with seven in ten now unsure if they can balance their budget next year <https://www.countycouncilsnetwork.org.uk/councils-in-significantly-worse-financial-position-after-the-autumn-statement-with-seven-in-ten-now-unsure-if-they-can-balance-their-budget-next-year/>

⁵ <http://www.countycouncilsnetwork.org.uk/download/5153/?tmstv=1701848343>

16. In responding to the Provisional Settlement, CCN outlined that the absence of additional funding leaves its councils with no choice but to implement more severe reductions to services and to levy higher council tax rises, while an increasing number of local authorities will struggle to deliver a balanced budget next year.⁶ Our engagement with member councils since the announcement, and public reports of councils draft budget proposals for the coming financial year, only reinforce our research findings, evidence presented to ministers and repeated warnings.
17. The increase in funding in the provisional local government finance settlement fails to match the scale of the financial pressures facing local government, and particularly those pressures in our member authorities. An increase in overall resources of 6.5% (if every authority increases its Band D council tax by the maximum) will not be sufficient for local authorities when the National Living Wage is increasing by 9.8% and the average increase in budgeted social care costs was in excess of 12% in 2023-24.⁷
18. Furthermore, it was extremely disappointing that the settlement had a lower increase in resources than we were expecting, and in particular that the increase in Settlement Funding Assessment (SFA) was partly funded through redistributing existing resources within the settlement. Increases in SFA and social care grants (announced in the 2022 Autumn Statement) were well-trailed and matched our forecasts. But the cuts to Services Grant were substantial and unexpected (from £483m to £77m). Authorities were given no warning of these cuts, and they have already had a material impact on local authorities' budget plans.
19. CCN authorities' Core Spending Power (CSP) will increase by marginally more than the England average in 2024-25. CSP for CCN authorities will increase by 6.65% in 2024-25, compared to 6.48% nationally. Only Inner London boroughs will have a higher average increase in 2024-25 (6.69%). However, for our member authorities, this increase in CSP is largely dependent on increasing council tax by the maximum available (5%) and achieving the projected taxbase growth. For many CCN authorities, they are very reliant on council tax growth; if they do not increase their Band D by 5% (or achieve the projected taxbase increases), they will not achieve the CSP increase set out in the settlement. In Inner London, for instance, only 33% of CSP growth is reliant on Band D increases, whereas in CCN authorities this rises to 62%.

Final Settlement

20. **CCN would therefore still urge the government to provide additional, emergency funding to councils through the final Local Government Finance Settlement.** Given the pressures that CCN have identified, we strongly feel that any additional funding should be targeted towards upper-tier councils to meet pressures in children's social care and home to school transport.
21. CCN welcome that ministers and officials have outlined clearly to CCN representatives and Leaders that this is an open and genuine consultation. Given the financial challenges outlined above, **it is imperative the government listens carefully to the responses to this consultation and responds accordingly.**

⁶ County Councils Network (2023) *CCN Response to Provisional Local Government Settlement – County authorities 'bitterly disappointed'* <https://www.countycouncilsnetwork.org.uk/5196-2/>

⁷ 12.8% increase in adult social care, and 13.6% increase in children's social care. Local authority RA returns 2023-24.

22. Alongside this consultation response, the department will be fully aware that since the Provisional Settlement, CCN and the County All Party Parliamentary Group (APPG) have been working closely to engage County MPs and make them fully aware of the implications of the proposed 2024/25 settlement on member councils. As a result 43 MPs in county areas, including 41 Conservative MPs, have written to the government as part of this consultation supporting CCN calls for additional funding. **This letter urges the government to rectify the situation at the final settlement to 'ensure MPs are able to support the vote on the Local Government Settlement within the House of Commons in early February'**. CCN would want to avoid a situation whereby a lack of funding for upper-tier councils prevented the Local Government Finance Settlement being approved by the House of Commons, creating further uncertainty for councils.
23. If the government is to provide additional resources, we urge the government to notify councils as soon as possible - well ahead of the scheduled publication of the Final Settlement and debate in the House of Commons in early February. With many councils already in the process of consulting on budget proposals, this would prevent councils having to present to their Full Council meetings unnecessary reductions to services.

Reserves

24. As has been pointed out by many in the sector over the past year, 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. As many councils are using reserves to balance their budgets in this year and the next, those councils that have historically had low reserves are extremely challenged. For example Cheshire East Council had reserves of £14M at 31 March 2023, is projecting a deficit for 2023/24 of £13M and is struggling with a potential write off of £8M relating to investment in HS2 coming to Crewe. Such examples will encourage councils to hold higher reserves to mitigate increased perceived risks. 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 remains keen to work with DLUHC to expand on helping greater awareness and understanding of local council's reserves.

Fair cost of care

25. The CCN, alongside SCT, also notes that whilst some of the social care reforms have been delayed, DHSC are still progressing with both the Fair Cost of Care (FCOC) and CQC reviews. This is causing significant confusion within the provider sector regarding the need and ability of councils to pay the FCOC. The lack of clarity from Government is leading some CCN/SCT members to face cost pressures which exceed the additional grant announced. As outlined by the SCT, the Society understands that local authorities have the responsibility to maintain an effective market, but the FCOC seems to be setting regional prices. These are not the same thing and Government is urged to provide greater clarity as the additional grant is far short of the expected costs. Many CCN members were able to benefit from their bulk purchasing power to obtain lower rates in the care market than self-funding individuals. While we recognise the need for councils to raise rates to more sustainable levels, FCOC intervention in an open market is inevitably increasing for councils costs far beyond those the funding provided by government through the Market Sustainability Fund.

Timing

26. Generally, the process around the provisional settlement has been well received. Authorities appreciate the publication of the Policy Statement in advance of the provisional settlement. Our preference would be for the settlement itself to be announced earlier (the Hudson Report recommended late November). However, the failure to be clear about significant cuts in Services Grant undermines the whole point of the Policy Statement.

Future Settlements

27. CCN and its members would welcome early engagement with DLUHC and the Treasury on local government finance beyond 2025. Whilst there will be at least two further fiscal events before then – the Budget and an Autumn Statement which will shape the next Local Government Finance Settlement – we remain keen to ensure that the departments are aware of the impact of this settlement on county and unitary councils so that we can work to ensure that they remain financially stable into the next settlement period. This will be especially pressing given that the NLW increase will become baked into the budget for council salaries, and that the LGFS doesn't provide relief for the in-year pressures for 2023/24 that were identified, which we would anticipate will be compounded in future years.

Question 1: Do you agree with the government's proposed methodology for the distribution of the Revenue Support Grant in 2024-25?

28. We agree with the methodology that has been used in the settlement for Revenue Support Grant (RSG). It is welcome that RSG has been uplifted in line with the Consumer Price Index (CPI). The distribution of RSG follows the patterns established in previous settlements.
29. We welcome the decision not to implement "negative RSG" for a further year. Any change in the status of "negative RSG" would have been too disruptive.
30. Continuing with this distribution of RSG is only an interim approach until there is a review of the distribution of funding. Whilst there will be winners and losers from any review of funding (including amongst our members), we recognise that funding distribution has to be kept up-to-date. The current distribution is based on 2013-14 formulas, with some later changes, and there is clearly a very strong case for updating these formulas in the near future.
31. Another delay to the Fair Funding Review and wider reforms to local government finance was announced in 2022. 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 that they will still engage the sector on implementing reforms at the beginning of the next parliament.
32. 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.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

33. We agree with the decision to roll grants into RSG. Broadly, we support the general movement towards more grants being paid via RSG rather than individual grant streams. This makes it easier for authorities to forecast their funding and reduces administration. It would be helpful if the department could share a list of prospective grants that are under consideration for transfer in future years.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2024-25?

34. We broadly agree with the package that has been proposed. However, local authorities themselves are in a better position to understand how this balance works locally, and CCN has consistently called for the referendum threshold to be removed.
35. For the first time since 2021-22, council tax is responsible for a larger share of the increase in Core Spending Power (CSP) than grant increases. Council tax yield accounts for 53% of the growth in CSP in 2024-25. This shows how reliant the funding system is on the continuing growth in council tax yield (much of which takes place in CCN authorities) and that the increases in grant funding are now coming to an end.
36. For many CCN authorities, they are very reliant on council tax growth; if they do not increase their Band D by 5% (or achieve the projected taxbase increases), they will not achieve the CSP increase set out in the settlement. In Inner London, for instance, only 33% of CSP growth is reliant on Band D increases, whereas in CCN authorities this rises to 62%. Some CCN authorities are even more reliant on council tax growth (Central Bedfordshire 83%, Oxfordshire 76%, Cheshire East 72%).

Question 4: Do you agree with the government's proposals to maintain a Funding Guarantee for 2024-25?

37. We do not agree with the way that the 3% Funding Guarantee has been calculated. It is too simplistic and means that changes in individual funding streams do not flow through to local authorities. It is designed to allow ministers to make a simple statement about funding levels and undermines the functioning of the settlement. We can only assume that it is a short-term expedient that will be used until a full review of funding can be implemented.
38. Most of the beneficiaries of the Funding Guarantee receive support because they have lost New Homes Bonus (NHB) either in 2024-25 or in previous years. NHB was intended to be an incentive for authorities to build more housing. It undermines the principle of an incentive scheme that any losses in NHB are then offset by an increase in Funding Guarantee. If a Funding Guarantee is going to be in place, then it should exclude any changes in NHB.
39. Some of our member authorities have received Funding Guarantee allocations for the first time in 2024-25. These authorities have qualified for FG support because their main grant allocations have increased by less than 3% – not because they are losing NHB. The fact that some of our authorities qualify for FG support shows low level of grant increases, and that our member authorities are being asked to subsidise low grant increases with Band D uplifts.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

40. We agree with the basis for distributing the social care grants. The Adult Relative Needs Formula (RNF) is the most suitable needs-based formula that is currently available, and it is reasonable that some of the Adult Social Care Precept is equalised.

41. It is important to recognise that equalisation puts pressure on authorities with large taxbases (relative to their share of Adult RNF) to increase Band D by the maximum available. Most of these authorities are CCN members.
42. Our main concern is that, although the grant increases in 2024-25 are welcome, they are insufficient to cover the increases in cost pressures in adult's and children's services. The increase in social care grants was £2.571bn in 2023-24 and only £1.015bn in 2024-25.⁸ Indeed, one of the social care grants within the settlement actually falls in cash terms in 2024-25, although this is now hidden by rolling it up into another grant (MSIF Workforce Fund reduces from £365m in 2023-24 to £205m in 2024-25).
43. We had been expecting a further increase in funding for social care to be announced in either the Autumn Statement or the provisional settlement to meet the continuing pressures on these services. The failure to find additional funding (and indeed a reduction in funding elsewhere in the settlement, i.e. Services Grant) will put many of our member authorities under considerable financial pressure.

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2024-25?

44. We reluctantly agree with the continuation of New Homes Bonus (NHB) in 2024-25. It is very disappointing that a replacement for NHB has not been implemented. Changes to NHB were consulted on in February 2021, and the intention to make changes in NHB had been announced before that. So, there has been considerable time for the government to design and implement a replacement.
45. We understand that discontinuing NHB without wider changes in the funding system is difficult but there has been plenty of time for authorities to adjust. There are now no legacy payments, and for smaller shire district councils, any losses are offset by the 3% Funding Guarantee (although we have made a separate point about this).

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

46. The Rural Services Delivery Grant (RSDG) is an important source of funding for some of our member authorities (it represents 2.8% of CSP for Herefordshire, and 2.3% for Shropshire, and 2.1% for Westmorland and Furness). For these authorities, it is a very important source of funding, and it recognises the additional financial burden that rural authorities have to manage. It is disappointing that RSDG has not been uplifted in line with inflation in 2024-25 to recognise the increases in costs in rural areas.

Question 8: Do you agree with the government's proposals for Services Grant in 2024-25?

47. The decision to use the Services Grant to fund other elements within the settlement is hugely disappointing. A reduction in Services Grant of £406m (from £483m to £77m) reduces authorities' settlement funding and undermines their ability to balance their budgets in 2024-25. The amounts that CCN authorities received in Services Grant in 2023-24 (and expected to receive a similar amount in 2024-25) were not insignificant, and the cuts in Services Grant have meant late changes in authorities' budget plans.

⁸ Including £365m Workforce Fund in 2023-24.

48. Given that no reconciliation has been provided showing what the £406m has been used for, we can only assume that it has been used to part-fund the increases in SFA, cap compensation and the 3% Funding Guarantee. The uplifts in SFA and cap compensation are well-established funding principles within the settlement (and were confirmed in the Policy Statement in December 2022). They should be funded properly rather than by shifting resources around within the settlement.
49. The late announcement of the decision also needs further explanation. Did ministers not know that the Services Grant was going to be cut heavily when the Policy Statement was announced on 5 December 2023, only 10 days before the provisional settlement? Could ministers not have given authorities a clearer signal earlier in the budget-setting process that a significant cut in Services Grant was likely?