

Consultation response pro-forma

Provisional Local Government Finance Settlement 2020-21

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace and submit when you are ready.

There are 8 questions. You do not have to answer every question should you not wish to.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**

LGFsettlement@communities.gov.uk

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Your opinions are valuable to us. Thank you for taking the time to read the consultation document and respond.

Your Details (Required details are marked with an asterisk (*))

Full Name*	Dave Shipton
Organisation*	Kent County Council
Address*	Sessions House, County Hall
Address 2	County Road
Town/City*	Maidstone
Postcode*	ME14 1XQ
Country	
Email address*	dave.shipton@kent.gov.uk
Phone Number	

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Are the views Expressed on this form an official response from a:

Shire County

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Question 1

Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?

Yes

Additional comments

We commend the government for the much-improved overall settlement which shows a £2.9bn increase in core spending power in cash terms (4% increase in real terms compared to GDP). This increase together with the earlier announcement of the Spending Round and detail in the technical consultation has made planning for the 2020-21 budget more certain. However, we remain concerned that the increase is still not enough to fully fund rising spending demands and costs, and therefore is still a reduction in overall service terms and will still require the Council to find savings in order to balance the budget for the forthcoming year. We would also like to see greater acknowledgement that the majority of the increase will have to be raised from local taxpayers, and households will once again face another year of above inflationary increases in council tax but will not necessarily see significant improvements in valued local services commensurate with the increased charge.

We are very concerned that this is only a one-year settlement which has a significant detrimental impact on our ability to make meaningful medium term financial plans. It is widely accepted that robust medium term financial planning is essential to ensuring financial resilience of local authorities and the lack of a multi-year settlement has meant that we have only been able to publish a one-year budget plan for scrutiny prior to being presented to full Council in February.

With regard to RSG methodology the proposed approach is consistent with overall objective of providing stability for one year in 2020-21. However, we remain concerned that the reductions to RSG over the previous four years did not take adequate account of spending pressures from a combination of rising costs (inflation, National Living Wage, etc) on goods and services authorities buy in, and rising demand from increasing population and greater complexity of need. KCC, along with many other authorities have made savings to offset these pressures (after taking account of changes in council tax, business rates and government grants) but some of these were short-term on the basis that funding from government would improve in the future. Whilst an inflation linked increase to RSG is an improvement on the previous four-year settlement, it is still not enough to keep pace with rising spending pressures for 2020-21, or make good for the short-term nature of some savings.

We are also disappointed that the proposed methodology still does not address the changes made to the distribution of RSG from 2016-17. These changes were introduced with no prior consultation or notification and meant that funding allocations were based on actual council tax levels rather than notional levels. The Fair Funding review has proposed that relative resources should be based on notional rather than actual council tax (as was the case prior to 2016-17). We

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believe that where aspects of the Fair Funding review have been accepted from the work to date, particularly this aspect, there is no case to maintain the current arrangements for one year just for the sake of stability. This will just mean that the phased transition will end up taking a year longer.

We would also like to raise through this consultation response some concerns relating to education funding.

Firstly, the council is very disappointed with the surprise announcement by the Department for Education to reduce the historic element of the central services for schools' block by 20% from 1 April 2020. This appears to be widely inconsistent with wider government policy and will erode some of the benefits of the additional settlement funding.

Secondly, the High Needs deficit is a massive financial pressure for the council. We expect to have an accumulated deficit by the end of the current financial year of c. £25m, and even with our share of the additional £700m funding next year, we expect the accumulated deficit to grow even further.

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Question 2

Do you agree with the Government's proposal to eliminate negative RSG?

Yes

Additional comments

We have consistently opposed the changes to RSG introduced in 2016-17 (with no prior consultation or notification) which led to negative RSG for many authorities. We do believe that negative RSG should be corrected permanently.

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Question 3

Do you agree with the proposed package of council tax referendum principles for 2020-21?

Yes

Additional comments

We have consistently challenged the referendum principles as being undemocratic and no better than the previous capping regime. This remains KCC's position and we think the referendum principles need to be reviewed although for 2020-21 we accept the principle of stability from repeating the arrangements for 2019-20. We have consistently contended that council tax differentials are unjustifiable and require reform. Council tax flexibility will be particularly important when the Fair Funding review of formula allocations is introduced. We have suggested that one of the main reasons why there are wide variations in Council Tax charges is because of the distributional issues with the formula grant methodology. If the formula grant methodology is changed to address these issues then it only seems sensible that Council Tax in those areas that have benefitted in the past should rise to the levels they would have been had there not been the advantageous funding in the formula methodology in the first place.

We would also like to highlight that the majority of the increase in spending power will come from council tax payers who will be asked to pay above inflationary increases for another year.

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Question 4

Do you agree with the Government's proposals for the Social Care Grant in 2020-21?

Yes

Additional comments

The additional funding for social care for 2020-21 is welcome. Whilst this does not resolve the underlying issues and does not represent a long-term solution it is a step in the right direction. We have previously commented that the relative needs formula (RNF) which was used in the previous formula grant regime (and therefore the basis for the baseline for RSG and business rate retention) is out of date and not fit for purpose. We have questioned the large differentials between authorities in the amounts per head of population/per head of elderly population the RNF delivers. We welcomed the Fair Funding Review which we believed would address some of these concerns particularly regarding the additional cost of travel time in providing care services to people in semi-rural and isolated locations and the over reliance of proxy measures of need which we believe do not adequately reflect cost pressures. Given the delay in Fair Funding we have also acknowledged that until such time as a new formula has been agreed following the Fair Funding review there is little alternative other than to use the RNF for funding allocations.

Given the delay in the implementation of Fair Funding it does seem somewhat unfair that the method of distribution considers ability to generate council tax. County areas are already higher taxed so to then lose some of the funding due through RNF to fund lower taxing areas feels like a double hit.

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Question 5

Do you agree with the Government's proposals for iBCF in 2020-21?

Yes

Additional comments

The proposals for the iBCF are consistent with the stability objective. This does not mean we support the way that iBCF has been allocated in the past and we believe there is a more effective distribution once Fair Funding review has identified an alternative calculation for relative needs and resources. We support the un-ring-fencing of the winter pressures grant through merging this with iBCF. This will allow us to better respond to local priorities.

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Question 6

Do you agree with the Government's proposal to fund the New Homes Bonus in 2020-21 with the planned £900 million from Revenue Support Grant, with additional funding being secured from departmental resources, and to allocate the funds in line with previous years but with no legacy payments?

Yes

Additional comments

New Homes Bonus should be retained for 2020-21 to meet the aims of stability (albeit updated to reflect latest tax base measure for new homes). However, we have consistently challenged the distribution of New Homes Bonus as we are not convinced it is the best way to incentivise new housing, and in particular we have argued the distribution in two tier areas does not adequately reflect the relative roles and responsibilities of each tier (to the detriment of the upper tier). Consequently, we would support redirecting NHB towards proven needs.

We have previously supported the reforms to reduce the New Homes Bonus from 6 years to 4 which is reflected in legacy payment element of the grant. We also supported the principle of introducing a baseline so the grant is better targeted to those areas with the largest housing growth. We believe this makes sound financial sense and we welcome the government's decision to retain a 0.4% baseline for 2020-21 allocations albeit the decision to set this threshold at this level in the 2017-18 settlement was never adequately explained when previous consultation had suggested it was set at 0.25%.

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Question 7

Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?

Yes

Additional comments

Once again, in order to meet the stability objective. However, as with other allocations which we have accepted as a one-off continuation for 2020-21 we have concerns about the methodology used to determine funding. In this case we do not believe using the super sparsity indicator for the 25% most sparse areas is the most appropriate mechanism to allocate additional funding to reflect costs in rural areas. In particular we are concerned this fails to identify pockets of extreme rurality (and therefore costs) within larger county areas. We have been encouraged by the work of the Fair Funding Review to better identify the additional costs of supporting rural areas and we look forward to reforms being introduced from 2021-22 onwards

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Question 8

Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide evidence to support your comments.

Yes

Additional comments

We cannot see there are any obvious impacts on persons who share protected characteristics albeit we have included comments about the inadequate distribution of funding to support vulnerable social care clients and the need for the Fair Funding reforms to be implemented as soon as possible.