

Response to the Provisional Local Government Finance Settlement

This consultation does not really alter the position that was highlighted in the technical consultation that took place over the summer. The County Council responded to that consultation and stands by the comments made at the time.

The implication of the two year settlement (and the realistic assumption that there will be further spending cuts in later years) is extremely challenging and serious. Leicestershire County Council has estimated net savings of over £110m will be required by 2017/18 (c30% of the budget). For Authorities to achieve this scale of saving, DCLG need to open a constructive and informed dialogue with Local Government on how key services can be protected. A more positive agenda would be:

- To build on the proposal for health and adult social care integration and ensure this is done in a way which puts the service user at the heart of the reform. The £3.8bn resources is welcomed, but more is required if we are to meet the increasing demands of an ageing population and the wider demands on the NHS.
- To consider structured changes to the public sector which can help achieve full integration and achieve significant efficiency savings.
- To recognise that the scale of cuts will be very difficult to deliver with central government continuing to define local service provision through statute and regulation. For example, whilst local government grants have been cut by over 40% over the last 4 years we still have limited room for manoeuvre in relation to the statutory concessionary travel scheme or home to school transport. The position is similar on many other services. At some stage in the near future we will hit a tipping point where we cannot provide statutory services.
- To review urgently the current system of local government finance including the use of local discretion on areas of income such as Council Tax and other funding streams such as the New Homes Bonus. A system of local government finance has been created that is incomprehensible, unsustainable and does not support sensible decision making. One example of this is that the latest announcements on business rates are likely to mean we will stop pooling business rates with the Leicester City Council and other partners. This pool was sensible and supported the shared priority to generate local economic growth.
- We are also of the view that independent oversight of changes to local government finance to cover transfers and adjustments is required. Leicestershire has fared badly from recent transfers including those relating to Academies.
- To improve consistency of financial planning timeframes across all Government Departments for grants to enable better long term planning by local government e.g. Public Health revenue grant and various capital grants are for one year only.

It must also be recognised and challenged, that some areas of central government expenditure have been protected and even increased. For example, the overseas aid budget is now £10.7bn (equivalent to £168 per head of population in the UK). This totals £110m for Leicestershire residents. On a per capita basis the High Speed 2 costs (based on the estimate of £43bn) are £435m for Leicestershire residents. These areas need to be reconsidered in the light of the detrimental impact the reductions in Government support for local government will have on front line services.

The concept of 'spending power' is reasonable, however, its calculation can at best be described as disingenuous. To include £35m of extra local authority income from the Better Care Fund in this calculation is misleading as much of this will be spent on health services. In practice the proportion that will be spent on local government will bring with it extra commitments as the aim of this fund is to reduce pressure on more expensive health services. In addition, to understand fully the financial position of Councils it is also necessary to be aware of spending pressures, which in the case of the County Council are significant and arise mainly from demographic pressures such as the ageing population on Adult Social care.

The Leicestershire public on one hand receives a message from central government that there is no problem whilst at a local level we are engaging with them about how to save £110m. This is unhelpful. There is a major financial problem and the sooner the Government really engages in developing a solution the better. The solution need not involve just more money, it should include structural changes to the public sector and freeing up local authorities from centrally imposed red tape, legislation and guidance.

The County Council has frozen Council Tax for the last three years. It is very positive that last year's freeze grant will be built into the base. It would, however, have been useful to understand the threshold rules for a Council Tax referendum prior to Christmas so we could have reviewed them before publishing our budget proposals.

The County Council believes that the Government have made what would have been a challenging position into one that is extremely difficult with far reaching consequences for local services to the public. We need a change of approach.

The detailed responses to the technical questions are set out below.

Question 1: Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funding?

The County Council agrees with this proposal.

Question 2: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £800m to £700m?

The County Council agrees with this proposal. The County Council also welcomes the early indication of the amount of excess holdback which is likely to be returned to authorities.

The County Council has consistently opposed the New Homes Bonus Grant on the grounds that the top-slice is disproportionately weighted against County Councils when compared to the distribution of the NHB grant. We estimate that the top-slice will cost the County Council approximately £10m by 2016-17, when NHB reaches its first six-year cycle, but the potential NHB received by the County Council is only around £3m.

Question 3: Do you agree with the Government's proposal to increase and roll in funding for rural authorities?

The County Council agree with this proposal.

Formula funding has generally favoured urban authorities rather than rural authorities and this proposal is a relatively small step in the right direction to start to redress that imbalance.

Question 4: Do you have any comments on the impact of the 2014-15 settlement on protected groups, as set out in the draft Equality Statement?

Section 3 of the draft equality statement rightly states that “the level of funding could, without mitigating action and depending on spending decisions made by the authorities, have an adverse impact on protected groups”.

The 2014/15 and 2015/16 provisional settlements are based upon a funding baseline, set in 2013/14, following a very minor review of a hugely unpopular way of funding local authorities. The new way of funding local authorities through part-retention of business rates requires that this funding baseline be left untouched until 2020. The impact of such a decision is that there can be no reflection of aging or growing populations – unless they have a direct and positive effect on the local economy. For services such as Adult Social Care, the County Council remains unconvinced of such a link.

The County Council supports the Society of County Treasurer's request to Government to ensure all current and future policies are fully funded with calculations performed in a transparent and consultative manner. The impact of underestimating future costs and demand, combined with the current scale of cuts to RSG, could seriously impact many vulnerable people who rely on local authority services.

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