



DISTRICT COUNCILS' NETWORK

Innovative and collaborative
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2017-18 Local Government Finance Settlement - Technical consultation

The District Councils' Network (DCN) is a cross-party member led network of all 201 district councils. We are a Special Interest Group of the Local Government Association (LGA), and provide a single voice for district councils within the Local Government Association

District councils in England deliver 86 out of 137 essential local government services to nearly 22 million people - 40% of the population - and cover 68% of the country.

The DCN represents the planning and housing authorities in district/county areas and are centrally placed to fully support and deliver the Government's housebuilding ambitions.

General Comment

The DCN welcomes the opportunity to provide comments on the issues raised. Whilst the DCN does not necessarily agree with all of the proposals, we have found it very helpful that the DCLG has indicated the present direction of Government thinking on some issues well in advance of the timetable that has applied in previous years, we refer in particular to the consultation proposals for principles for council tax referenda. We strongly encourage DCLG to continue with this practice in future years as this assists strategic financial planning.

Question 1 What other, additional grants, beyond those set out in para 2.2.2, could the Government consider including in the multi-year offer?

The Government could consider including the following grants in multi-year settlements

- Council tax reduction scheme administration and housing benefit administration subsidy which would enable better planning for the introduction of Universal Credit.
- The disabled facilities grant element of the Better Care Fund. This should be allocated directly to district councils in shire county areas in order to remove the bureaucracy of passing the money via county councils when district councils have the statutory duty to provide DFGs.

Question 2 Do you agree with the proposed methodology for allocating funding for the improved Better Care Fund as outlined in paragraph 2.3.4?

The District Councils' Network recognises the growing demand on services such as Adult Social Care, however, the 2% additional council tax precept for those authorities that deliver adult social care services does not recognise the important role that district councils play in preventative services and as such the role they play in reducing demand, improving outcomes, and delivering long-term savings for 'upstream services' in other parts of the public sector. A 2015 King's Fund report outlined the key role that district councils play in the delivery of prevention services and concluded that such preventative expenditure repays by almost £70 for every £1 invested.

The DCN would propose that the funding system should incentivise prevention through the following measures:

- Needs and redistribution – the DCN recognises the challenge posed by the growing gap in adult social care funding. However a focus on prevention is needed, to ensure that interventions can be made earlier both to improve outcomes and reduce demand for upstream services. As such, funding for prevention services and demand reduction must be considered as part of the needs assessment.
- 2% prevention precept – the District Councils' Network's has called for a prevention council tax precept (a 2% prevention levy for district councils) to reflect the key role that districts play in prevention and demand reduction across the country and to incentivise prevention nationally.

District Councils have a statutory responsibility for the delivery of Disabled Facilities Grants, however the funding for this goes directly to County Councils through the Better Care Fund. It would be simpler for this funding to be paid directly to district councils who hold the statutory responsibility, rather than having to rely on the goodwill of county councils, who many themselves are struggling to balance budgets.

Question 3

The DCN has consistently opposed the regime of council tax referenda and principles that have been set by the Government. Councils are democratically elected and should be accountable for their local tax decisions at the ballot box, as they are for every other aspect of their decision-making.

If the Government is to continue with the referendum principles, then the DCN would call for greater flexibility for principal authorities than the 2% threshold.

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

The DCN does not agree that this is appropriate. As set out in our response to Q3, no local authority should be subject to the referendum principles. Town and parish councils are already accountable for their level of precept at elections at the ballot box. Initial estimates show that the cost for a referendum for a parish affected could be around £10,000. Additionally a change in one parish's council tax would see a need for the relevant billing authority to reissue council tax charges creating an extra administrative burden and confusion amongst residents.

The wider context with regard to total public expenditure is that council tax raised by parish councils in 2016-17 is £445m. This represents only 1.7% of total council tax bills and considerably less than one tenth of one percent of total public expenditure.

In most parish areas across England, the 6.1% increase in the parish council element of council tax reported for 2016-17 does not translate into significant absolute sums (compared, for example, to the 2% social care precept which most social services authorities decided to add to this year's bills). To take some specific examples, the 5% increase in a small parish council's share of council tax in one district represented an increase of £1.47 at Band D or less than 3p a week. In contrast, the 2% social care precept in that county added £21.60 to the Band D bill, or nearly 42p a week.

The context behind these increases is also important. The introduction of referendum principles could hinder the legitimate desire of parish councils to assist with retaining or sustaining local services and assets.

Question 5: Do you agree with the proposed approach to take account of the transfer of responsibilities to town and parish councils as outlined in paragraph 3.3.5? and Question 6: Do you have any comments on the suggestion that referendum principles may be extended to all local precepting authorities as set out in paragraph 3.3.6? If so what level of principle should be set?

The DCN does not agree with this.

There would be an issue for Parish and Town Councils with a small tax base that receive Council Tax Support grant from their District Council that varies in relation to the numbers of claimants in their parish. Changes in the amount of Council Tax Support Grant received that are beyond the control of the individual Parish/Town Council could result in a need for a referendum simply to maintain the existing precept level.

The DCN believes this could be particularly unfair for Parish and Town Councils that are currently receiving Council Tax Support Grant from District Councils that have followed the advice of successive Secretaries of State to pass this on to local precepting authorities. Should District Councils decide to reduce this grant in future then the Parish/Town Councils could be faced with having to hold a referendum to

maintain their level of precept, whereas Parish/Town Councils that have already had this grant withdrawn by their District Council would have had the opportunity to increase their precept in previous years to reflect this, without a referendum being required.

Where parishes set a zero precept, then any introduction of a precept could potentially be subject to a referendum which could deter them from ever introducing a precept. This would create confusion for billing authorities, parish councils and residents alike. A Parish Council that introduced a precept which was then rejected at a referendum would not then have the funds to pay for the referendum and re-billing.

Question 7: Do you have views on the practical implications of a possible extension of referendum principles to all local precepting authorities as set out in paragraph 3.3.7? As set out above, we strongly object to extension of referendum principles to all parish councils.

The DCN is concerned at the potential impact on District Councils of extending referendums to larger parish and town councils. Referendums for individual parishes would create practical issues for Districts who would have to arrange the poll and potentially be faced with rebilling residents if they rejected an increase. This could be disproportionately costly to Districts in both time and charges from software providers, given that the rebilling would be for individual parishes.

The cost of a referendum would be disproportionate for a parish council pro rata to the amount of revenue it might be seeking to raise from council tax. The cost of the referendum might cost as much or more than is raised by the increase, meaning the parish council would have to factor a higher increase in to cover extra costs which would create a perverse incentive.

Question 8 – Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.4.1 to 3.4.8?

The DCN believes that the approach seems reasonable although further clarification is required regarding the revaluation adjustment for the calculation to tariff / top ups - Part B14 (Page 21) of the consultation document states that a negative outcome gives rise to a reduction in tariffs and top ups.

Where a tariff authority that has a lower RV listing in 2017 it should therefore also have a lower tariff to equalise the impact arising from revaluation – however this does not appear to accord with the formula / calculation in the consultation and we would welcome clarification on this point. A positive adjustment should reduce tariffs but increase top ups. There may be some further distortions that arise from this approach as the calculation takes the percentage change between the 2010 and 2017 listings and applies this to the 2015/16 net yield adjusted for changes in the

multiplier – whilst this incorporates reliefs, appeals and changes in Bad Debt Provisions – what it does not allow for is for the potential movements in appeals following revaluation, it merely assumes the change in RV is correlated to the value of appeals and bad debts – which is unlikely to be the case. As such there is no allowance made for these changes and there are significant changes in RV's between the two lists.

Question 9 – Do you agree with the methodology, as outlined in paragraphs 3.5.5 to 3.5.13, for calculating changes to the local share of business rates and tariff and top-up payments is correct and does not adversely affect non-pilot areas?

Of the two options proposed in the consultation, Option A would seem to provide the most assurance that there would be no adverse effect on non-pilot areas in that the equalisation is provided by existing grant income rather than through the mechanism of tariff and top-ups.

Under Option B if the grant rolled in is insufficient to provide the 100% local share, then a top-up will be required, but would this not be at the expense of the national quantum outside the pilot areas? Whilst we understand and support the principle of a pilot scheme, we are concerned that to do so at the same time as the revaluation may have an unpredicted impact upon non-pilot authorities despite the best intentions of the DCLG.

Question 10: Are you contemplating a voluntary transfer of funding between the Combined Authority and constituent authorities?

No Comment

Question 11: Do you have any comments on the impact of the proposals for the 2017-18 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comment

FURTHER INFORMATION

For further information, please contact the DCN Office in the first instance:

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The District Councils' Network is a cross-party member led network of 201 district councils. We are a Special Interest Group of the Local Government Association (LGA), and provide a single voice for district councils within the LGA. We lobby central government, the political parties and other stakeholders directly on behalf of our members, as well as commissioning research, providing support, and sharing best practice.

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