



DISTRICT COUNCILS' NETWORK

Innovative and collaborative
solutions for people and places

District Councils' Network response to the Technical Consultation Paper on the 2018-19 Local Government Finance Settlement

About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 200 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 over 22 million people - 40% of the population - and cover 68% of the country by area. As the housing and planning authorities, we approve 90% of all planning applications and enabled almost 50% of all housing completions in our areas last year. District councils have a proven track record of devising innovative solutions to transform public services, taking a lead role in improving services and outcomes for people and places through better collaboration.

District councils have a proven track record of building better lives and bigger economies in the areas that they serve. Districts protect and enhance quality of life by safeguarding our environment, promoting public health and leisure, whilst creating attractive places to live, raise families and build a bigger economy. By tackling homelessness and promoting wellbeing, District councils ensure no one gets left behind by addressing the complex needs of today whilst attempting to prevent the social problems of tomorrow.

Summary

The DCN welcomes the opportunity to respond to this consultation paper. We have set out below our detailed responses to the consultation questions.

The DCN seeks stability and clarity about funding for 2018-19 and beyond, and measures that maintain incentives for districts to deliver housing growth. Some aspects of the proposals, such as continuing with the 4 year settlement offer, deliver certainty albeit that, based on the 2017-18 Settlement data from DCLG, 146 out of the 201 District Councils (72%) will be facing a negative RSG position by 2019-20. When local authorities accepted the 4 year settlement offer they did so against the background of 100% Business Rates retention being introduced within this 4 year settlement period, today's situation is very different with no certainty of timeframes for implementation of 100% retention which puts additional risk on those authorities already facing negative RSG positions.

However other proposals are likely to create uncertainty or, worse still, remove resources from district councils when they have already faced larger proportionate reductions than other councils. The year-on-year changes in core spending power in the Local Government Finance Settlement have hit district councils far harder than others, with huge reductions in core spending power for shire districts of over 5% from 2016-17 to 2017-18. Districts are continuing to see reductions in their core spending power for the whole period, compared to other councils which are seeing an increase.

We do not support any further changes to the methodology for distributing new homes bonus as this creates uncertainty and reduces yet further the incentive to deliver housing growth. NHB was established with one purpose in mind – driving housing growth. It has provided districts with a positive and powerful incentive to build more houses and crucially to garner support for that growth in our communities. It's instrumental in ensuring the highest level of housing completions in a decade with half of all new homes completed in district areas and increasing numbers of new starts underway.

Weakening the incentive to build risks derailing the momentum that has built up in areas with the greatest new home potential surrounding our cities and market towns and the disincentive of the current 0.4% threshold prevents more developed areas from increasing housing density. Proposals to reduce the NHB for authorities who see any successful appeals would weaken the hand of authorities that aspire to get the highest quality of development that is acceptable to their communities. Councils would be dis-incentivised from negotiating the best forms of development, and forced to settle for second best at the risk of appeal.

Instead, this and future settlements should provide fair funding to local government and in particular provide long term incentives to grow the economy, with those areas investing the hardest being able to retain a greater degree of the uplift. All this should be within a fiscal envelope that provides longer term funding certainty to councils to enable sustainable budgeting and planning, taking forward the devolution of business rates and continuing to incentivise growth through measures such as New Homes Bonus.

We support removing referendum limits for council tax and allowing councils to set discounts. If referenda limits are retained, we challenge whether 2% or £5 as the definition of a “high” council tax increase for districts is appropriate when CPI is 2.9%: a real terms cut in council tax cannot be a “high” increase. We would also support discretion for districts to raise a 2% prevention precept – a call endorsed by peers in the House of Lords during a recent debate on district council funding. A 2 per cent prevention precept would give district councils additional resources to address health and wellbeing issues in their communities before people require more formalised acute based intervention

For every £1 spent on prevention, district councils say they can make up to £70 worth of savings on health spending in the long term.

For example:

- By adapting 100,000 homes to meet the needs of older people, districts could save the NHS £69 for every pound spent.
- Investing in sport, leisure and recreation – core district functions – not only delivers health benefits but can generate £11.2 billion a year in savings, £1.7 billion of which is thought to be via savings to health care-associated costs.
- By improving 100,000 homes to protect older people from the cold weather districts could save the NHS £34.19 for every pound spent.
- The average cost to the State of a fractured hip is £28,665. This is 4.7 times the average cost of a major housing adaptation (£6,000) and 100 times the cost of fitting hand and grab rails to prevent falls.

With adult social care at a tipping point district councils want to play their part in reducing the burden on the social care system and in turn the NHS. According to the Local Government Association, adult social care faces an annual funding gap of £2.3 billion by 2020, with no signs of these pressures abating. Whilst some of these pressures have been met by a one-off £2 billion injection into the system, no durable solution has been found. The DCN has been clear that changes to the New Homes Bonus to fund a very small part of this does not constitute a

solution as it simply recycles existing local government funding. The New Homes Bonus must instead continue to reward increasing housing growth.

We also oppose introduction of any control of parish councils' decisions on council tax.

The Government announcement to enact a 20% increase to planning fees was widely welcomed and we would urge that this is approved by Parliament as soon as Parliamentary time allows.

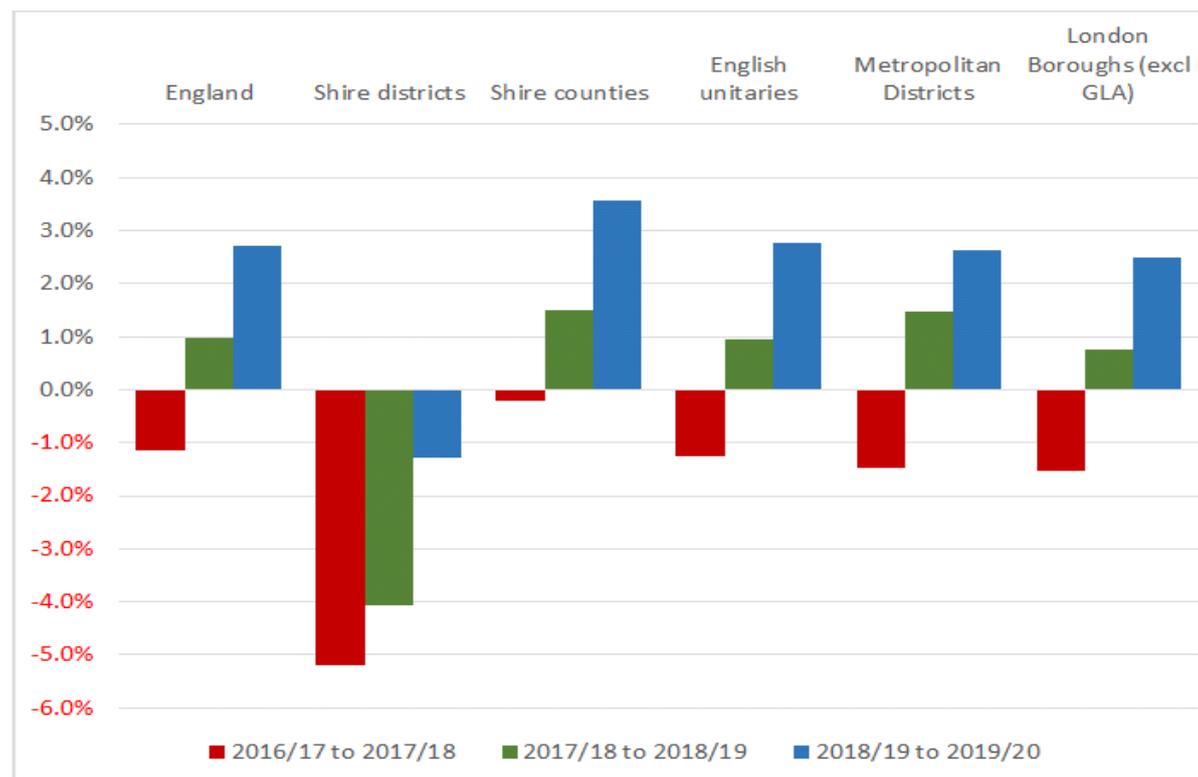
District Councils need certainty to enable long term sustainable budgets to be set. We believe there is a need for the Government to change its timetable for local government finance announcements. Whilst the last announcement on 15 December was slightly earlier than some previous years, it is still far too late to support good financial planning. DCN proposes that the DCLG should set itself the aspiration of publishing the Settlement at the same time as the Autumn Budget or no more than a few days later.

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

Yes. We support certainty and therefore the continuity provided by the 4-year offer.

However we are concerned that, based on the 2017-18 Settlement data from DCLG, 146 out of the 201 District Councils (72%) will be facing a negative RSG position by 2019-20 totalling - £56.2m. When local authorities accepted the 4 year settlement offer they did so against the background of 100% Business Rates retention being introduced within this 4 year settlement period, today’s situation is very different with no certainty of timeframes for implementation of 100% retention which puts additional risk on those authorities already facing negative RSG positions.

The year-on-year changes in core spending power in the Local Government Finance Settlement have hit district councils far harder than others, with huge reductions in core spending power for shire districts of over 5% from 2016-17 to 2017-18. Districts are continuing to see reductions in their core spending power for the whole period, compared to other councils who are seeing an increase (as shown in the graph below).



The current multi-year Settlement ends in 2019-20 and there is no future certainty for Councils when setting budgets and medium term financial plan past this two year time period. Additional cost pressures continue to rise, such as increased homelessness (44% increase over the last 6 years in the number of homeless households needing accommodation), the apprenticeship levy, and the National Living Wage (NLW). Whilst we support the ambitions of the apprenticeship policy and the principle of the NLW, these are new unfunded costs to local government which adds additional pressure.

It is therefore vital that this Budget recognises that district councils cannot continue to provide essential local services without sufficient and sustainable funding. Local councils are

disproportionately affected by the NLW compared to other parts of the public sector given that they employ significant numbers of part-time staff, in leisure centres, housing and environmental roles, which impact positively on quality of life and reduce demand for services.

All parts of local Government are under financial pressure. But whilst the impacts of today are acute managing day-to-day caseloads and particularly budgetary pressure, the system will only be sustainable in the long run if

- More revenue can be raised by economic growth – and districts are the planning & housing authorities which drive the national economy one local economy at a time
- Demand for services can be reduced – and districts offer the granular preventative services that aim to solve the problems for every family.

Therefore we use this response to call for urgent clarification from DCLG of the timetable for implementing 100% business rates retention across England; early progress with the Fair Funding review; and a freeze to changes to how new homes bonus is distributed.

The Fair Funding review is necessary and it is important that this is carried out properly and structured to enable delivery of local services. Wherever possible the assessment of needs should be evidence based and judgement should be minimised. The priority for government should be to ensure that existing services are adequately funded. DCN recognise that it is right to have a consultation on the key factors and principles of the fair funding review and DCLG should work with groups such as ALATs who have carried out significant modelling in this area to identify a set of principles to simplify measurement of need.

DCN call on Government to provide an updated an ongoing multi-year Settlement so that Councils have some certainty to set their 4 year medium term financial plan and budget.

Fairer funding isn't just about meeting case load pressures of today – it MUST recognise need to reduce demand for tomorrow by solving, not just managing, problems. District councils, with their functions which focus on prevention, are best placed to do this.

Government should commit to allowing sufficient time to carry out the Fair Funding review to the necessary detail level required to provide a fit for purpose and flexible funding scheme for the medium to longer term noting that managing caseloads today will never reduce, unless prevention and demand reduction is given equal weight.

Question 2: Do you agree with the New Homes Bonus allocation mechanism set out above?

No. We strongly oppose any further change to the allocation mechanism for New Homes Bonus that would reduce allocations for district councils.

As planning authorities delivering 90% of planning permission and almost 50% of housing completions, districts shape and lead housing and economic growth. We need incentives for growth, so **our position is that the Government should completely remove the 'baseline' from the distribution methodology for the new homes bonus.**

Instead, this consultation paper raises the possibility that the baseline might be changed. It is not appropriate that councils are kept guessing until the provisional settlement what the baseline for 2018-19 will be. In any case, since data to October 2017 will be used, it is impossible for councils to influence their "performance" in housing delivery that will be used to calculate new homes bonus for 2018-19. The introduction of the baseline penalised many councils without proper warning, perversely excluding some councils from any allocation even

though they delivered additional housing. Suggested changes to the distribution methodology in 2018-19, linking bonus payments to planning decisions, fail to provide stability in finances. **If the Government is determined to maintain a 'baseline' despite our and other representations, then the Government should commit to no further increases in the NHB 'baseline' from the existing 0.4% level.**

District Councils are at the heart of housing delivery. In 2016-17 districts area enabled almost 50% of the total number of housing completions in England. Previous Government reviews have concluded that the New Homes Bonus (NHB) provides districts with a positive and powerful incentive to build more houses and support growth in our localities. In recent years NHB funding has been scaled back from 6 years to 5 years and further reduced to 4 years. Added to this reduction was the introduction of the 'baseline' of 0.4% which resulted in 14 district councils receiving no NHB allocation for 2017-18, especially for those city centre-based authorities, where there is a new disincentive to redevelop more intensively including building upwards, and in national parks, where there are restrictions on growth.

The stated policy objective of providing more money for Social Care was undermined because the cumulative reductions in district/county areas like Surrey exceeded the additional Social Care grant received. The quantum of the reductions to district authorities amounted to up to 10% of net district budgets yet the money actually redirected will contribute only a tiny proportion of the extra funding needed to put adult social care on a sustainable footing. The DCN continues to call for a long term sustainable solution to social care funding to be bought forward as soon as possible which emphasises the importance of prevention as well as managing demand.

In many cases NHB funding is used by district councils to invest in infrastructure and regeneration in their area, thus making their areas even more attractive places to live for future potential residents. However, the proposed 0.4 per cent threshold for the NHB is not acceptable to district councils and any suggestion that this could increase in the future will not be supported by the DCN. This baseline creates a perverse incentive which penalises district councils for delivering more housing growth. For those authorities who face difficult housing constraints the incentive to grow from a lower base is completely removed. Raising the threshold above the 0.4% baseline would also reduce the incentive for even more district councils to encourage housing growth, as set out below (based on 2017/18 figures).

Reductions to District Councils Compared to 0.40% Baseline Based on 2017-18 Allocations		
Baseline Level	£ reductions Compared to 0.4% Baseline	No of Additional Districts Councils receiving no NHB
0.50%	10,121,068	19
0.60%	19,422,099	30
0.70%	27,866,834	46
0.80%	35,273,628	75
0.90%	41,249,972	94
1.00%	46,293,560	109

It is essential that successful schemes such as NHB remain fit for purpose and continue to incentivise growth into the future. District Councils are also concerned that decisions relating to

the NHB continue to be made with only a few months before the start of the new financial year therefore impacting on the ability for district councils to understand the impact on their budgets. This runs contrary to the stated aim of 4 year settlements which was to reduce uncertainty.

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

We strongly oppose the introduction of changes to the distribution methodology that measure the “quality” of decision-making on planning applications. We opposed this when the Government last consulted on the issue in 2015, and we are disappointed that DCLG is returning to the issue again.

The reality is that many refusals of permission have nothing to do with the principle of accepting housing growth – there can be a wide range of valid planning reasons to reject an application including unresolved objections from the highways authority, or from one of the Government’s arm’s length bodies such as Sport England or English Heritage. It is “planning effectively” to refuse permission if there are valid planning reasons to do so, even if on occasion an inspector reaches a different conclusion on the issue at appeal. This may reflect that the reasons for and against granting planning permission are often balanced in a particular case and that different decision-makers can legitimately reach different conclusions. In addition, sometimes the national policy situation and/or case law can change in the time between the LPA making a decision and the Inspector/SoS issuing their appeal decision. It would be grossly unfair to penalise an authority for making what might (at the time) have been a perfectly proper and justifiable refusal, but then, for reasons entirely outside their control, the balance changes. In such cases, even if the LPA stops contesting the appeal, then if permission is granted (on appeal), no NHB would be received under the first option scenario.

We do not see how ignoring permissions that are granted on appeal in NHB calculations can fairly reflect what is in some cases a subjective view about the balance to be struck in considering the different factors. It is certainly over-simplistic to assume that any residential permission that is granted on appeal is the result of the planning authority not wishing to see housing growth or that it is an indicator of ineffective planning.

We also note that introducing a measure of “planning effectively” would move new homes bonus away from being a simple system that rewards councils in the next following financial year for housing growth delivered in a preceding 12 month period.

If the Government nevertheless proceeds with this unwanted change to the distribution methodology, which will add complexity and give rise to further work both for DCLG and for councils, we strongly oppose the methodology outlined in paragraph 3.3.4.

This is because it potentially results in an unfair penalty on Council A that had refused permission for, say, a single dwelling on 10 occasions and lost each of those decisions on appeal compared to Council B that refused permission for, example, 50 dwellings on 10 occasions and also lost those decisions on appeal. If both councils had processed the same number of applications, the financial impact on both of them would be identical, which cannot be fair – particularly if Council A’s decisions to grant permission involved supporting a much higher level of total housing growth than Council B. The consultation proposal furthermore risks creating a perverse incentive for councils to refuse permission for controversial major applications because the financial penalty that would be suffered in terms of NHB could be relatively modest.

We thus feel strongly that, if the Government proceeds with a change that we do not support, a fairer methodology would be for the NHB only to be reduced where costs are awarded against a council in the event of a successful appeal, where the Inspector or Secretary of State has concluded that the council has behaved “unreasonably” in relation to defending the appeal.

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

While we strongly oppose any introduction of measures of planning “performance” in the distribution of NHB, we support that councils should have the right to challenge and appeal all data that are used in the calculation of NHB.

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

No. We strongly oppose the inclusion of mechanisms to reflect the quality of decision making on planning applications within the calculation of NHB.

However please see our previous proposal in question 3 regarding an alternative NHB methodology if Government proceeds with a change we do not support.

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

We strongly oppose the inclusion of mechanisms to reflect the quality of decision making on planning applications within the calculation of NHB – see our response to question 3. Both the mechanisms are therefore flawed. The first approach would particularly penalise councils who lose appeals for large housing applications (no matter how balanced and justified the case the council made in refusing the application originally) and the second approach would skew the figures if the council had approved most/all large housing applications, but refused (and lost on appeal) small-scale housing developments; there are many more planning applications made (and determined) on small-scale residential development (1-10 dwellings) than 11+ dwellings.

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

We strongly oppose the inclusion of mechanisms to reflect the quality of decision making on planning applications within the calculation of NHB. Nevertheless, if the Government proceeds with its proposal despite our and others’ objections, any such mechanism should apply to all areas.

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

We strongly oppose the inclusion of mechanisms to reflect the quality of decision making on planning applications within the calculation of NHB. County councils have benefited from the previous change to methodology in calculating NHB allocations. Nevertheless, if the Government proceeds with its proposal despite our and others’ objections, the mechanism should also impact on allocations for county councils.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

The DCN feel that the decisions over the level of Council Tax should be a wholly local matter and should not be subject to nationally set referendum principles. In addition a referendum on the level of Council Tax adds an unnecessary cost pressure on local residents. District councillors are democratically elected by local residents and should be able to determine their own rates of local taxation.

The DCN propose that the mechanism of referenda on council tax increases is removed by Government and local councils are free to set their own level of Council Tax.

DCN also propose that local authorities should be able to vary all local tax discounts (e.g. the 25% single person's discount).

Government should consider introducing new property values bands into the Council Tax system – this is a simple way to proceed without the need for a wholesale revaluation exercise.

If the Government continues to set principles for what constitutes an excessive council tax increase, despite our call for democratically elected councillors to have freedom to set whatever council tax they consider appropriate, then we strongly oppose the proposal for a core principle of 2% or £5 for 2018-19. This cannot constitute a “high” council tax increase when CPI is currently at 2.9% and not projected to fall below 2% in Office of Budget Responsibility's forecast in the period to 2022. How can a real terms cut in council tax be a “high” increase? If a principle is to be adopted for 2018-19, we call therefore for the Government to use instead a principle of CPI + 2% as a minimum as this would be a more reasonable measure of what constitutes a “high” increase. It is only a few years ago that 5% was routinely set as the principle for crude and universal capping and it is ironic that the Localism Act has created a regime that constrains councils' democratic decisions even more tightly.

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

District Council Social Care Precept

Shire districts play a huge role in social care prevention, especially in helping families with children, which saves much in the wider operational costs of social care.

With adult social care at a tipping point district councils want to play their part in reducing the burden on the social care system and in turn the NHS. According to the Local Government Association, adult social care faces an annual funding gap of £2.3 billion by 2020, with no signs of these pressures abating. Whilst some of these pressures have been met by a one-off £2 billion injection into the system, no durable solution has been found. The DCN has been clear that changes to the New Homes Bonus to fund a very small part of this does not constitute a solution as it simply recycles existing local government funding. The New Homes Bonus must instead continue to reward increasing housing growth.

DCN would like to re-emphasise a proposal that we have raised previously, which is the relevance and importance of a prevention council tax precept - a 2% prevention precept for district councils - to reflect the key role that districts play in prevention and demand reduction for the wider public sector across the country.

This prevention precept on council tax could be used to maintain and invest further in prevention services such as improving housing, providing leisure and recreational facilities, offering debt advice, tackling homelessness, supporting troubled families and improving air quality all of which help reduce demand on social care and health services, which would help to keep residents and their families from needing to access acute social care and the NHS by reducing demand for these services.

If all districts raised an additional 2% prevention precept this could raise up to an additional £25m funding per year (an a Band D property in a district area would see on average an approximate 7p per week increase on the district council charge) and then deliver significantly increased savings of up to £2 Billion, by solving rather than managing problems, allowing resources to be refocused on more difficult cases.

The recent study by the Kings Fund (The District Council contribution to public health¹) showed that up to £70 can be saved for every pound spent on prevention investment such as home adaptations for example:

- every £1 spent adapting 100,000 homes where a serious fall is likely to otherwise occur could save the NHS £69.37 over 10 years.
- every £1 spent dealing with overcrowding in 100,000 homes that is otherwise likely to lead to health problems could save the NHS £6.71 over 10 years.
- by improving 100,000 homes to protect older people from the cold weather, districts could save the NHS £34.19 over 10 years for every £1 spent.
- The average cost to the state of a fractured hip is £28,665. This is 4.7 times the average cost of a major housing adaptation (36,000) and 100 time the cost of fitting hand and grab rails to prevent falls.
- Investment in sport, leisure and recreation – core district functions – not only delivers health benefits but can generate £11.2 billion a year in savings, £1.7 billion of which is thought to be via savings to health care-associated costs.

While we do not support principles being specified at all, if the Government retains them, we therefore call for District Councils to have the ability to raise a 2% prevention precept to reflect the key role that districts play in prevention and demand reduction for the wider public sector across the country.

We also use this consultation to call again for legislation to enable drainage board levies to levy their own precept to help flood prevention measures.

Finally **we strongly oppose the setting of any principles for council tax increases by parish councils.** Any limitation of their tax raising powers would be a massively retrograde step for localism, possibly inconsistent with article 9 of the European Charter of Local Self-Government, to which the UK is a signatory.

For many parish councils, council tax is the only source of income that they have, with many councils utilising volunteers to carry out local works. The sabre-rattling in this consultation paper could result in an unparalleled interference in decisions of thousands of local councils and takes no account of the minuscule impact on public expenditure.

There is no public expenditure argument for the Government to control parish councils' decisions on council tax. Parish councils are raising £485m in 2017-18. This represents only 1.75% of total council tax bills but less than one tenth of one percent of total public expenditure

¹ https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/district-council-contribution-to-public-health-nov15.pdf

of £802bn (0.061%). This year's increase in parishes' council tax was just over £40m or just half of a hundredth of one per cent of public expenditure (0.0050%).

The increase of £40m is less than one thirteenth of the £552m being raised from the social care precept in 2017-18. This demonstrates how unnecessary it is to seek to interfere in council tax setting by parish councils when their total council tax in 2017-18 is nearly £70m lower than is being raised through the social care precept. The social care precept will continue to grow exponentially faster than parish councils' council tax.

The most damaging consequence of any attempt to remove the genuine control over local taxation enjoyed by the only part of local government that still has it would be the demise of localism. It would hinder or scupper the legitimate desire of parish councils to assist with retaining or sustaining local services and assets that principal councils can no longer afford.

Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

We do not have any comment on this question.

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

We agree that county councils should not find themselves able to raise less from the adult social care precept simply because there has been a transfer of fire service functions.

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

We do not have any comment on this question.