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Dear Mr Palmer,

Provisional Local Government Finance Settlement 2018-19

This response to the consultation on the provisional local government finance settlement is on behalf of Kent County Council (KCC). Kent is the largest shire area in the country with a population of around 1.5 million and over 640,000 households. This makes KCC the largest council responsible for services to more people than any other council in the country. The county councils comprises of 81 elected councillors representing 72 electoral wards. This response has been developed in consultation with the Cabinet Member for Finance.

KCC welcomes the opportunity to comment on the provisional settlement for 2018-19. We were very pleased to hear the announcement that Kent and Medway will be one of the new business rates pilots in 2018-19 and that the Secretary of State was able to approve more pilots than was originally envisaged. This will enable us to retain more business rate growth income locally to support the financial sustainability of local councils during a transitional phase in local authority funding as we move to a reformed system, and to promote further economic development. The pilot will also promote further improved collaborative working between local authorities within the area.

We also welcome the further commitment to reviewing the funding arrangements for local government and look forward to continuing to actively contribute to the development of the fair funding review of relative needs and resources. We have consistently expressed our concerns about the current national distribution of funds (including Revenue Support Grant, business rate baseline used to determine tariffs and top-ups, and more recently the improved Better Care Fund) being the prime factor that leads to higher council tax charges in shire areas and some deprived metropolitan areas and much lower in inner London and other affluent areas.

We are disappointed that ministers have chosen not to retain the transitional grants which have been available since 2016/17 to mitigate some of the largest reductions in RSG, particularly following the changes introduced in 2016/17. We have consistently challenged this change which resulted in grant reductions based on the value of grant and council tax yields. As we have already indicated we believe the current funding distribution is the prime factor which has led to higher council tax charges in some areas and we feel doubly penalised if those higher tax charges now result in even larger grant reductions than in areas which had benefitted from the distribution and thus could more easily maintain lower charges. This change was introduced with no prior consultation, and to now remove the safety net of transitional grant causes severe financial difficulties and indeed could be the final straw which breaks the camel's back for some authorities.

The changes to the council tax referendum rules allow further taxes to be raised locally, and thus is a further shift from centralised grants to local taxation, placing additional financial burdens on local residents. We strongly believe that a central solution is urgently needed and whilst the financial strain on council budgets may mean we have no choice but to ask for the additional tax from local people that this settlement is a missed opportunity.

Having welcomed the additional social care focus, we remain concerned that additional funding for social care in announced at Spring Budget 2017 is still not sufficient to meet the increasing demands of an ageing population with increasing complexity of need. Therefore the announcement to publication of a Green Paper by summer 2018 will be considered with great interest as some authorities will soon be unable to meet statutory obligations.

Q1 – Do you agree with the methodology for allocating the Revenue Support Grant in 2018-19?

No. We have consistently argued that the RSG Distribution does not achieve the objective of lessening the impact of grant reductions in deprived areas and mean that some authorities continue to have unjustifiably low grant reduction compared to the reductions for others. We contend that this stems from using each authority's council tax yield (derived from both the band D Equivalent tax base and the council tax rate charged by each authority) in the calculation which means larger grant reductions for those authorities with the highest band D charges. For example, the Average Band D (excluding parishes) 2017/18 was £688 in Westminster compared to £1835 in Hartlepool. This issue has been further compounded by the cessation of the transitional grant for 2018-19.

We are also very concerned that the continuing reductions in RSG mean that the 50% central share of business rates is now not being returned into local authority services. It is a long standing principle that locally raised taxes are used to support local services (albeit we accept subject to some degree of redistribution from high wealth/low need areas to other areas of low wealth/high needs). Whilst the announcement of additional 100% pilots goes some way to addressing this issue the additional growth derived from these arrangements is still substantially less that the RSG being lost. It seems to us that these RSG reductions are consistently overlooked when ministers, and departmental officials, make statements about the amounts of money made available to support local services.

Q2 – Do you agree with the Government's proposal to fund the New Homes Bonus in 2018-19 with £900 million from Revenue Support Grant in 2018-19 and additional funding being secured from departmental budgets?

Yes. We have previously supported the reforms to reduce the grant from 6 to 4 years but have also been critical about other aspects of this grant. Whilst we accept that the reformed grant is funded from RSG and departmental budgets to support the 2018-19 allocations we still believe further reforms should be considered as part of the post 2020 arrangements.

Q3 – Do you agree with the Government's proposed approach of paying £65million in 2018-19 to the upper quartile of local authorities based on the super-sparsity indicator?

Yes. We are supportive of the Government recognising the cost pressures associated with service delivery in rural sparse areas. However KCC incurs significant costs pressures relating to Kent's rural areas which include Adult Social Care with significant additional costs, such as travel time and expenses for home care workers. Therefore, we believe the district based formula is not always relevant to identify issues for larger shire counties..

Q4 – Do you agree with the Government's proposal to hold back £35 million to fund business rate safety net in 2018-19, on the basis of the methodology described in paragraph 2.6.2?

Yes, we are satisfied that the methodology appears reasonable.

Q5 – What are your views on the council tax referendum principles proposed by the Government for 2018-19?

Core principle of 3% in 2018-19 and 2019-20

We have consistently challenged the referendum principles as being undemocratic and no better than the previous capping regime. Furthermore, as we have already indicated we believe that there needs to be a central solution to address the significant funding disparities under the current arrangements. Increasing the council tax referendum threshold is little more than a sticking plaster and an unwelcome one for those local households on fixed incomes or have seen real incomes fall over the last year as wages have not kept pace with inflation. Nonetheless, such are the financial strains on local authority budgets but we may have no choice to raise the additional charge in 2018-19 when the Council comes to setting its budget in February. We will take more time to consider the implications for 2019-20.

Social Care Council Tax Levy Flexibility
Whilst the flexibility does help to tackle the urgency around social care issues and could help to further stabilise the market, it does not represent a long term solution. We have previously commented that the social care levy is only a short term solution to the

urgent need to reform the funding for social care services. Whilst the additional iBCF announced in March has been welcome, and represents a more sustainable solution than council tax, we welcome the announcement of a green paper on social care funding in 2018/19. .

Whilst we are likely to raise the social care levy again in 2018-19 (as we have in 2016-17 and 2017-18) so that we can support the most vulnerable residents, at this stage we are still undecided whether we will also use the additional flexibility.

Q6 – Do you agree with the methodology for calculating the revaluation adjustment to business rate tariff and top-up payments as outlined in paragraphs 3.5.1 to 3.5.6?

Yes. We understand the need to recalculate these tariff and top-up adjustments with up to date information. We have found the presentation a little confusing as these adjustments do not also include the indexation uplift.

Q7 – Do you have any comments on the impact of the 2018-19 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document?

No.

We remain concerned that the provisional settlement is announced very late. This leaves local authorities with very little time to respond or factor the consequences into budget plans for the forthcoming year as the County Council has to consider and approve the budget in February. As we have requested in previous years we urge ministers to make earlier settlement announcements, or at least give earlier prior notice of changes being considered.

We hope ministers find these comments helpful.

Yours sincerely

John Simmonds
Cabinet Member for Finance