Please ask for: Jon Triggs, Director of Resources
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Date: 12th January 2023

Dear Sirs,

Provisional Local Government Finance Settlement

Please find North Devon Council's response to the consultation on the Provisional Local Government Finance Settlement for 2023/24 year;

Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2023/24?

Yes.

However, we note that the government has provided very little certainty about the provision of grant funding to district councils in future years. In fact, the prospect of income from the Extended Producer Responsibility (EPR) scheme being factored into the calculation of needs and resources for district councils creates significant uncertainty given the paucity of information currently available about the nature and amount of EPR income.

North Devon District Council call on DLUHC and DEFRA to work closely with councils as soon as possible to provide the certainty we need to plan ahead and to sustain vital frontline services into future years.

Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2023/24?

Yes. We support the principle of reducing the number of specific grants and rolling them into general funding.

We support the way in which the government proposes to roll these grants into the settlement in 2023-24 by adding them to revenue support grant allocations <u>after</u> negative RSG has been removed.

North Devon District Council and other councils need certainty that the rolled in grants will form part of an ongoing grant, as the activities that they fund are ongoing.

Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?

No. We remain opposed to the setting of referendum principles for all councils. Democratically elected councillors should be accountable to the electorate for their decisions on council tax, in the same way as MPs. National tax decisions are not subject to referenda. Likewise councils should not be subject to blunt national tools that are tantamount to universal capping, as it is highly unlikely that any referendum would result in a vote to approve a higher increase than is set out in referendum principles.

The raising of the 2% to 3% allows more flexibility but those councils which have a low council tax will be penalised if the £5 is not increased.

In North Devon, a 3% increase (£5.93) on the Band D Council Tax produces additional income to the Council of £208,000.

The proposed settlement is not an adequate response to the spending needs of district councils such as North Devon. The 3% funding guarantee on core funding, whilst welcomed only provides around an additional £120,000 of grant to North Devon, therefore the additional Council Tax revenue and core funding increase totalling £330,000 does not correlate to the additional cost burdens the Council has faced with the 2022-23 pay award alone costing an additional £1m over and above the original budgeted cost, which continues into 2023-24 base and a potential further increased pay award for 2023-24; together with additional inflationary impacts across service areas.

An average increase in core spending power of 5% lies a long way behind current and projected future levels of inflation. It gives no recognition to the impact of high inflation in 2022-23, which is now “baked in” and was not taken into account in the settlement for that year. The average increase in core spending power for districts also falls a long way short of the 9% increase that will be enjoyed by social care authorities.

While our preference is that there should be no referendum principles for district councils, we are very concerned about the proposed principle of “3% or £5, whichever is the higher” for 2023-24. We recognise that the core principle of 3% is higher than the 2% set for 2022-23 but note that it is significantly lower than current or projected inflation rates. In other words, the settlement and referendum principle condemn districts to a sub-inflation increase in their ability to spend in 2023-24 – there will be a real terms reduction in their spending. Moreover the increase from 2% to 3% is wiped out in virtually every district by the 150% increase in audit fees, which demonstrates the need for greater flexibility.

The “or £5” rider adds insufficient and very limited flexibility: the DCN has calculated that it would benefit only 31 districts which, between them, would be able to raise an additional £1m if they used the flexibility in full. We are calling strongly for flexibility that would be available to the vast majority of district councils. We believe that the rider should be set at “or £10”. This change would not cost the government anything. It would mean that 179 out of 181 districts would be able to raise a small extra amount of council tax, if they choose to do so, to protect the universal, strategic and preventative services that districts provide. £10 represents only 5% of the average district council element of council tax in 2022-23 (£199) and would therefore still see sub-inflation increases in council tax, even if all councils took advantage of it. The impact on council tax bills in shire counties would be minimal. The DCN has calculated that setting the rider at “or £10” would allow districts to generate an extra £30m, which represents less than 8p a week at Band D.

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The modest nature of our proposal is demonstrated by the fact that the government is proposing that police and crime commissioners can increase council tax by up to £15. We are not aware that the government has presented objective justification and evidence as to why PCCs should be allowed three times greater flexibility on council tax increases than district councils (£15 vs £5). Indeed the government has increased the flexibility for PCCs by 50% compared to the figure for 2022-23 and the approach announced in the Spending Review in 2021. The only explanation is that this is “to ensure that policing (sic) are able to balance budgets and deliver on key priorities”. We feel strongly that district councils also need to be able to balance budgets and deliver on key priorities: such as delivering welfare support for struggling households, helping people to maintain tenancies and avoid homelessness, and allowing residents access to green spaces and sport and leisure facilities that allow them to maintain their physical and mental well-being.

The proposed £15 principle for PCCs represents 6.25% of the average PCC element of council tax of £240 in 2022-23. Thus the suggestion of “3% or £10, whichever is the higher” would still see district councils’ ability to increase council tax without a referendum set at a lower level than PCCs (5% vs 6.25%).

Finally, there are two technical anomalies in the referendum principles for council tax. The first is in respect of “Special Expenses” which reflects expenditure incurred by districts either in the absence of a functioning town or parish council or on their behalf. Town/parish councils have no referendum limits in raising their council taxes, whilst councils in unparished areas are limited to raising our total precept, including the element that covers town/parish council function expenditure, by £5/2.99%. This is insufficient.

The second anomaly relates to the fact that Internal Drainage Boards’ (IDB) have an unlimited ability to charge district councils. In at least one area the IDB takes 50% of the council’s income from council tax. This is a scenario where a cost from another public body has no cap and yet it has to be covered by the council from a capped income stream with no room for additionality to compensate.

We welcome that the government is not proposing referendum principles for town and parish councils. Many district councils are working successfully with town and parish councils to implement sustainable futures for valued local assets and services. These often depend on town and parish councils being able to increase their call on council tax. The introduction of referendum principles for this class of authority would mark a retrograde step and hinder the ability of districts to deliver devolution of local control over such assets and services.

Question 4: Do you agree with the government’s proposals for a new Funding Guarantee?

Yes. The stability it provides is welcome.

However, there will be some council areas where the rewards from growth have not been possible and hence they have not experienced the drop in business rates and New Homes Bonus. It is important that their budgets should be provided for similarly.

The Funding Guarantee will offset to some extent the inflationary pressures being experienced by all councils. But it does not address the inherent funding issues for councils that have not achieved and still cannot achieve growth.

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We do not believe the Funding Guarantee should be a one-off. In principle, it should be extended to 2024-25. The detail will need to feature in discussions with the local government sector about the 2024-25 settlement, including the impact of introducing of Extended Producer Responsibility funding.

Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2023/24?

This does not affect district councils. We would support the views of the County Councils' Network on these proposals.

Question 6: Do you agree with the government's proposals for New Homes Bonus in 2023/24?

Yes. But New Homes Bonus (NHB) should continue into 2024-25 and beyond. It is important to provide certainty and maintain stability.

The future position of NHB should be set out not only "ahead of the 2024-25 local government finance settlement" but *well ahead* of that settlement. NHB has become an important funding stream for district councils and incentivises them to deliver housing growth through their strategic planning powers. The Department should recognise the importance of retaining such an incentive and we look forward to consultation on its future plans for NHB well before the autumn.

Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2023/24?

Yes. However, holding the grant at the same value as 2022-23 seems to disadvantage rural authorities. If the additional service delivery costs faced by rural authorities have been exposed to the same inflationary increases as other costs, then the settlement addresses this only through the funding guarantee. Rural authorities are not offered any additional flexibility on council tax referendum principles. With council tax representing such a large proportion of district council expenditure, the result is that councils receiving the rural services delivery grant are not able to cover inflationary impacts to the same extent as other authorities.

Question 8: Do you agree with the government's proposals for Services Grant in 2023/24?

Yes. We understand the reasons why the total value of the grant is being adjusted. There should be greater transparency about the amounts of the adjustments.

The sum set aside for contingency should be redistributed to all councils if not required, as part of the final settlement.

It would be useful if the settlement was clearer about the amounts of grant that is being repurposed for example for Supporting Families and RSG. It would also be useful to know the total amount of the “small proportion” (paragraph 6.3.2 of the consultation document) for contingency to cover unexpected movements.

Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.

Our general observation would be that, because the proposed settlement would not cover all the funding needs of district councils (even with the greater council tax flexibility that we seek and the introduction of higher planning fees from April 2023), there is a risk that districts will not be able to maintain the current range and pattern of services. The proposed settlement may therefore result in adverse impacts on one or more of the three aims of the public sector equality duty.

Yours sincerely,

Jon Triggs

Director of Resources and Section 151 Officer

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