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The Provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years

Cornwall Council welcomes the opportunity to submit a response to the above consultation.

Our response highlights the very significant concerns we have about the provisional settlement. As well as answering the specific consultation questions, we have also raised other issues which are not specifically covered within the questions.

Announcement Timing and Consultation Process

As in previous years, the settlement announcement has been made very late in the year and more than three weeks after the Autumn Statement/Spending Review announcement. Subsequently this results in a short consultation period, which we recognise is necessary in order for announcements on the final settlement to be made as early as possible.

However, the late publication of the settlement, the significant numbers of changes and new elements is particularly difficult for authorities this year. The Government should recognise that the majority of authorities, including Cornwall, will need to digest, understand and then consider the impacts of the settlement in order to put forward proposals to deliver a balanced budget, ultimately ending with the setting of Council Tax levels for the following year.

Until the provisional settlement was announced, Local Government had very limited information about the level of Revenue Support Grant (RSG) for 2016-17 and subsequent years; basing estimates on the Departmental Expenditure Limit (DEL) totals published in the Spending Review. The announcement of the use of core spending power to determine RSG allocations means that the provisional RSG allocations are very different to the overall profile with a much steeper decline.

We are extremely disappointed that there was no prior technical consultation in the summer given the complexity of the settlement.

Key Issues

Cornwall Council welcomes the Government's efforts to provide additional support for Adult Social Care through the introduction of the improved Better Care Fund (BCF). We were particularly encouraged to hear from Matthew Styles, DCLG Director of Local Government Finance, at a recent CIPFA event that BCF would remain un-ringfenced affording councils the maximum flexibility to spend this funding in the most appropriate way to support care services in their area.

We object to the principle of New Homes Bonus being significantly reduced to support the additional funding being directed into Adult Social Care. We believe that the funding of Adult Social Care is a national issue which should be met from new Government funding to meet the needs of an ever increasingly ageing population.

Whilst we recognise the additional funding that the introduction of the Social Care Precept brings, this is simply an additional funding burden that the Government is not dealing with directly but passing on to the shoulders of local taxpayers.

We would stress that it is imperative that as a result of the above additional resources for Adult Social Care that they do not come with complex or bureaucratic reporting/monitoring requirements, or additional duties.

The 4 year budget offer is also welcomed and is something that we have been encouraging and actively producing for a long time. The requirement to publish an efficiency plan in order to be able to take up the four year offer must not be a bureaucratic or time consuming process, which could unintentionally become an unfunded additional burden.

We would suggest that the publication of a 4 year plan, similar to our own Medium Term Financial Plan, will meet the requirements of an efficiency plan where this lays out how the Council will balance its service demands to available resource and the savings it will deliver as a result.

However we are extremely disappointed to see a reduction of 27.4% in RSG between 2015/16 and 2016/17 and, in total, 83.9% between 2015/16 and 2019/20. Cornwall Council, like all authorities, is already faced with needing to deliver significant cuts to frontline services and this has only been worsened by the redistribution of RSG within the settlement.

We do not believe that RSG redistribution has taken account of the needs of the population in individual areas. Given the significance of the impact of the funding reductions, we believe that an assessment of these needs is vital and therefore calls on the Government to reconsider the proposals in the provisional settlement.

Recognition by the Government that costs associated with delivering service in rural areas is also welcome. However the level of additional funding that has been announced in no way reflects the true need, nor does it offset cuts to other funding sources.

The additional flexibility regarding the use of capital receipts to support revenue transformation projects costs is welcome. We would however propose that the policy be extended to allow the application of capital receipts that have already been received and to ensure that any checks that DCLG wish to introduce impose minimum burden on authorities.

Although not specifically announced in the settlement the move to 100% business rate retention is clearly a significant next step in the evolution of Local Government Funding and Cornwall, itself being an innovative authority, wishes to take it's part in helping the Government achieve its goals. We therefore very much look forward to working actively with the Government on this programme, and put ourselves forward as the largest rural unitary authority for any specific project group that DCLG wish to see Local Government representation.

Finally it is unsatisfactory that even now, nearly a month after the settlement announcement and when we are trying to finalise budgets, that the allocations for a number of specific grants for 2016/17 are still yet to be announced.

Our responses to the specific consultation questions are detailed below.

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

Cornwall Council strongly disagrees with the proposed approach to allocate central funding in 2016-17. The methodology results in a significant reduction of £2m in funding in 2016-17 compared to the approach used in previous years where all authorities' RSG allocations have been scaled back by the same percentage.

The effect of the proposed approach has essentially increased RSG funding for metropolitan districts and Inner London authorities. Given that the Government's stated desire is for greater protection for councils providing adult social care, it does not make sense that funding is diverted away from rural areas like Cornwall, which have both a larger proportion of ageing people in their population and a faster growing elderly population, to inner city areas, where these pressures are less severe.

The changes in methodology have resulted in larger decreases in funding than had been forecast within Cornwall Council. Up until the provisional settlement Cornwall Council had been planning on the basis that RSG reductions for all authorities would closely mirror decreases in the control totals mentioned above. This approach reflected CIPFA guidance in their Guide to Local Government Taxation and the Collection Fund, which states 'under the new system, until the reset, the reduction in [the] control total is achieved by scaling back RSG in the same proportion for all local authorities'. Additionally Government rhetoric had indicated that authorities should plan on the basis of a similar level of reduction going forward, as experienced in the previous Spending Review period.

The changes in methodology have resulted in larger decreases in funding than forecast in every case. This change in methodology, coupled with the short notice mentioned above, has left members in a very difficult position for 2016-17.

Cornwall Council is seriously concerned that the dramatic reductions to Revenue Support Grant proposed will leave us facing more significant cuts in those years. We had already planned to draw on un-ring-fenced reserves to support its budgets over the next four years. This reduction will have a serious effect on our ability to robustly manage risks and the impacts of any downturn in the economy.

Cornwall Council supports a local government finance system which enables redistribution between authorities, but reflects both resources and need. We do not consider that the proposals as they currently stand support this. Given the number of changes within the settlement Cornwall Council is disappointed that a proper process of consultation had not been undertaken prior to the settlement.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The council tax requirement calculations are correct.

However, Cornwall Council does not believe these figures should be used in the calculation of RSG. The four-block model, which underpins the settlement funding assessment, already includes a resource equalisation element which assesses authorities' ability to raise council tax. Including the council tax requirement in the calculation of RSG therefore takes council tax into account twice. It also results in a situation where a number of authorities receive no RSG in 2019-20 and a negative adjustment to their tariff.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

Cornwall Council cannot see any preferred alternative measure that should be used for this calculation however we reiterate of assertion that Council Tax requirement should not form part of the RSG calculation but should be based on a more refined assessment of need.

Question 4: Do you wish to propose any transitional measures to be used?

Cornwall Council believes the changes to the allocation methodology should have been consulted on over a longer period prior to the settlement. Given the significant impact we consider that changes should be delayed by a year, to enable proper consideration to be given to the proposals and other options to be explored, including a robust needs based assessment.

Alternatively, if this is not feasible, DCLG should make available additional funding through transitional arrangements in 2016-17 for those authorities most significantly affected by the changes, giving them time to undertake proper financial and service planning.

We suggest that Government should consider using the proposed £50m business rates safety net in 2016-17 as transitional funding. In addition, DCLG Communities DEL should be held constant at £250m, freeing up £40m of the proposed NHB topslice to fund transitional arrangements. However this should not impact on the overall level of New Homes Bonus distributed in 2016-17.

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

Cornwall Council agrees with the Government's proposal to fund the New Homes Bonus in 2016-17, seeing through its initial intention for a rolling six year scheme. However it is noted that DCLG Communities DEL contribution to the New Homes Bonus funding has decreased by £40m from the £250m provided in previous years.

This has resulted in an additional topslice from the RSG than would otherwise be available. Whilst recognising that the Department's own DEL will reduce significantly over the Spending Review period, the same is also true of the Local Government DEL. Cornwall Council believe the DCLG Communities DEL should be held constant at £250m, freeing up £40m of the proposed topslice to fund transitional arrangements and without impacting on the overall New Homes Bonus distributed in 2016-17.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

Cornwall Council does not agree with this proposal. The continued requirement for safety net topslice, now four years into the scheme, suggests that authorities adversely affected by Business Rates Retention (BRR) have been unable to stabilise their financial position and that the levy continues to generate insufficient resource to fund this unexpected pressure.

Whilst Cornwall Council supports the principle that local authorities should be protected from disproportionate losses incurred as a result of the BRR we believe that additional resource should be made available by the Government to meet this ongoing shortfall. This would remove the need for a safety net topslice of £50m that could be returned to RSG and used to mitigate the impact of the now proposed funding changes under transitional arrangements.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

Cornwall Council welcomes recognition by the Government that costs associated with delivering many services in rural areas are higher and are pleased the Government has recognised previous requests for extra funding be made available in the next spending review settlement.

However the additional resource that will be provided over the period of the Spending Review remains considerably short of the necessary required levels and is also in no way reflective of the reductions in RSG, as a result of the funding redistributions, referred to above. Overall Cornwall Council will continue to see further additional reductions as a result of the changes and insufficient funding given its rural nature.

However we are keen to point out that the additional resource for 2016-17 is just £4.5m as opposed to the £20m quoted by Government; with the existing contributions of £15.5m already in the 2015-16 settlement

It is disappointing that the increased funding has also been 'back-loaded'. The additional funding we will receive in 2016-17 in no way makes good the additional losses incurred as result of the redistribution of resources and Cornwall Council continues to be significantly underfunded as a rural authority. We would urge the Government to bring forward the additional resource rather than increasing the funding towards the end of the period.

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

We do not believe that it is appropriate to identify the Local Welfare Provision (LWP) funding of £129.6m within Core Spending power. Prior to 2015-16 the LWP was received by authorities as a specific grant that was cut by Government in 2015-16 i.e. it did not roll into the funding assessment.

Cornwall Council campaigned strongly at that time for the reinstatement of that funding and was disappointed that the Government took action to 'notionally' recreate that element as a specific item within the settlement through a further reduction in RSG and did not provide for any additional resource as requested.

We recognise the additional £74m that was subsequently added to the settlement and consequently were able to continue with a reduced scheme; however we consider it to be misleading that the Government should include £129.6m provision for LWP within its visible lines.

Other funding elements – Cornwall Council supports the transparency provided through the visible lines statement in that it shows clearly the transfers into and out of the funding assessment in the formation of the settlement. However, going forward, we believe the amount attributed to each of those specific lines is wholly misleading as they do not reflect in any way the scaling back of the RSG over the period of the Spending Review. Indeed, in some instances the residual RSG in 2019-20 is less than the individual items the Government pertains to be within it.

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

Cornwall Council recognises that, given the Care Act has 'rolled in' to the SFA from 2016-17 then the RSG baseline 2015-16 should be adjusted to enable like for like comparison.

However, as explained previously, the Council opposes the Government's presentation of spending levels within the 'Core Spending Power Visible Lines' in future years with regard to the Care Act. This raises expectation of spending levels and would effectively amount to the part ringfencing of un-ringfenced grant. Given diminishing levels of RSG over the period of the Spending review this is wholly unaffordable and implies the use of other sources of un-ringfenced funding, which is an unprecedented act by Government.

In previous years, funding for new responsibilities included in the settlement has been added as a separate element of RSG. This does not appear to be the case for the Care Act funding; as a result, given the effect of RSG reductions and redistribution, it is effectively removed over the period of the Spending Review. When the Care Act was introduced, the Government gave assurances that all new burdens arising from additional responsibilities would be fully funded; this is not the case given the figures set out in the provisional settlement for the next four years which will the RSG effectively be removed completely by 2019-20.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

Cornwall Council supports this approach and reiterates the view that separate elements for council tax freeze funding for all previous years should be visible in the settlement.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

Cornwall Council supports this approach, but, as mentioned above this should be separately identified within the SFA, including the split between RSG and the baseline funding level.

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

Cornwall Council supports this approach, but, as mentioned above this should be separately identified within the SFA, including the split between RSG and the baseline funding level.

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?

Cornwall Council welcomes the decision to increase this element of funding by inflation.

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?

Cornwall Council does not believe that the funding should be ring-fenced, given that for each authority the additional amounts are not likely to be material and additionally to be consistent with the lead local flood authority funding, included with the settlement funding assessment, not being ring-fenced.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

It is not clear how a negative tariff adjustment would work in practice, given existing legislation and the operation of the safety net. We would suggest that Government explains in much more detail how the process would operate.

Cornwall Council would oppose any proposals that would see a broad reallocation of tariffs and top ups across all authorities. We believe this is completely against the spirit of the Government's commitment, when setting up the scheme, to *'uprate tariffs and top-ups by the RPI business rates multiplier, so that a major part of top up authorities' income within the scheme is not eroded in real terms'*.

As the government response to the original consultation on business rates retention also highlighted, top-up authorities would 'experience greater income stability with a major part of their income being an index-linked top-up grant, protecting their ability to provide upper-tier services such as adult and children's social care and transport'. The proposal to include an adjustment to remove tariff or top-up funding undermines the fundamental purpose of designating county councils as top-up authorities, to recognise the issues facing those authorities with social care responsibilities.

However Cornwall Council recognises that within the settlement some authorities will move to a negative RSG position and we acknowledge the difficulties that will create. In those instances Cornwall Council proposes that a necessary adjustment should be made to **their own** settlement core funding by an adjustment to their respective tariff or top-up to ensure that overall parity is maintained.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

Cornwall Council welcomes the principle of the publication of figures for four years. This will provide further certainty and confidence to aid effective financial and service

planning. However, Cornwall Council maintains that funding should be derived from a proper, open and transparent process, which recognises not only authorities' ability to secure finance locally through council tax, but also the proportionate needs of the population, in particular those relating to social care and rural/sparsity factors.

Whilst Cornwall Council recognises the need for a measure of spending power, we consider that any measure which fails to take into account the impact of inflation and demographic growth is fundamentally flawed.

We also recognise that within the Government publication, the spending power includes Council Tax requirement as a standalone item that assumes increases in line with CPI, as well as an additional 2% increase for social care authorities.

Cornwall Council does not believe that it is appropriate to include assumptions about Council Tax. Council Tax is a local tax and it is for democratically elected councillors to make decisions on the council tax levels over the next four years. If, as the Government maintains, it is for councils to make decisions on council tax levels, it is not acceptable for assumptions on council tax increases to be built into spending power figures.

We note the requirement for an efficiency plan to meet the requirements of an acceptance of a four year funding offer. We recommend that in developing monitoring arrangements, including the Social Care Precept, the Government should minimise any unnecessary bureaucracy and, as far as possible, ensure that authorities are free to distribute resources in accordance with local need.

Finally we welcome the additional powers granted by Government to raise Council Tax by an additional 2% per annum for Social Care Precept.

The additional revenues this will generate will make a significant impact on the Council's ability to address growing pressures in the delivery of Adult Social Care within Cornwall and it is important that the Government continues to support local authorities that elect to take full advantage of the additional power.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

It is likely that in the absence of a needs based assessment and, as a result of the disproportionate effect of these proposed changes, the impact on equalities for those residents in rural areas such as Cornwall, where the pressures of having a larger proportion and increasingly growing elderly population are greater than those living in London Boroughs and Metropolitan areas. This risk should be explicitly acknowledged with the equality statement.

The redistribution of resources will require further savings than would have otherwise been required. Given the ongoing magnitude of planned cuts to local government funding, it is impossible to absorb such reductions without impacting on the level of

support for all service areas and it is almost certain that this will impact on protected characteristic groups.

Cornwall Council will continue to make every effort to prioritise resources to support the most vulnerable members of the community.

If you have any queries with regards this submission, please contact Anthony Humphreys on 01872 324506 or ahumphreys@cornwall.gov.uk, in the first instance.

Yours sincerely

A handwritten signature in black ink that reads "Cath Robinson". The signature is written in a cursive style with a long horizontal flourish underneath.

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(S.151 Officer)
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