Provisional Local Government Finance Settlement

Suggested responses to Consultation from Tonbridge & Malling Borough Council

Key issues for Members in considering the Response

It is to be welcomed that the provisional 2017/18 Settlement Funding Assessment (SFA) and indicative figures for 2018/19 and 2019/20 are not that dissimilar to those set out as part of the settlement announced this time last year. Having signed up, and been accepted, for the multi-year settlement by DCLG we would of course, expect that to be the case. As a result, it is considered a response on this particular aspect of the consultation is not required.

Members may nonetheless wish to respond to the consultation in order to **reiterate once again that redistributing funding to authorities with responsibility for adult social care places further financial pressure on those authorities from whom that funding is taken**. In essence, by shifting resources around in this way, it forces those 'losing' authorities to have to make rapid and significant reductions to the local services that are relied upon by communities and, coupled with the changes to New Homes Bonus, puts financial sustainability in doubt. Put simply, is this the way to fund local services – i.e. 'robbing Peter to pay Paul'? It is also worth reiterating that Tonbridge & Malling Borough Council's SFA (excluding transition grant) is projected to fall by 53% over the period; the average for shire districts and all authorities being 32.4% and 21.6% respectively.

The funding pressure outlined above is exacerbated and made much more 'stark' by the changes to New Homes Bonus (NHB) which have been introduced in order to transfer further resources to those authorities with responsibility for adult social care. To put this into context our NHB allocation in 2017/18 under the previous scheme would have been about £4m. Under the new scheme, NHB will continue to fall beyond 2019/20 as the changes work their way through the system such that, by 2021/22, it is estimated that NHB could, dependent on growth, be in the order of £1.4m. This represents a decrease of £2.6m or 65%, in addition to the reduction in our SFA given above.

NHB is no different to our share of business rates in that, at TMBC, it is used in full to support the provision of local services as was overall grant funding before the introduction of NHB. By way of illustration, in 2010/11, prior to the introduction of NHB, our grant settlement was £5.8m. Added to this is our grant allocation on the introduction of Local Council Tax Support in April 2013 of £0.8m giving total grant funding of £6.6m. Now rolling forward to 2021/22, NHB is, dependent on growth, projected to be about £1.4m and income from business rates is also estimated to be around £1.4m giving total grant funding of £2.8m. Comparing the two sets of figures illustrates that there is a significant cash decrease of £3.8m or 57.6% in the ten year period.

If NHB was to be withdrawn and not replaced with a similar level of funding, the reduction in total grant funding would be close to 80% which simply cannot be right. It is for this reason that we would argue that NHB, just like business rates, should be part of core funding and not at risk indefinitely. Were NHB to disappear in due course (as it is not deemed part of core funding), this would clearly be of grave concern bringing into doubt the financial sustainability of the Council. These points are very stark, but even if NHB continues into the future, we shouldn't lose sight of the fact that due to the reallocation of NHB funding set out above, our NHB allocation, dependent on growth, is forecast to fall from £4m to £1.4m by 2021/22 in any event.

Two key questions remain that simply have not been addressed in the provisional settlement.

- what will our business rates baseline be on the implementation of 100% business rates retention; and

- where, and to what extent, does NHB feature in future government funding?

These questions are fundamental for the ongoing financial planning for this Council. As set out above, we also argue that NHB (even at its much reduced levels) must be established as part of core funding because the consequences of not doing so for our financial sustainability are so severe.

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Question 1: Do you agree with the methodology of Revenue Support Grant in 2017- 18?

As one of a small group of authorities not in receipt of revenue support grant from 2017/18 we have no comment. We do, however, continue to disagree with the tariff adjustment to be applied to business rates from 2019/20 onwards.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

Our NHB allocation in 2017/18 under the previous scheme would have been about £4m. Under the new scheme, NHB will continue to fall beyond 2019/20 as the changes work their way through the system such that, by 2021/22, it is estimated that NHB could, dependent on growth, be in the order of £1.4m. This represents a decrease of £2.6m or 65%, in addition to the reduction in our SFA.

Tonbridge & Malling Borough Council is one of the 15 authorities that lose all its RSG from 2017/18. Our SFA (excluding transition grant) is projected to fall by 53% over the period; the average for shire districts and all authorities being 32.4% and 21.6% respectively. It is therefore no real surprise that all NHB funding, is used to support day to day services for our communities. Thus, NHB is no different to our share of business rates and any reductions to NHB hit our services directly and rapidly. The risk of volatility in NHB, with the greater risk of it being withdrawn at any time, makes it particularly challenging to continue to deliver services to our residents that many have come to rely on.

Rather than transitional measures, we firmly believe that NHB should be adopted as a part of core funding and not at risk indefinitely.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

Agree.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

Redistributing funding to authorities with responsibility for adult social care places further financial pressure on those authorities from whom that funding is taken;

particularly when there are also restrictions on the increases in council tax that can be levied without holding a referendum.

In essence, by shifting resources around in this way, it forces those ‘losing’ authorities to have to make rapid and significant reductions to the local services that are relied upon by communities and, coupled with the changes to New Homes Bonus, puts financial sustainability in doubt.

We firmly believe that the underfunding of adult social care is one that cannot be resolved by ‘robbing Peter to pay Paul’. New money should be found from national taxation.

As an aside, we also believe that the council tax referendum principles should be withdrawn or at the very least the higher threshold should apply to district councils too.

Question 5: Do you agree with the Government’s proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

Agree.

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

Agree.

Question 7: Do you agree with the Government’s proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

No comment.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document?

No comment.