Northamptonshire County Council (NCC) welcomes the opportunity to respond to the Local Government Finance and the 2019 Spending Review Inquiry.

The County Council is supportive of the Inquiry’s aims of establishing how effective the existing funding mechanism for local government is, both now and in the future.

Since 2013, when the current regime of business rates was introduced, there have been two inquiries into 100% Business Rates Retention. These inquiries and calls for evidence, together with the work of the IFS and NAO into the financial sustainability of the sector, have concluded with recommendations that NCC considers to be both insightful and welcomed by the sector.

The County Council’s view is that the present funding methodology does not result in a distribution of funding that reflects fairly the factors that drive service demand in key areas such as Children’s Services and Adult Social Care.

In 2016 local authorities with responsibility for delivering Adult Social Care were able to add an additional levy onto council tax bills. This change in the funding arrangements was welcomed by Northamptonshire County Council and the additional levy has been applied to the maximum level of 6% over 3 years.

The County Council suggests, that for the Inquiry to obtain a full picture of the funding challenges facing local government, the remit of the Inquiry needs to be widened to cover funding from other government departments.

In addition, there is little to be gained from repeating well-rehearsed arguments for and against different methods of distributing grant funding when the fundamental issue is the quantum of funding available to local government as a sector compared with the demand for local services.

The LGA has estimated the funding gap to be £3.1bn in 2019-20 rising to £8bn by 2024-25. Local authorities deliver statutory services that affect vulnerable people’s lives and futures. This gap needs to be addressed in the 2019 Spending Review – and not just with one-off pots of funding, but sustainably, allowing local authorities the ability to plan and deliver the services that their residents need.

Residents in shire areas pay, on average, the highest Band D council tax bills in the country. In 2019-20 the average Band D bill paid by residents in shire areas is £1,818, 42% higher than Band D bills in Inner London. However, the median income in Inner London is £34,000 - 38% higher than the median in shire areas (£24,592).

It is not just council tax where the distribution seems inequitable. The following table was produced by the County Councils Network (CCN) as part of their A Fairer Future for Counties campaign. NCC is not advocating a flat per-head funding allocation but is suggesting that, when combined with the disparity in Band D council tax figures, these funding differences appear highly geared away from shire areas.
<table>
<thead>
<tr>
<th>Council type</th>
<th>2019-20 per-head funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner London</td>
<td>£437</td>
</tr>
<tr>
<td>Metropolitan Boroughs</td>
<td>£319</td>
</tr>
<tr>
<td>Unitary Authorities</td>
<td>£225</td>
</tr>
<tr>
<td>CCN Counties</td>
<td>£153</td>
</tr>
</tbody>
</table>

Furthermore, the Inquiry may wish to consider the impact on funding levels for English local authorities of the Barnett formula which distributes higher levels of funding per head of population to other areas of the UK.

The County Council’s funding position for 2019/20 is boosted because Northamptonshire is a pilot area for the 75% business rates retention scheme. The additional funding across the area of £21m is very welcome and much needed. It will present a number of opportunities for the local authorities to work together and drive improvement in service delivery.

Nonetheless, Northamptonshire County Council shares the view of the Society of County Treasurers (SCT) that there is no link between increasing business rates and increased demand for services. This view is widely accepted in all sectors.

Council Tax is a regressive tax with bills bearing little relation to a resident’s ability to pay. Many think tanks and institutions have proposed solutions to this issue of local taxation (local income tax, mansion tax, flat rate levy on property value, further bands added to the top of the scale, increased rate of VAT); but all are quickly ruled out without further serious discussion and consideration. If council tax is to be retained, then its tax base needs to be updated to reflect current property prices with additional bands being added to the current eight.

It is the Government’s stated aim that local authorities should one-day be “self-sufficient” and no longer reliant on central government support. However, given the divergence of need and income from business rates, and the continued preference for a regressive property tax, to become successfully self-reliant seems difficult to achieve without a radical re-think. In recent times the parliamentary timetable has been taken up with the business of Brexit and it is now looking possible that there may be a delay to the Spending Review and the Fair Funding Review. The proposals on social care funding have been delayed for the 4th time with no clear timetable for publication. The sector needs a sustainable solution to the services under the most pressure – namely Adults, Children’s Social Care and SEND.

The County Council supports the view of SCT that the scope of the Inquiry needs to be wider than the current settlement funding because much of local government’s funding comes from other government departments.

1. For example, aside from Business Rates, council tax, and in some cases RSG, County Councils also receive grant funding from:
   - DfE – DSG, Pupil Premium and Universal Infant School Meals Grant Funding, and Basic Need capital grant
   - Public Health Grant
   - New Homes Bonus
   - PFI Grants
   - Grants from the Skills Funding Agency for adult and community learning
   - 6th form funding from the Education Funding Agency
2. NCC supports the SCT view that it would be hugely beneficial to the sector if the Inquiry considered these additional grant streams when addressing the issues facing local authorities.

Finally there will always be a need for a means of equalising needs and resources at the local level. Northamptonshire County Council would prefer a fair mechanism for achieving equalisation that can be updated regularly rather than a simplified one.

April 2019