Written evidence submitted by Norfolk County Council [FSR 017]


1. Executive Summary

1.1. This evidence submission is made on behalf of Norfolk County Council.

1.2. The County Council considers it essential that any changes to the local government funding system are designed to ensure that:

- The quantum of funding within the new system following the Spending Review is adequate.
- The resources provided within the new system are capable of keeping pace with demand growth after 2020-21.
- Social care (Adults and Children’s) is placed on a sustainable financial footing and the importance of funding for preventative activities is recognised.
- The costs associated with rurality and sparsity are adequately recognised.
- Transition arrangements are fair, appropriate, and seek to transition local authorities to the new funding allocations as fast as possible while simultaneously protecting those which experience a reduction over an appropriate timescale to ensure that no authority is placed in an unsustainable financial position as a result of the new funding system. The council does not believe that this can necessarily be achieved in a fiscally neutral way, and considers that the Government should therefore provide additional resources to support transition.
- Reliable indications of funding levels from 2020-21 for the medium term are provided as early as possible to support robust and sustainable budget planning activity.

2. Introduction

2.1. Norfolk is a county with a population of 898,390 and a balance of urban and rural areas. 60% of the population aged 65+ live in a rural area, which results in challenges for the delivery of services. Currently more than 120,000 people in Norfolk live in areas categorised as the most deprived 20% in England. These are mainly located in the urban areas of Norwich, Great Yarmouth, Thetford and King’s Lynn, together with some identified pockets of deprivation in rural areas, coastal villages and market towns.¹

2.2. The County Council fully supports the inquiry’s aim to consider how effective the existing funding set-up for local government is in providing resources to meet need and demand for local services both now and in the future, and welcomes the opportunity to respond to highlight some of the challenges it

¹ Statistics from Norfolk Joint Strategic Needs Assessment http://www.norfolkinsight.org.uk/jsna/
faces as a large rural county in the context of ongoing financial constraints. Norfolk has also historically been significantly impacted by transitional arrangements and the effect of damping within the funding system and will be keen to see that these issues are addressed.

3. **What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services.**

3.1. Norfolk’s experience of past changes to local government funding has been that due to transitional arrangements, these take a long time to be implemented, or in some cases are never fully implemented. The County Council has lost millions to damped funding allocations in previous years (over £162m between 2006-07 and 2012-13) and the business rates retention scheme introduced in 2013-14 locked Norfolk into this underfunded position. The Council has consistently argued that historic deficiencies like this should be corrected and the latest information on demographics taken into account for all authorities in the Fair Funding Review. Further details of the impact of damping are set out in Appendix 1. For there to be confidence in the system, and to demonstrate that the outcome of needs assessments are being fully funded, it will be essential that the Fair Funding Review is fully implemented and the costs of transitional arrangements are not borne in perpetuity by other local authorities.

3.2. There has been a clear change in the approach to council tax policy which has seen a reversal from incentivising councils to minimise increases through the Council Tax Freeze Grant (CTFG) between 2011-12 and 2015-16, and an expectation of increases following the introduction of the Adult Social Care precept in 2016-17 and assumptions made within published “Core Spending Power” figures. Radical changes of national policy like this can be difficult to explain to local tax payers and require significant local political commitment to deliver.

3.3. Government’s inconsistent decisions about the treatment of CTFG have also served to complicate planning and left councils with a gap in their baseline funding that has proven difficult to recover. Where CTFG has in effect been added into Revenue Support Grant (RSG), reductions in RSG have subsequently eroded the value of CTFG. The increased council tax referendum threshold level of 3% was announced in 2018-19 for two years and was in part intended to reflect the high rate of CPI and the fact that council tax had fallen behind inflation following several years of being frozen. The chart below illustrates that even with the Adult Care Precept in 2016-17 to 2018-19 and a 2.99% increase in 2019-20, Norfolk County Council’s council tax remains below the level it would have been if CPI increases had been applied since 2010-11.

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2 For Norfolk County Council, accepting the Council Tax Freeze Grant over five years means that the level of Band D council tax in 2019-20 is more than £110 lower than it could have been if council tax had increased at the rate of the Freeze Grant. This equates to a “loss” of approximately £33m from the 2019-20 base budget.
3.4. The Adult Social Care precept itself, while providing welcome additional funding, has simply increased the burden on local council tax payers while introducing unhelpful complexity into the system. This is seen clearly in the ring-fencing of an element of council tax, the additional reporting and certification requirements to Government (which have evolved over the life of the precept), and in substantial confusion from tax payers about the information shown on their council tax bills. It would have been preferable for Government to have simply increased the existing referendum threshold or better still removed it to allow local authorities true discretion to engage with their communities and raise council tax at an appropriate level to deliver local priorities. Government should also recognise that counties delivering adult social care in a two-tier area are disadvantaged by the amount that can be raised through the Adult Social Care precept in comparison to unitary authorities because the precept is not available on the District element of council tax. This impact can also be seen in areas where the Fire and Rescue Service is a standalone entity.

3.5. The current financial situation of councils has been well reported by organisations including the NAO, the LGA and CIPFA. The County Council itself has set a robust budget for 2019-20 which includes investment in key services across Adults and Children’s social care, however it remains in a challenging financial position and the scale of the potential “cliff edge” in 2020-21 will require either additional funding from Government, or fundamental changes in the level and types of services delivered.

3.6. As evidenced by CIPFA’s draft Financial Resilience Index\(^3\), Norfolk has historically been in a position of having a relatively low level of reserves, with a relatively higher reliance on Government funding and a relatively low local

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tax base. Coupled with the ongoing impact of Government’s austerity policies, the current situation is inevitably that the Council’s financial resilience and ability to respond to significant changes in the operating environment are substantially less than they were in 2010-11.

4. The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

4.1. The Council has a number of reservations about the sustainability of the current funding system. The Council recognises that the Fair Funding Review is concerned with the allocation of resources between local authorities, rather than the quantum of funding available. However, the value of the Review will be undermined unless sufficient funding is provided for local government as a whole in the forthcoming Spending Review.

Council Tax

4.2. Increasing demand for statutory services coupled with an ongoing restriction of resources is inevitably leading to a reduction of services other than social care. This is creating tension when coupled with the increasing transfer of the cost of funding local government onto the local council tax payer at a time when they are also beginning to perceive an erosion of the full range of services that people need and expect the Council to provide. Over time, responses to the Council’s annual budget consultation activity have indicated growing levels of concern about the prospect of future council tax increases.4

4.3. Notwithstanding the comments in section 3 above, this clearly begins to call into question locally the acceptability and sustainability of continued increases in the level of council tax, and the scope for any repetition of measures such as the Adult Social Care precept. Nonetheless, the financial pressures facing councils result in an imperative to increase council tax, and the County Council therefore considers that there should be local accountability for setting council tax and that the referendum limit should be entirely removed so that local government is afforded the ability to levy the rate required to deliver services to residents.

4.4. Since the localisation of council tax support schemes in 2013-14, Norfolk has seen council tax base increases averaging 2%, as some of the assumptions made at the time of implementation have been unwound. However, historically the long-term level of increase in council tax base has been closer to 1%, and so the sustainability of increases at the current higher level is uncertain. As a result, the use of recent rates of growth in Government

4 In consultation on the 2017-18 Budget, a small majority (58%) of respondents supported a council tax increase of 4.8%. The following year, responses to consultation on the 2018-19 Budget showed no overall consensus view on a proposed increase. Most recently, consultation on the 2019-20 Budget indicated that 62.3% of respondents disagreed or strongly disagreed with an increase of 2.99% and 75.2% disagreed or strongly disagreed with any possibility of a higher increase.
planning assumptions exposes local authorities to a significant risk. The scope for growth in some areas is particularly limited by local factors.

4.5. The County Council would echo and reiterate previously highlighted concerns by the Society of County Treasurers (SCT) and others in relation to the substantial disparities in council tax and ability to pay across the country. Analysis of 2019-20 council tax statistics\(^5\) demonstrates that the average Band D council tax in Norfolk is 4% higher than the England average and 23% higher than London. The 2018 Annual Survey of Hours and Earnings\(^6\) however shows median annual pay in Norfolk is £21,542, which is £2,756 or 11% less than the England average.

<table>
<thead>
<tr>
<th></th>
<th>Norfolk</th>
<th>England</th>
<th>London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average council tax for the authority including adult social care and parish precepts (Band D)</td>
<td>£1,823</td>
<td>£1,750</td>
<td>£1,477</td>
</tr>
<tr>
<td>Difference to Norfolk</td>
<td>£-73</td>
<td>-346</td>
<td>-346</td>
</tr>
<tr>
<td>% Difference</td>
<td>-4%</td>
<td>-23%</td>
<td>-23%</td>
</tr>
</tbody>
</table>

**Business Rates**

4.6. Since the introduction of business rates retention in 2013-14, the Council has not seen substantial growth in the amount of business rates collected. It is highly unlikely that Norfolk County Council will be in a position to generate sufficient growth in business rates to fill the gap left by the removal of RSG let alone meet the additional demand pressures in key services such as social care. Norfolk therefore faces significant challenges in achieving sustained and sufficient growth in business rates to keep pace with demographic growth and other growth in demand for services.

4.7. It is particularly difficult to come to a view locally on the overall sustainability of the business rates system at this time, with the implementation of 75% retention planned for 2020-21 and in the absence of information about what the baseline levels of funding will be, what the likely tier split will be, or an understanding of the level of the safety-net and levels of risk exposure. Counties will continue to be impacted by factors that are arguably outside of their control, such as: district forecasts, appeals, reliefs, and the wider economic impact of the departure from the EU.

4.8. Fair funding will need to address these issues, especially in regard to sustainable funding of vital services and the elimination of any potential postcode disparities. In the context of an uneven distribution of rates growth (and capacity for growth) across the country, the County Council considers that there will continue to be a need for some form of redistribution mechanism within the system and the form that this takes will be vitally important in achieving overall “fairness”.

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Government funding and control

4.9. In 2016-17, Government made an offer of a four-year funding settlement which, even though it represented a challenging reduction in government funding levels, also provided welcome certainty for forward planning purposes. However, as local authorities now begin detailed planning for 2020-21, despite aspirations to provide a further long-term settlement, there is no certainty that this will be the case or even about when more details for next year will be made available. This has a very significant impact on the Council’s ability to plan and adopting a prudent approach is likely to mean that the Council will have to consider a higher level of savings than might otherwise be required to ensure that a robust budget can be achieved.

4.10. For Norfolk County Council, the remaining RSG allocation of £39m in 2019-20 is equivalent to almost 10% of the Council’s net budget (council tax). As a result, the Council remains highly exposed to reductions in RSG and the uncertainty around local government funding from 2020-21 remains an extremely significant issue. In 2019-20, Norfolk County Council will receive the fifth highest amount of RSG nationally, making it the largest Shire County recipient. This reflects the County Council’s level of reliance on central government funding to meet assessed need, and the comparatively low local tax base. If the removal of RSG is not mitigated through the Fair Funding Review in 2020-21, there is a very real risk of an impact on the future ability of the Council to maintain statutory levels of service delivery.

4.11. The level of, and uncertainty around, one-off funding allocations are both also a significant issue for local authority planning. Over the course of the four-year settlement, councils have seen additional allocations for a range of funding including the improved Better Care Fund, Rural Services Delivery Grant, and various social care grants. While additional funding is clearly welcome and has supported the County Council to set a balanced budget, these announcements have a substantial impact on longer term planning and lead to increased uncertainty from year to year. In some cases, additional funding has not been announced until very late in the budget-setting process, which does not lend itself to effective service planning. The one-off or time limited nature of much of this funding also means that it is not prudent to include it within base budgets, but in areas such as social care, the additional activities which the funding supports cannot in all cases simply be “switched off”.

4.12. Consistent with the comments above about the disproportionate burden of council tax for shire areas, analysis of Core Spending Power (CSP) information published alongside the final local government finance settlement 2019-20 also suggests that core spending power and settlement funding assessment per dwelling is lower for Norfolk than the England average:

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7 After Birmingham, Manchester, Liverpool and Sheffield.
<table>
<thead>
<tr>
<th></th>
<th>Core spending power (CSP)</th>
<th>Settlement Funding Assessment (SFA)</th>
<th>Council Tax (CT)</th>
<th>No of dwellings</th>
<th>Per dwelling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>England</td>
<td>46,378</td>
<td>14,560</td>
<td>27,933</td>
<td>24,298,200</td>
<td>1,909</td>
</tr>
<tr>
<td>Norfolk County Council and Norfolk Districts</td>
<td>742</td>
<td>223</td>
<td>448</td>
<td>421,958</td>
<td>1,760</td>
</tr>
<tr>
<td>Difference Norfolk to England average</td>
<td>-149</td>
<td>-71</td>
<td>-89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td>-8%</td>
<td>-12%</td>
<td>-8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.13. The table demonstrates that Norfolk receives lower funding per dwelling overall compared to the England average. It also indicates that although Norfolk has set a higher Band D than the England average, the local tax base is made up of comparatively higher numbers of lower-banded properties. Therefore, citizens who are substantially less well off in Norfolk, with lower wages, and in smaller properties, are paying significantly higher local taxes than in some urban areas and are receiving less funding per dwelling than the England average. There is a need for a fundamental review of the council tax system.

4.14. Looking at the overall sustainability of the current system, it is noteworthy that even with proposals for 75% Business Rates Retention, Government would continue to effectively control the vast majority of funding for local government. Central Government retains significant control over council tax increases (both directly through referendum thresholds and by exerting pressure through assumptions within the settlement). In respect of Business Rates, Government sets policy for reliefs, and has control over the multiplier. All these national controls cut across local decision making, accountability and responsibility for the delivery of local outcomes.

5. How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.

5.1. The Council has responded to the Government’s December 2018 review of local authorities’ relative needs and resources, and while the overall principles and apparent direction of travel were generally encouraging, it is a concern that the Government was not in a position to fully exemplify the proposed changes to formulae (for example for Children and Young People’s Services). This makes it very difficult for the Council to assess Government’s understanding of the needs of local government and the likely implications of the changes proposed.

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9 http://www.norfolkinsight.org.uk/housing/#page6
5.2. As previously set out, there has been no systematic reassessment of baseline funding levels since these were built into the system in 2013-14 and the Council has long raised concerns about the implications of this, particularly with regard to damping. As a fundamentally backward looking system, the ability of the funding system to forecast and respond to future needs is somewhat limited.

5.3. The following highlights some of the key areas of cost facing the County Council which need to be considered and understood when assessing funding needs.

**Service and other cost pressures**

5.4. Some of the key drivers of need for Norfolk County Council are inevitably Adult Social Care and Children’s Services. The proportion of the population over 65 is significantly higher in Norfolk than the national average (24.1% compared with 18.0% nationally)\(^\text{10}\), and is forecast to remain significantly above average (31% proportion by 2041 compared to 24% for England). In particular the number of people over 85 is increasing, leading to increased demand, especially supporting people with dementia and nursing care needs. Although there is a considerable focus on social care for older people, the Council also sees the working age population accessing services increase year by year as people continue to live longer with complex needs. Demand pressures are also market driven. National living wage and market pressures through care worker and nursing shortages are causing costs to escalate year on year. The Council continues to provide services to comparatively higher numbers of Looked After Children.

5.5. The Council has also experienced a significant increase in the number of children with Special Education Needs and Disabilities (SEND) who require high needs support due to the extension of support to young people up to the age of 25. The County Council funds a new cohort of young people aged 19-25 for which it receives no additional funding. Early identification of additional needs, particularly in the early years, has also increased the size of the cohort of children receiving support. Although the Government provided additional funding for SEND in December 2018 (worth £1.8m for 2018-19 and 2019-20 for Norfolk), this allocation falls far short of the amount that would be required to deliver a sustainable High Needs Block (HNB) budget position in the short to medium term because of the very severe pressures being encountered within these budgets.

5.6. The HNB in Norfolk has been under considerable financial pressure since 2015-16. Norfolk spends 89% of the HNB on high needs places in state special schools, independent schools, and Alternative Provision. From 2015-16 to 2018-19 there has been a 10% movement of pupils with an EHCP/statement from mainstream schools into high needs places. The provision of high needs places from 2015-16 to date has increased by 1,102, at a cost of £22.277m. In the same period, the HNB has only increased by £12.039m. This results in a cumulative shortfall in funding of £10.238m,

\(^\text{10}\) [http://www.norfolkinsight.org.uk/population/#page1](http://www.norfolkinsight.org.uk/population/#page1)
which has to date been covered in part by offsetting it against underspends on the Early Years block and the Schools block. Although the Council has made general fund resources available in 2019-20 to support HNB requirements, this is not a viable or sustainable long-term approach and left unresolved, the pressures and level of forecast overspend are such that the HNB position could represent a very real medium-term threat to the overall financial viability of the whole Council. The Council is not convinced in this context that the Department for Education has a clear understanding of the implications of wider Dedicated Schools Grant decisions on local authorities’ financial positions.

5.7. Local government has also been expected to meet unfunded financial pressures arising directly from Government policy, such as the National Living Wage. The Government’s wider relaxation of the public sector pay cap has inevitably put pressure on local authority pay negotiations. Similar Government initiatives such as the introduction of the Apprenticeship Levy have added to council costs with no funding to recognise these additional burdens.

_Rurality_

5.8. A key issue for Norfolk County Council will be the weighting given to rurality in the Fair Funding Review. In the current system, this has been significantly overlooked and is very limited (although partially mitigated through the Rural Services Delivery Grant). Rurality is an important common cost driver that affects the delivery and cost of all services, due to the overall cost of delivering in a sparser geography and the increased costs of commissioned services arising from a relative lack of competition. It is therefore of critical importance that the additional costs of delivering services faced by rural authorities are appropriately funded and it is welcome that these issues appear to have been recognised in the Fair Funding Review.

5.9. It is important that the Fair Funding Review results in a formula which is not based on past spend, as otherwise it would not reflect unmet needs which are common to many rural areas. For example, many rural authorities like Norfolk have had to reduce or stop subsidising bus routes for rural areas, but this does not necessarily mean that there is not a need, merely that the cost of subsiding these services is not sustainable within the current funding allocation. The County Council has called for the weighting given to rurality to reflect not just the impact on productivity but also market factors, such as increased costs due to less competition in rural areas.

5.10. The County Council has also highlighted that traditionally calculated IMD (indices of multiple deprivation) appear to systematically better measure deprivation in urban, town and fringe areas. Analysis by the University of East Anglia (UEA) suggests this is because traditional measures of deprivation such as ‘no car’ apply much better in urban areas. Owning a car is essential in a rural location, particularly where public transport provision is infrequent or in some areas non-existent. Also, fuel poverty, access to social housing, and travel times are hugely disproportionate issues for those living in rural areas.
6. The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

6.1. The Council feels strongly that Government’s approach to funding and wider aspiration for local authorities should be more than simply an ability to maintain statutory levels of service delivery. It is important to recognise the value of preventative services not just for local government, but for the wider public sector as well. There is a real risk of perverse outcomes arising if local government is forced into a retrenchment to statutory provision only.

6.2. The Council would also call for the Government to ensure that settlement information is provided in sufficient time for local authorities to meaningfully respond. The 2019-20 Provisional Settlement was released on 13 December 2018. Although earlier than in recent years, the timing was disappointing in light of the Ministry’s acceptance of the recommendations of the Hudson Review.\(^{11}\) The response to the review confirmed the settlement would be published 6 December and noted that “having a clear settlement timetable in place will help ensure that all parties – including local authorities – can take a more planned approach.” While the Council acknowledges the significance and impact of the Brexit debates, delays like this do nothing to support a more planned approach, or to dispel the sense that local authorities do not figure highly in the Government’s priority list. Setting the dates for the settlement announcements in advance, and crucially then adhering to them, would be of enormous benefit to local authorities.

6.3. The Government’s decision to include council tax (including the ASC precept) within the calculation of funding allocations as part of the 2016-17 settlement was unreasonable and effectively limited local authorities’ discretion by exerting a significant pressure to set council tax in line with Government assumptions in order to maintain overall levels of resources. The Council would argue that it is not appropriate to include funding which is subject to local decision-making in the calculation of funding allocated by central government.

6.4. Finally, the Council is concerned that the Social Care Green Paper has been further delayed with no date given for its publication. Given the significant issues faced in this area, it is critical that social care is placed on a sound financial footing. The scale of the funding challenge is such that it cannot be addressed locally and a national solution will be essential.

7. Conclusion

7.1. The Council welcomes this timely inquiry but would echo calls by the SCT that it is important to consider not just core funding, but all the strands of

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funding including Dedicated Schools Grant, the Better Care Fund, Public Health Grant and others as part of this exercise.

7.2. Fundamentally, the Council’s experience in recent years has been that it has been able to deliver a robust balanced budget from one year to the next but this has to some extent been achieved through Government announcements of one-off funding or a loosening of restrictions on revenue sources such as council tax. These do not facilitate effective or sustainable long term planning and the Council would argue strongly that the long term sustainability of local authorities can only be secured with greater certainty and more resources in the system as a whole.
Appendix 1: The impact of damping 2006-07 to 2012-13

Under the four-block model introduced in 2006-07, the amount that local authorities received from central government through formula grant was affected by floor damping. A grant floor was set to guarantee every council a minimum increase in formula grant year-on-year and to provide some stability and predictability to their allocations. As all Formula Grant to be paid to local authorities came from within a finite overall pot, the cost of providing this guaranteed floor was also met from this pot.

In order to achieve this, grant increases for authorities above the floor were scaled back. The amount of grant scaled back was then used to pay for the floor guarantee. **Norfolk’s grant entitlement, based on the assessed level of need, was consistently above the floor and as a result the Council was subject to damping.**

The table below sets out the impact of damping on the County Council’s grant for the period 2006-07 to 2012-13.

<table>
<thead>
<tr>
<th>Year</th>
<th>Grant Entitlement</th>
<th>Damping Reduction</th>
<th>Grant Received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Norfolk County Council’s entitlement based on relative need calculated by Government.</td>
<td>Amount of grant taken away from Norfolk to support other authorities.</td>
<td>Amount of grant received following damping.</td>
</tr>
<tr>
<td>2006-07</td>
<td>£193,767</td>
<td>£-24,758</td>
<td>£169,009</td>
</tr>
<tr>
<td>2007-08</td>
<td>£202,864</td>
<td>£-20,962</td>
<td>£181,902</td>
</tr>
<tr>
<td>2008-09</td>
<td>£240,499</td>
<td>£-26,679</td>
<td>£213,821</td>
</tr>
<tr>
<td>2009-10</td>
<td>£250,585</td>
<td>£-24,285</td>
<td>£226,300</td>
</tr>
<tr>
<td>2010-11</td>
<td>£260,225</td>
<td>£-21,973</td>
<td>£238,252</td>
</tr>
<tr>
<td>2011-12</td>
<td>£278,354</td>
<td>£-21,421</td>
<td>£256,933</td>
</tr>
<tr>
<td>2012-13</td>
<td>£262,091</td>
<td>£-22,296</td>
<td>£239,796</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,688,385</strong></td>
<td><strong>-162,373</strong></td>
<td><strong>1,526,012</strong></td>
</tr>
</tbody>
</table>

Amongst shire counties, Norfolk County Council was consistently one of the most heavily damped in each year, and experienced by far the greatest overall loss of grant through floor damping. Norfolk County Council had its grant entitlement abated by a total of £162m in order to pay for other authorities (the floor authorities) in the Education and Personal Social Services group\(^\text{12}\) to be brought up to the minimum (or floor) level. This group includes not only other shire counties such as Surrey, Hampshire, Hertfordshire, West Sussex and Essex, but also shire unitaries, non-met districts, and inner and outer London authorities.

Damping shifted huge amounts of grant from or to authorities and undermined the basis of government support based upon relative need. Shire counties as a whole lost out heavily due to damping. In 2012-13 a net £169m was transferred away from shire counties (both with and without responsibilities for Fire), while inner and outer London boroughs were a net beneficiary to the tune of £266m.

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\(^{12}\) The methodology for floor damping in the 2006-07 Local Government Finance Settlement saw local authorities separated into four groups based on function. Damping was self-financing within each group so that there was no cross-subsidy.
Under the formula, Norfolk should have been receiving more grant than it actually did. However, £162m was taken away from the assessed needs of Norfolk over the period 2006-07 to 2012-13 to pay for those areas which would have lost out and to smooth the transition from the old grant system to the new. In reality this supposedly transitional arrangement continued from the introduction of the current grant system in 2006-07 until 2012-13 when the damped allocations were locked into the new Business Rates system in the Council’s Start-Up Funding Assessment:

The Government Response to the Local Government Resource Review: Proposals for Business Rates Retention Consultation, published on 19 December 2011, set out that the Start-Up Funding Assessment would be “established by applying the 2012-13 formula grant process to the 2013-14 and 2014-15 spending control totals, and using numbers after damping”.

As a result of this decision, the originally transitional arrangements have been locked into the Business Rates system since 2013-14 and Norfolk County Council has suffered a permanent funding reduction, placing the burden of funding the balance of the county’s assessed needs onto local council tax payers. It is no longer possible to identify damping amounts after 2013-14 from information published by the Government, however the damping built into the Start-Up Funding Assessment for that year was £16.332m.

The Council does not oppose transitional arrangements, but considers that any problems should have been fixed and funded by the Government and not through council tax. All authorities had seven years to adjust their spending plans to those required by the new assessment of need introduced in 2006-07 and it was unacceptable that the transitional arrangements were permanently embedded in the funding system from 2013-14. It is also not acceptable that as a result, Norfolk tax payers continue to be meeting the cost of transitional arrangements dating back to 2006-07.

April 2019