Written evidence submitted by the National Association of Local Councils
[FSR 025]

The National Association of Local Councils (NALC) is the nationally recognised membership and support organisation representing the interests of around 10,000 local (parish and town) councils and many parish meetings in England. Local councils are the backbone of our democracy and closest to local people, providing our neighbourhoods, villages, towns and small cities with a democratic voice and structure for taking action, contributing in excess of £2 billion of community investment to supporting and improving local communities and delivering neighbourhood level services.

NALC welcomes the aims and principles of the publication of the Housing, Communities and Local Government Select Committee Inquiry into local government finance and the spending review 2019. We agree that ahead of the Spending Review 2019 expected in Autumn 2019 the inquiry needs 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. It is critical that the Committee’s work will seek to directly inform government policy towards local government funding in the Spending Review and beyond – especially given Brexit and the fact that the Government’s austerity measures are not due to end in local government terms any time soon.

Executive summary

Our key points are set out below across the four broad themes of the inquiry:

- A permanent exemption is needed from referendum principles for all local councils after the three year deal ends;
- The toilet tax (the unfair burden on local councils having to pay business rates on public conveniences they own or manage) needs to end as soon as possible on the statute books ideally before April 2020;
- We need to persuade Government to include local councils in the next round of Business Rate Retention pilots;
- We need to remind Government that despite a 0.8% increase in the year on year average national Band D parish precept increases from 2018-29 to 2019-20 this is still a tiny increase considering the huge volume of extra services that other larger councils nationally are being asked to deliver as a result of devolution (e.g. Chippenham Town Council).
- We are currently giving some thought to a major submission over the summer to the Government (and others) on the comprehensive spending review and we are in discussions with both Rishi Sunak, MP and Liz Truss, MP on how best we might do that. We capture our thoughts regarding 5 main lobbying areas in the below sub-sections contained in the Inquiry.

1. 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?

The past funding scenario for local government in England provides much needed context for this answer. However it is important that the Committee consider the changing nature of local (parish and town) councils with many being asked to do more by principal authorities, government and residents; especially in unitary areas. This trend has become especially more pronounced since the
Coalition Government’s austerity measures kicked-in then followed by those over the last 4 years of the Conservative minority Government.

Local government at the upper tiers has had a huge swathe of revenue support grant funding evaporate over the last few years and this will have completely disappeared over the next two financial years. The amount of monies billing authorities will be able to leverage in from business rates will vary from area to area hugely – but the trend of service delegation and asset / liability transfer with no finance to local councils who are not capped on their precepts currently – is continuing. There are a range of ways cited below in which we think the Government should make it mandatory for finance to follow function when liability services are dumped on local councils without any consultation at all.

However the main ask in this context from NALC during the 2019-20 financial year is that local councils are removed altogether from the referendum principles on excessive council tax increases which shackle billing authorities – by a complete removal from any reference in the Localism Act 2011 to local councils being considered for coverage by these principles at all – either annually or over a medium term. We are not seeking Government funding or grant, local communities should be free to raise their local precept to meet local need (and the Government should ensure that all billing authorities retaining the Council Tax Support Grant mitigation grant to local councils pay it in full). As a quid pro quo for that we would want to be exempt from referenda requirements altogether as listed above.

We also know that many local councils (such as Salisbury City Council) are needing to spend increasing amounts of money every year (some councils are now touching the £3.5 million mark) and the audit threshold of £6.5 million will inevitably need to be reviewed by Government in future to ensure that it captures local councils who at that point start to spend over £6.5 million.

2. 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.

The current overall local government finance system could be improved at the upper tiers. Local councils will remain generally happy with the precept being their main means of raising revenue providing they remain exempt from referendum principles on excessive council tax increases. However from a local council perspective the local government finance system needs to help communities to provide community assets. We want the sector to have access to business rates, (and / or) for more community assets to be excluded from business rates (such as public conveniences). This could also potentially pick up things like grants for neighbourhood planning, assets of community value; etc. This is also in the context of other schemes such as the New Homes Bonus introduced by the Localism Act 2011 not really working and local councils not receiving the funding they should have received.

It is also our view that as services and liabilities / assets are delegated to local councils from the upper levels of local government and they are rarely followed by finance – local councils need access to as many alternative funding streams as they can access. Councils should be free to raise other
funding without restrictions – e.g. crowd funding, commercialization (easing General Power of Competence requirements) etc.

3. 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.

It is right that the Government completes a Comprehensive Spending Review every three years. It is also good that the Government has factored in contingency funding for the effects of Brexit on local government. For this reason between annual budgets and Spring Statements the Government needs to regularly consult local councils, NALC and county associations of local councils for their views on changes and how effectively the local government finance system is working.

The Government in our view does not currently consider and include the needs of local councils in funding terms as widely as it should. For reasons mentioned above local councils need to be able to access more Central Government funding sources where they are being asked to manage more assets / liabilities and deliver more services. This to now has not been the case. As the first tier of local government we should be able to access relevant funds available to other tiers – e.g. on parks or town centres etc. Local councils could receive much more by way of Community Infrastructure Levy receipts if the Government actually legislated to make it mandatory for planning authorities to adopt community infrastructure levy regimes.

4. 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.

The Government should ensure fair funding for local councils during its Comprehensive Spending Review. It should continue to ensure that local councils are out-with referendum principles on excessive council tax increases. It should include local councils in the next wave of Business Rates Retention pilots. It should end the toilet tax on the statute books by April 2020 or sooner.

We need to remember that despite a 0.8% increase in the year on year average national Band D parish precept increases from 2018-29 to 2019-20 this is still a tiny increase considering the huge volume of extra services that other larger councils nationally are being asked to deliver as a result of devolution (e.g. Chippenham Town Council).

The Government in its Comprehensive Spending Review needs to help NALC and the local council sector build capacity: influencing the LGA’s memorandum of understanding with MHCLG to ensure our sector receives a fair share of the support available to local government.

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