

The LGA's Budget 2015 Submission

February 2015

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1. Introduction and summary

We are calling on the Government to:

- **Protect public services in England and ensure adequate funding so that councils can provide these services locally.** In particular, we call for the Government to **protect adult social care funding**, and **inject a further £1 billion per annum into roads maintenance**.
- **Make place based finance, underpinned by multi-year settlements for all local public services, the default method of service funding and delivery**, empowering local partners to work towards shared outcomes.
- **Engage in true, meaningful devolution of decision-making powers and funding to the local level.** The devolution settlement across the UK has to be fair.

Local government will have dealt with a 40 per cent real terms reduction in core government grant funding by April 2016. Local government has received a greater reduction in funding than the rest of the public sector and therefore should not be subject to further cuts in this year's Budget. Any further reductions to public spending need to be driven by public service reform.

The Office for Budget Responsibility (OBR) predicts that government grant funding to councils in England will fall by another £8 billion over the course of the next Parliament. This is an optimistic number given that the OBR assumes the NHS budget will not continue to be protected. Dealing with spending reductions during this Parliament has raised the need for a future government to look at the impact of the funding mechanism on local authorities.

However, reductions in funding are only part of the challenge local government has faced and will continue to face over the course of the rest of this decade. Councils are subject to particular pressures on demand-led services which are affected by various factors such as demographic change. In addition, due to the government's incentive-based funding system reforms, such as welfare reform and business rate retention, local authorities now face larger uncertainty and risk when it comes to own-generated income.

Councils face uncertainty not only over whether new burdens, such as the costs of implementing the Care Act, will be fully funded, but the adequacy of funding for the rising cost of existing burdens outside councils' control, such as the concessionary fares scheme and increasing referrals to children's services. So far, councils have been successful in this balancing game. They have been able to prioritise and protect spending on frontline services for the vulnerable, such as social care. A variety of indicators confirm the achievements of local government to date:

- In the majority of cases, local residents are not yet feeling a reduction in the quality of local services.¹
- Local residents trust local government more than central government to make decisions about local public services².
- Councils continue to choose to keep council tax low. From 2010/11 to 2014/15, council tax has actually reduced by 5.8 per cent in real terms.

¹ BBC, October 2013. 'Public service cuts: did we notice?'

² See the quarterly LGA reputation tracker, page 12, table 8. <http://www.local.gov.uk/documents/10180/11719/October+2014+Resident+Satisfaction+Polling+-+Final+Report.pdf/dd57f664-443f-4bf7-9455-4506614bee6c>

The evidence is clear. While local government has so far been successful in counteracting the impact of cuts, some councils are edging closer to not being able to provide all the public services that local residents have come to rely on and expect.

For example, services such as economic planning and development have already seen large reductions in funding. In our call for evidence in late 2013, 60 per cent of respondent councils said that efficiencies alone would not be enough to meet the budget challenge in 2015/16. In response councils have increasingly mobilised and joined efforts to stamp out inefficiencies.

The LGA's shared services map shows that as at March 2014 at least 337 councils were engaged in 383 shared service arrangements. This sort of collaboration is increasingly giving rise to more complex models of decision-making, such as combined authorities.

Central government should remove the barriers to innovation in places and encourage local service delivery bodies, such as academies, job centres, the skills funding agency and others to cooperate with councils at a local level to truly reconfigure services to fit local circumstances.

This will also unlock cross-government savings. An important element of this is multi-year settlements for all budgets for services delivered locally – this should include services currently provided by central government, and capital allocations for schools.

Surveys of public opinion continually show that local residents trust local government more than central government when it comes to their local area. Yet local decisions, such as how to train people in the skills needed by local businesses, are dictated by government.

Greater power must be devolved to local communities through their democratically elected local representatives so they can decide how their services should be run. Devolution must not stop at Westminster, Holyrood or Cardiff, but continue outwards to the people in the cities, towns, and counties of England, Scotland and Wales.

In this submission, we also address a number of proposals in more detail. We call on the government to:

1. **Fully fund the cost implications of the Care Act and the Supreme Court judgement on Deprivation of Liberty Safeguards (DoLS).**
2. **Fully fund council tax support,** acknowledging that the scheme to date has taken millions of pounds out of funding for council services, **provide longer term certainty for local welfare assistance funding at a level that is responsive to demand,** and **maintain funding for Discretionary Housing Payments.**
3. **Reverse the 48 per cent cut in the Early Intervention Grant to councils** and recognise that this is a false economy that will increase costs elsewhere in the public sector.

4. **Implement funding and policy commitments in the Growth Deals swiftly** without imposing bureaucratic hurdles.
5. **Work with local government to improve the business rates retention system,** including managing appeals and avoidance risk, and introducing a larger locally retained share of business rate revenue while also equalising for need.
6. **Implement a range of financial freedoms, flexibilities and reforms to improve the financial sustainability of local authorities** such as lifting the housing borrowing cap and greater local control over council tax, fees and charges.

These pressures have a much wider impact than the institutions of local government. The services used by individuals and families are at risk, and this is recognised by a wide range of charities and other groups which support the LGA's proposals. The quotes throughout this submission demonstrate the support from groups including:

- Action for Children
- Age UK
- Barnardo's
- The Campaign for Better Transport
- The Care and Support Alliance
- Centrepont
- Chartered Institute of Public Finance and Accounting
- The Children's Society
- Federation of Small Businesses
- National Institute of Economic and Social Research
- NHS Confederation

2. Adult social care

We call on the Government to:

- **Protect funding for social care services in a similar way to how health spending is being protected.** Protecting health expenditure at a cost to social care budgets is a false economy that cannot be sustained. Continued investment in local social care activity is essential for avoiding another winter pressures crisis.
- **Fully fund the cost implications of the Care Act and the Supreme Court judgement on Deprivation of Liberty Safeguards (DoLS).** Local government cannot have confidence that the government will fund the costs of unknown Care Act pressures if it does not fund the known costs of DoLS burdens.
- **Fully integrate the funding for the commissioning of care and health as a step towards a single point of commissioning,** supported by long-term funding settlements, a larger Better Care Fund (BCF) and a transformation fund to ease the initial impact of the changes.

The LGA has long warned that the health and social care system is chronically underfunded.

It is social care services that support elderly and vulnerable people to maintain their independence, live in their own community and stay out of hospital longer which is why investing in social care plays a crucial part in alleviating the pressures on the health service.

In response to cuts to local government funding, adult social care departments have had to find savings of £3.5 billion over the last

four years and divert as much as £900 million from budgets in 2013/14 alone to protect adult social care – this transfer is set to rise by £1.1 billion by 2015/16 should councils wish to continue with the protection.

Research by the National Audit Office confirms that councils have prioritised social care spending and protected it in cash terms.³

Reductions in funding for social care have increased the pressure and financial burden on the NHS. If social care is not put on a sustainable footing the situation will only get worse and this will affect NHS services. Investment of extra money in the NHS while forcing councils to cut their social care budgets is simply a false economy and not a solution to this ever-growing problem.

The recent winter pressure crisis is a prime example of this. Councils have worked incredibly hard to reduce the proportion of delayed transfers of care attributable to social care to 25 per cent, and yet they are receiving £37 million, only around 5 per cent of the total resilience funding.

The recent Supreme Court judgement on DoLS is placing additional on-going funding cost pressures on the system, a minimum of almost £100 million in 2015/16, recurring thereafter.

There are also risks of inadequate funding for the implementation of the Care Act reforms, especially additional assessments, services for carers and the introduction of the national minimum eligibility threshold.

³ National Audit Office. Financial Sustainability of Local Authorities 2014

The government has just released an Impact Assessment for the main Dilnot reforms which shows that it has revised the estimate of costs downward by £650 million over the lifetime of the next Parliament alone. It must ensure that the Impact Assessment is fair, accurate and takes into account local experience.

Analysis to date suggests that the BCF is predicted to lead to a net financial benefit to local government of up to £440 million in comparison to 2014/15. The benefits are non-financial too – increased cooperation and new ways of working will potentially improve service quality.

The original intentions of the BCF – a mechanism to take forward integration at scale and pace and promote locally-led integrated care – remain sound. But they have been greatly diluted by an overly-centralised process. The BCF can be a model for future service planning but only if it is based on the original intentions of the fund.

This means a bigger BCF over a longer period of time with maximum local flexibility and a transformation fund of new money to meet the costs of moving to a new service model of preventative, personalised, coordinated care and support closer to home.

“Age UK exists to promote the best interests of older people, especially the most disadvantaged and vulnerable. We share the LGA’s analysis of the problems affecting social care and the need for substantially more investment in a fully joined up health and care system. At the moment, we know that approaching a million older people in England with a social care need are not receiving any support – not from councils nor from families and friends. We believe this is unacceptable in a civilised society. It also makes no economic sense since social care is relatively inexpensive and the lack of it undermines older people’s resilience, making it more likely they will succumb to illness and need expensive hospital treatment. In addition, for those older people in need who are lucky enough to be receiving social care the quality is patchy and often poor.

“Reform is therefore overdue. In this respect we applaud the Government’s new Care Act, which offers a framework for the kind of social care system older people are entitled to expect, but there is no chance of its good intentions being realised unless the social care funding gap is filled. Reform and funding must go hand in hand.”

Age UK, February 2015

“The Care and Support Alliance supports the Local Government Association Budget calls in relation to social care. We particularly welcome the focus on the link between spending on health and social care and the need to protect both.

The impact of chronic underfunding of social care on the NHS, and particularly A&E pressures, has been widely recognised. In January 2015, the Government put an additional £25 million into 65 areas with the biggest problems of delayed discharges. This was a welcome move, but the final Budget before the 2015 General Election, would provide the opportunity to make a reliable and consistent investment in social care to avoid similar problems occurring in future years.

The LGA analysis of the reduction in social care funding makes it clear why the CSA hears so many stories of people failing to be supported to wash, dress, leave the house and communicate with those around them. This results in people withdrawing from society, becoming reliant on friends and family to provide care and support, often driving those relationships to crisis point. The only way to address this is sustained and consistent investment enabling local authorities to plan effectively to meet their duties in a sustainable way. Without this the social care system will remain in crisis.”

Richard Hawkes, Chair of the Care and Support Alliance and Chief Executive of Scope, February 2015

“Without adequate funding for care, the NHS will continue to be forced to pick up the pieces from a social care system that is not resourced to meet demands, which will be increasingly unable to keep people out of hospitals. This would be a disaster for the health service and those left languishing in hospital beds instead of being cared for in their own homes and communities.

Our frontline staff are increasingly concerned about the impact this is having on vulnerable people in our care. Government must invest money in protecting a system which will be there to look after people now and in the future, and must commit to a long-term strategy to ensure people get the care they need. The system is in crisis now. We cannot wait any longer for it to be fixed.”

Joint statement from the LGA, NHS Confederation, British Medical Association, Royal College of Nursing, and Care and Support Alliance, January 2015

3. Welfare reform

We call on the Government to:

- **Fully fund council tax support,** acknowledging that the scheme to date has taken millions of pounds out of funding for council services, and has increased the cost of living for some of the poorest.
- **Provide longer term certainty for local welfare assistance funding at a level that is responsive to demand.**
- **Maintain funding for Discretionary Housing Payments (DHP) at the 2014/15 rate in line with the ongoing demand that it is designed to mitigate.**
- **Ensure that any new costs or administrative burdens from the welfare reforms that are passed from central to local government are matched by the appropriate funding** in line with the 'new burdens doctrine'.

The gulf between the money the government gives councils to fund Council Tax Support schemes and the cost of protecting discounts for those who previously qualified for council tax benefit is getting bigger every year. The unfunded cost to councils in 2015/16 of maintaining the entitlements of the previous council tax benefit scheme is £1 billion.⁴

The provision of £74 million additional funding for local welfare assistance and health and social care will help councils to continue to support some of their most vulnerable residents. However, this still amounts to a reduction of almost £100 million in government funding for local welfare.

As a result many councils will struggle to protect their local welfare scheme from this cut from April resulting in an inevitable scaling back of support. The additional funding is also unlikely to have a meaningful impact in alleviating the huge pressures on adult social care. Longer term certainty is required for local welfare assistance funding, which should be set at a level that is responsive to demand and the associated support provided by local authorities.

The Discretionary Housing Payment fund is allocated to each local authority to help people in their area with housing costs and additional assistance associated with the impacts of the welfare reforms. These include the benefit cap, spare room subsidy and changes to housing benefit entitlements.

Demand for DHP is high with 52 per cent spent by English authorities at the six month period of 2014/15⁵ and many councils expecting to top up DHP by the end of the year to meet demand. The proposed reduction in DHP funding by £40 million cannot be justified, particularly in light of the significant constraints on councils and claimants to reduce demand.

The ongoing demand associated with the welfare reforms remains as a significant number of those affected have been unable to make the necessary adjustments. In particular, the number of households affected by both the benefit cap and the removal of the spare room subsidy has remained broadly flat over the last year.

4 Council Tax Support: the Story Continues (LGA 2015)

5 DWP DHP update December 2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389060/use-of-DHPs-apr-to-sept-2014.pdf

At the same time the reductions in Housing Benefit entitlements have contributed to increased housing pressure in high rent, high demand parts of the country such as London and the South East. The announcement of additional Targeted Affordability Funding will help, but does not allow discretion for councils, and will only address a small proportion of the shortfall in housing costs.

“Centrepoin have supported the devolution of many responsibilities to local councils, including those around housing and benefits. But these powers have not always come with the funding to properly resource them. Providing certainty over funding for local welfare assistance schemes in 2015/16 is a step forward but a future government must look again at whether these successful local programmes have sufficient funding to meet ever increasing demand.”

Centrepoin, February 2015

“Almost 600,000 people came to StepChange Debt Charity for help with problem debt in 2014. Many people fall into problem debt when they do not have the savings or spare income to cope with changes to their circumstances or sudden costs.

“Problem debt leads to £8.3 billion in social costs, many of which are shouldered by local government – including some of the £2.8 billion costs of people losing their home as a result of debt, £658 million in additional social care costs, and £229 million in the cost of children being taken into care as a result of family breakdown due to debt.

“Local authorities therefore have a key interest in helping residents avoid falling into problem debt, and need to build their capacity in providing that support. One key way they can help is through low cost loans and grants provided via local welfare assistance. But successive reforms and cuts have led to extreme rationing of loans, leaving people with little certainty they will be eligible for support. Just 7 per cent of people think they would be eligible for a welfare loan, compared to 21 per cent who think they would be eligible for a payday loan.

“Local government needs a long term, certain funding stream to meet the demand for low cost credit and provide enough certainty that everyone who needs it can get it.”

StepChange, February 2015

4. Education and children's social care

We call on the Government to:

- **Reverse the 48 per cent cut in the Early Intervention Grant to councils** recognising that this is a false economy that will increase costs elsewhere in the public sector.
- **End restrictions preventing schools and councils from pooling budgets** to integrate child protection and narrow the attainment gap for deprived pupils.
- **Make five year allocations of schools capital to a single local capital pot in each area to free councils and schools to work together** to make the most efficient use of scarce capital to provide new places and repair and rebuild crumbling schools.

Councils have faced sharply increased demand for children's social care since the Peter Connolly case in November 2008, resulting in a 22 per cent rise in referrals, a 65 per cent rise in children subject to a child protection plan and a 16 per cent increase in the number of children in care.

They have responded by reducing costs and remodelling services. But in the face of cuts they have also had to protect budgets for this vital service by cutting investment in other preventative services. 2014/15 budget figures show falls of 20 per cent for spending on children's centres and early years, and 45 per cent in spending on youth services over the four years of the 2010 Spending Review. By contrast, spending on looked-after children rose by 26 per cent, and on safeguarding by 21 per cent.

Demand pressures are likely to increase. Some areas have already seen increased demand for referrals as a result of high profile child sexual exploitation cases including findings from the Jay report in Rotherham.

The Government has committed to a consultation on mandatory reporting of child abuse, and the Child Abuse Inquiry will further raise the profile and encourage more people to come forward – current child victims, but also adults in need of support. The LGA welcomes such moves and would always encourage people to report abuse and seek support where needed, but it must be resourced.

When it came to office the Government professed its commitment to the importance of preventative services by creating a non-ringfenced Early Intervention Grant for councils. But these resources have been cut by 48 per cent, from £2.7 billion in 2010/11 to £1.4 billion in 2015/16. This cut stops councils from investing in services which improve children's outcomes and reduce demand for more costly interventions.

Schools have been protected from the cuts councils have faced, but Department for Education (DfE) rules prevent them from pooling resources with councils to provide integrated early help services.

Schools have important responsibilities for safeguarding, and schemes to make sure children are 'school-ready' have been shown to be effective in boosting the attainment of the most disadvantaged pupils. Schools and councils must be freed to work together to provide joined-up services to improve outcomes for local children.

Councils have responded well to the challenge of sharply rising demand for new school places, but there is still much to do to meet the estimated 880,000 extra places that will be needed by 2023.

The current system for distributing schools capital is a classic case of Whitehall fragmentation, bureaucracy and central control, with separate allocations for rebuilding schools, school maintenance and new school places, allocated through a plethora of central and local programmes.

The independent James Review of schools capital⁶, commissioned by the Government, said that the DfE “should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single, flexible budget for each local area.” In the last Spending Round a £21 billion schools capital allocation for 2015/20 was announced and the Government now needs to make a corresponding five-year allocation to local areas, paid into local capital pots.

“Evidence shows that early help for children and families can save money and reduce pressure on services in the long-term. The right intervention can also radically improve the lives of children and families. Whether it is a targeted programme or a service open to all, providing support as the first signs of a problem emerge can make a real difference.

“A lack of funding for investment in early help services only stores up problems for the future. There is an increased financial cost of providing crisis interventions whilst leaving children and families to deal with substantial personal challenges that could have been avoided.

“Research from Action for Children has found early help services are facing an increasing demand for help just as budgets are scaled back. Although services are finding innovative ways to provide support to maximise resources, this approach can only take us so far.

“Reductions in the early intervention spending by local authorities come at a time when it should be growing. Increased use of community budgets and protecting funding must be a priority. Politicians of all parties face difficult financial decisions, at both national and local level, in the coming years. By placing early help at the heart of public services, we can reduce reliance on expensive crisis interventions and deliver the support children and families need.”

Action for Children, February 2015

⁶ [https://www.education.gov.uk/consultations/downloadableDocs/James per cent20Reviewpdf.pdf](https://www.education.gov.uk/consultations/downloadableDocs/James%20Review.pdf)

“Barnardo’s supports more than 200,000 of the UK’s most vulnerable children and families through over 900 services across the UK. We know that demand for support is increasing. Our services for sexually exploited children helped almost twice as many children in 2013/14 as in 2009/10.

“Beyond this, our services are supporting young people with particular challenges – care leavers, homeless young people, and teenage parents – who are struggling to make ends meet, due to the increased cost of living, and the introduction of tougher conditionality and sanctions in the benefits system. While our services do offer emergency funding, this is not a sustainable solution.

“Barnardo’s believes all children should have the same chance to thrive. The earlier support is put in place, the more likely it is that challenges can be overcome. We therefore urge the Government to continue to promote community budgets to make it easier to embed early intervention in decision-making.”

Barnardo’s, February 2015

“The Children’s Society works with some of the most vulnerable children in the country. We have experience of the valuable help which can be offered when you are able to intervene early before a problem has developed and the damaging impact of leaving a child to spiral into crisis.

“Projects like the Children’s Society ‘Scarpa’ programme in Newcastle shows that helping children who may fall into trouble not only makes their lives better but also saves the Government money in the long term.

“The project involves intensive one-to-one work with young people at risk of running away. An evaluation showed that 70 per cent of young people and families involved in the project recorded improvement in the issues they asked for help with.

“This is helped lead to a reduction in the number of children running away by two thirds, saving the police millions of pounds.

“Many services have struggled as a result of cuts to funding. For example, the Early Intervention Grant provided crucial support for services such as Sure Start children’s centres. The value of this grant has been halved since 2010.”

The Children’s Society, February 2015

5. Growth, skills and infrastructure

We call on the Government to:

- **Implement funding and policy commitments in the Growth Deals swiftly** without imposing bureaucratic hurdles.
- **Devolve all funding for local growth, regeneration, skills and employment support** through councils to Local Enterprise Partnerships in a single investment fund.
- **Inject a further £1 billion a year into roads maintenance by investing the equivalent of just 2 pence per litre of existing fuel duty.** This should not be paid for by increasing the fuel duty rate.
- **Fully fund the cost of the concessionary fares scheme** and allow councils to have greater control over all bus subsidies and local provision.
- **Guarantee the 39 LEP areas strategic decision making powers over how, when and on what their share of England's 2014-2020 £5.3 billion European Structural and Investment Funds (ESIF) is spent.**

Councils and local businesses continue to aspire to lift the economic performance of their area through productive partnerships supported by investment in the skills of local residents and local infrastructure.

However, they have been hamstrung in their efforts to do this because our paradoxically centralised yet fragmented system often creates significant delays in getting funding to projects and ties up delivery partners in unnecessary bureaucracy. It is vital that this pattern is not replicated with the Growth Deals.

After the protracted negotiations to agree these deals, no more time and resources must be taken away from delivery on the ground. Funding and policy commitments need to be implemented as swiftly as possible so that local partners can get on with the vital job of boosting economic growth in their areas, which will lead to the rebalancing of our national economy.

The funding landscape for growth, regeneration, skills and employment is as complex as it gets. LGA research identified over 120 funding streams across 20 government departments amounting to over £22 billion in 2013/14 alone. Up to 60 of these funding streams were based on competitive allocation. With an estimated average cost to councils of preparing of over £30,000, had a council wanted to apply for all those bid-based funding streams, it might have had to spend as much as £1.8 million. It is clear that this method of stewardship of public funds is not efficient or sustainable, does not provide value for money and should be reconsidered.

Addressing our ever-worsening roads crisis has to be a national priority. Recent harsh winters and decades of underfunding by successive governments have created a national backlog of road repairs that would take £12 billion and a decade for councils to fix.

Improving our roads would also help businesses suffering from congestion caused by frequent road repairs. A national survey commissioned by the LGA showed that 83 per cent of those polled back our call to divert an annual £1 billion of fuel duty to fix local roads.

This is only 2p in every litre but would go a long way toward dealing with the pothole backlog and transparently demonstrate to motorists that their money is not being squandered elsewhere.

Buses support local economies by getting people to work, schools, training, shops and public services. More people commute to work by bus than all other modes of public transport combined.

Reductions in government funding for the statutory concessionary fares scheme of £60 million means there is less funding available to councils to support commercially unviable services. Since 2010, together with reductions in council core funding, this has led to a 15 per cent cut in council funding for buses, that's 2,000 services reduced or withdrawn.

Rather than supporting commercially viable services, the Bus Service Operators' Grant (BSOG) should be devolved to councils so that public funding can be better targeted according to local needs.

Ministers have committed to the devolution of spending decisions for ESIF to 39 LEP areas⁷ and the LGA and its member councils expect it to happen, as do local businesses. However, so far decisions fall short of the promises, do not meet the European Commission's own ambition for a "simpler, more local" programme and do not go hand-in-hand with Growth Deals and devolution to other parts of the United Kingdom.

Without a strategic, Technical Assistance (TA) funded role, confidence from local businesses and politicians will diminish, and they will walk away if their ability to influence spend is reduced, because it will be hampered by protracted Whitehall-local negotiations which will slow down decision-making on projects and have unintended consequences on local growth.

⁷ HM Government. The Development and Delivery of ESIF Programmes, July 2013. Paras 1.5, 1.8 and 2.19 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224755/13-1049-development-and-delivery-european-and-investment-fund-strategies-guidance-for-leps.pdf

"In recent years, bus users have been hit hard by cuts in public spending, causing real hardship for many.

"We want to see a national roll out of the Total Transport initiative currently being trialled. This brings together the money spent on bespoke transport services by different public bodies – for example inter-hospital link services, social services transport to take older people to day centres, and transport for children with special needs to and between schools.

"The concessionary pass scheme needs to be fully funded, encouraging the 10 million pass holders to lead healthy active lives and to help to tackle social isolation. At the same time government should standardise and enhance concessionary travel schemes for younger people, especially those in education, on apprenticeships or out of work.

"Finally, a local connectivity fund should be established to bring together existing bus funding from the Department for Transport with contributions from Departments including Work and Pensions, Health, Education, Environment and all parts of government whose objectives rely on good bus services being in place.

"With the threat of further steep cuts to come, we urgently need new initiatives which recognise the vital social, economic and environmental role buses play."

The Campaign for Better Transport, February 2015

"Local authorities have a unique position in their communities, able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."

Heather Rolfe, National Institute of Economic and Social Research, January 2015

6. Local government finance

Council tax

We call on the Government to:

- **Introduce more local flexibility over who receives the single person discount** to help ensure support goes to those who need it most.
- **Relax council tax referendum rules** to allow local communities to decide on local policy priorities through the ballot box.
- **Introduce and fund a new council tax discount for volunteering** to support voluntary work across the country.

For something that is perceived as the main local tax, council tax has become anything but. Council tax ratios between various bands and the property values of those bands are set in primary legislation and councils are severely limited in changing the average council tax as well. Council tax discounts are also a very rigid mechanism.

They are based on a national, one-size-fits-all approach which leaves local areas with little flexibility in making sure that the burden of taxation is spread fairly within the local community.

A prime example is the single person discount, which does not allow local authorities to differentiate those who truly need the discount from those who don't, for example based on their financial means to pay.

Council tax referenda dilute the meaningfulness of voting in local elections, and are poor value for money. If councils decided to stage a local vote it would cost at least £100,000, all to ask for approval of a council tax rise which could be as little as 38p⁸ per week or even less for smaller authorities such as fire authorities.

Council tax relief should be given to the thousands of volunteers who improve life in their areas by giving up their time to do things like help run local libraries, museums and leisure centres. It would reward those who demonstrate a sustained commitment to improving life in their local areas in a way which saves other council taxpayers money.

Estimates by the LGA suggest that if government was to establish a £50 million start-up fund, 500,000 volunteers could be offered a discount of 10 per cent on their council tax bill next year, in return for helping the public purse save many millions more.

⁸ The figure is based on a 2 per cent increase on the average council tax of a Band A property in England in 2014/15.

Business rates

We call on the Government to:

- **Bear the full cost of appeals raised before April 2013.**
- **Give more powers to local authorities to tackle avoidance.**
- **Increase the local share**, while adjusting the top-up and tariff mechanism accordingly so that local areas do not lose out.

Information about non-domestic rates collected by local authorities in 2013/14 which was released in late 2014 shows that the impact of backdated appeals has plunged the majority of local authorities into a deficit on the local share, with a total demand for the safety net of over £200 million in that year alone.

Analysis reveals that the main reason for this is the impact of backdated appeals which were raised before April 2013. Had those appeals been dealt with in a timely manner, the costs would have been covered by central government in full. Local government is paying the cost of central government's delays.

We welcome the government's commitment to review the system of business rates. However we are concerned that the Terms of Reference has not yet been published. We would welcome the opportunity to be part of the review and expect it to be neutral in terms of yield.

The review should look at the risk arising from appeals and how speculative appeals which put avoidable pressure on the system could be discouraged.

The LGA supports the principle of fairer distribution of the tax burden among different types of businesses in the age of e-commerce as long as it does not affect total business rate income.

We welcome the government's commitment to tackle business rates avoidance and the consultation document published in December 2014. The LGA has been working with the Treasury and DCLG on this issue.

Emerging evidence suggests that this is a problem for authorities and that the government need to give them more powers to tackle it; perhaps a power not to award discounts or exemptions when the arrangements appear to be there for avoidance purposes. Reform should include looking at where business rates are not being paid; this may call for a reform of the concept of 'beneficial occupation'.

2015/16 marks the first time in the existence of the business rate retention system when the revenue support grant paid out by central government is less than the centrally retained business rates. This provides government with room to gradually increase the share of locally retained business, up to 80 or 90 per cent towards the end of the decade whilst also equalising for need.

Other local government finance principles

We call on the Government to:

- **Allow local authorities to set local licensing and planning fees.**
- **Lift the housing borrowing cap altogether.**

Charges for licensing and planning procedures should genuinely reflect local circumstances. On licensing, estimates suggest that local authorities are diverting at least £1.5 million a month from under pressure services to pay for processing applications, holding consultations and hearings and investigating and taking action on licensing breaches.

On planning, the taxpayer is currently subsidising 40 per cent of the estimated £365 million annual cost of processing planning applications. This is unaffordable at a time of funding cuts.

Planning is essential to economic growth and locally set planning fees would ensure that the planning service is fully resourced to manage growth, boost the speed of development and improve certainty and quality of service for business.

The planning fee is a tiny proportion of development costs and many applicants would be willing to see planning fees set at a local level if there were safeguards (for example that fees reflect the costs of delivering the service) and a consistent level of good service.

The government should remove investment in homes through the Housing Revenue Account from the Public Sector Borrowing Requirement and lift the housing borrowing cap altogether.

At a time of unprecedented demand for, and shortage in supply of, affordable housing, local authority Housing Revenue Accounts are not only a way to fix a market failure, but are also one of the safest investments possible.

“Most of all, I hope that by the end of your tenure we see a whole swathe of areas and regions in England able to set much of their own policy and raise their own taxes. If we are serious about devolving power this should include many of the tax raising and spending powers that Scotland, Northern Ireland and Wales are increasingly enjoying.”

Rob Whiteman, Chief Executive, Chartered Institute of Public Finance and Accountancy, Open Letter to Melanie Dawes, Permanent Secretary of DCLG, January 2015

“The FSB agrees that Business rates need total reform. The opaque, regressive system has lost the support of the business community. The next Government should commission an independent review, to create a new model that will unleash jobs and growth.”

Federation of Small Businesses (FSB), February 2015



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