**Question 1: Do you agree with the government’s proposed methodology for the distribution of Revenue Support Grant in 2023/24?**

We welcome the increase in RSG but feel that the broad-brush continuity approach means that wealthier councils gain more from a continuity approach than do poorer ones, in that:

>Government have ceased to take into account the disparity of benefit from Core Council Tax increases in calculating the distribution of the uplifted RSG.

>In continuing to eliminate so called “negative RSG” (an adjustment that merely reflected an ability to raise more Settlement Funding from Council Tax than was deemed necessary from formula distribution) the Government again allocates greater funding, of an unspecified amount but certainly in the hundreds of millions, to wealthier authorities to the detriment of poorer ones. The value of cancelled RSG to the 168 councils that benefitted was £153 million in 2019-20.

**Question 2: Do you agree with the government’s proposals to roll grants into the local government finance settlement in 2023/24?**

Our main concern with grants rolling into settlement is that, once subsumed into settlement, government has in the past taken the opportunity to cut the overall settlement funding in later years whilst claiming that the rolled-in grant is un-affected and remains “available” for its purpose. In principle we agree with a lower number of funding streams.

**Question 3: Do you agree with the proposed package of council tax referendum principles for 2023/24?**

Like many organisations SIGOMA is concerned at the extent to which increasing reliance is placed on using Council Tax (and business rates growth) to fund essential services. Especially so when there is no recognition of the varying ability to raise council tax across the country.

This is due to the widely varying profile of Council Tax bands in England, with our councils having a much higher proportion of lower banded housing meaning that either our average (Band D) tax must be much higher than other parts of the country or that we raised much less from a comparable band D tax rate.

It also ignores the fact that some councils have started from a historic low council tax rate.

We have already commented that this is once again ignored in the distribution of increased Revenue Support Grant.

A policy is needed that integrates referendum principles, assumed Council Tax rises and direct grant funding.

**Question 4: Do you agree with the government’s proposals for a new Funding Guarantee?**

Members have concerns over the funding guarantee in that it is based on a measure that fails to recognise the funding actually available to councils, due to the fact that business rate growth retention is not included.

In introducing growth retention and building on this through growth retention pilots Government have created a remuneration measure that has become so complex that its own Department cannot produce information showing how individual authorities have benefitted.

Business rates growth was due to be re-set in 2020. In the year preceding (2018-19) Government had calculated that growth from business rates ignoring 100% pilots was £1,457 million. If the results of pilots were included this rose to £2,378 million.

Our councils shared in just 18.2% of growth at 50%. If pilots were taken into account our councils share of the total actually fell to 17.6%.

Considering that our population share is around 25% and our needs weighted population share around 29% it is hardly surprising that 39 out of 47 SIGOMA councils lost out on this distribution; 37 if pilots are taken into account. Our members lost around a net £169 million at a 50% share and around £290 million including pilot shares in the total.

Our own analysis shows that this disparity has continued in the following 4 years during which business rates reset has been delayed. In 2021-22, for example we estimate[[1]](#footnote-1) that business rates growth including pilots was around £2,324 million. With the impact of pilots, SIGOMA share has risen to 23% (£542 million) but is still well short of a needs-based distribution. This means our councils lose a net £153 million with 34 out of 47 losing out, in that year alone.

It must be emphasised that the existence of rate retention pilots distorts this picture. Whilst those of our members in pilot schemes would wish them to continue there can be no doubt that its masks comparable impact of growth versus a needs distribution.

It is not unreasonable to assert therefore that by 2023-24 around £8 billion of funds that should have been distributed on a needs basis will instead be distributed according to growth. We have pointed out the disadvantage to poorer councils created by this policy but there is also the fact that Government have failed to measure and report the impact of this on Spending Power or take it into account when calculating the funding guarantee.

We therefore do not support the funding guarantee as currently framed.

Hence of the 10% of Councils (35 councils) with the highest ratio of growth retention to core spending power in 21/22 (26%-73%) 31 Councils, or 88%, receive funding guarantee, whilst of the lowest 10% (1% to -19%) just 3 councils receive guarantee.

**Question 5: Do you agree with the government’s proposals on funding for social care as part of the local government finance settlement in 2023/24?**

Whilst the additional funding for social care is welcome, members are concerned at some aspects of this funding, these are primarily:

1. The conditions that may attach to discharge funding. Members are concerned that these may be onerous and obstructive. Whilst there may be a promise of new burdens funding this is often calculated on the basis of additional hours of work and does not reflect the difficulty in allocating additional work to department working at their maximum capacity when combined with other burdens. DoH and DLUHC must understand that administrative departments are not infinitely elastic.
2. DLUHC have again only partly equalised social care grant with social care precept and not at all with core council tax (some of which must inevitably be used for care services).

Partial equalisation has disadvantage low-tax-base councils by a total of £41 million compared to a full equalisation with Social Care Precept, with no reasonable rationale. As a result our own councils are worse off by a total £18 million in this year alone.

**Question 6: Do you agree with the government’s proposals for New Homes Bonus in 2023/24?**

Whilst our members are generally supportive of any measure that reduce New Homes Bonus in its current form they are less supportive of the reduction being used to support Councils that are already, as we have shown, benefiting disproportionately from business rates growth retention.

We would suggest that the NHB reduction be used to increase Revenue Support grant or sustain services grant.

Members also object to the use of a flat 0.4% base for calculating New Homes Bonus. A Base that recognises historical housing growth would be fairer.

**Question 7: Do you agree with the government’s proposals for Rural Services Delivery Grant in 2023/24?**

Members remain unclear as to the principles that underlie this decision from a service point of view and so do not agree.

**Question 8: Do you agree with the government’s proposals for Services Grant in 2023/24?**

Members would like further information about the repurposing of Services Grant explaining how much has been reserved and how much used to supplement Revenue Support Grant.

It is recognised that the need of supporting additional NI costs have been removed but other pressures remain within local government. We agree that the distribution of the residual should be pro rata to the original grant.

**Question 9: Do you have any comments on the impact of the proposals for the 2023/24 settlement outlined in this consultation document on the aims outlined above? Please provide evidence to support your comments.**

The government has stated firstly that its aim is for stability of local government finances. To this end it would have been greatly appreciated if, having given indications of the likely quantum of funding in 2024-25 the Department could have done the additional work required to generate an indicative settlement for 2024-25, this would have been of great use to many council finance teams.

In terms of stability of local government services, it must be understood that the demographics that drive local government services have not stood still since 2020, rather they have worsened in some areas, with Covid underpinning some dramatic changes in demand for services and historical revenue streams.

Government have recognised the crisis facing councils in adult social care and the knock-on effect on hospitals, laid bare by winter flu and SARS, but similar pressures are accumulating in Childrens’ services whilst all the early preventative services have been or are being curtailed.

We have referred in some detail to the distortion of funding being caused by the lack of response to or information on the impact of business rates growth retention. It is, frankly, unacceptable that such large amounts of funding are being allocated (in some cases supported by grant), and yet not reflected in funding data. There is a false picture circulating of local government finance.

Similarly it is hardly a hallmark of stability that Council Tax plays such a key roll in local government funding, benefitting some councils far more than others, without any recognition of this in equalisation. Unless, that is, by stability we mean a continuing divide between better and worse of residents across the country.

The second aim is for long-term levelling up. The paper presents a commitment in future parliaments to improving the local government finance landscape. The current settlement does not suggest an enlightened view as to what an improvement would be and like “levelling up”, could come to mean nothing.

Our Chair has often commented that levelling up is a long-term project that requires support across parties and begins with levelling up services, something that could have begun with this settlement. Levelling up and shared prosperity funding will be welcome and received with thanks by those councils who benefit but we don’t see any long-term cohesive plan being the funding streams; rather do we see hurry then delay, in a bidding process in which we fear that party politics and a looming election may play too great a part.

1. We have used 2021-22 NNDR3 data as more accurately reflecting outturn and related grants, though available rate income is calculated using NNDR1 [↑](#footnote-ref-1)