The Special Interest Group of Municipal Authorities (Outside London)

SIGOMA Response to the Provisional Local Government Finance Settlement 2024-25

1. About SIGOMA

1.1. SIGOMA represent metropolitan and unitary authorities outside London, from the Southern Ports, the East Midlands, West Midlands, North West, North East and Yorkshire & Humberside. The 48 SIGOMA Councils are home to 14 million people, 24.7% of the English population.

1.2. We welcome the opportunity to contribute to the consultation but regret that further time could not be allowed for this, given the late release of Settlement information.

1.3. Our authorities typically represent areas that have suffered most during post-industrial decline; 44 of our 48 authorities are in the lower half of the Deprivation Ranking[1] with 13 of the most deprived decile being SIGOMA members, including the top 6 most deprived.

1.4. Significantly, our authorities became relatively more deprived in the latest publication of the IMD, due in part to worsening conditions of our members but also due to the relative improving conditions of other authorities, placing us firmly in the "left behind" category.

1.5. Our members have started with high hopes of the Governments levelling up agenda but have been left disappointed with outcomes from of Levelling up Fund and Community Renewal Fund.

1.6. They are disappointed that this is yet another one-year settlement, which leaves significant financial uncertainty at a time when robust financial planning is essential.

1.7. We are concerned that the settlement is in line with what was set out for 2024-25 in the 2022 Local Government Finance policy statement, as this fails to

[1] The Index of Multiple Deprivation 2019 as published by MHCLG

recognise the challenges that have emerged in the 12-18 month period since the statement was published, such as workforce and recruitment issues, the broken children's social care market, and rising demand for children's and adults social care.

1.8. Additionally, we regret the fact that this settlement appears to divert further funding away from a distribution based on need, disadvantaging our members.

2. Question 1: Do you agree with the government's proposed methodology for the distribution of Revenue Support Grant in 2024-25?

2.1. 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.

2.2. The value of cancelled RSG to the 168 councils that benefitted was £153 million in 2019-2020. This is further evidence of the need for a full fair funding review of the local government finance system.

2.3. However, we do welcome the increase of Revenue Support Grant in line with September's CPI figure. Although it is worth highlighting that our members are experiencing inflationary pressures much higher than this figure and this CPI uplift appears to have been honoured by cutting other grants (e.g. Services Grant).

3. Question 2: Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

3.1. 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.

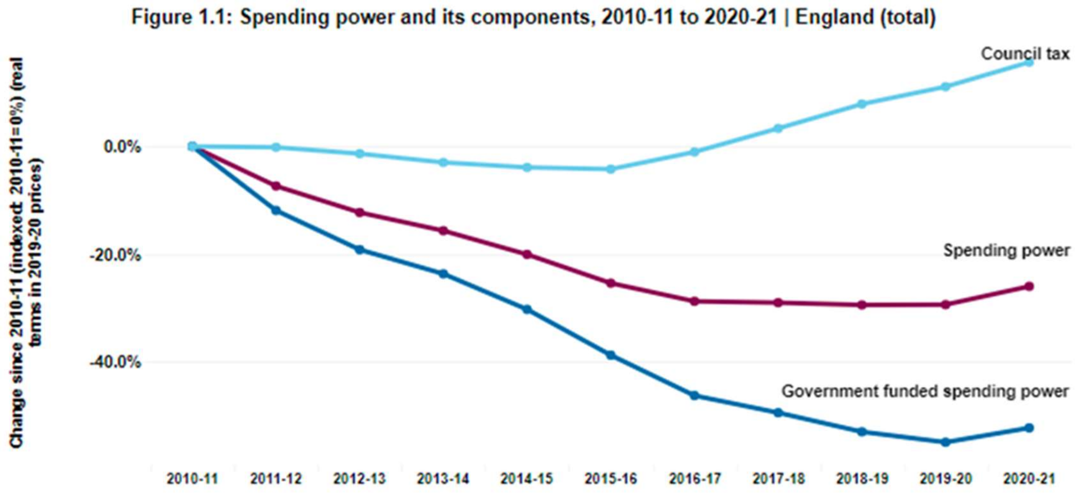
3.2. In principle, we agree with a lower number of funding streams.

4. Question 3: Do you agree with the proposed package of council tax referendum principles for 2024-25?

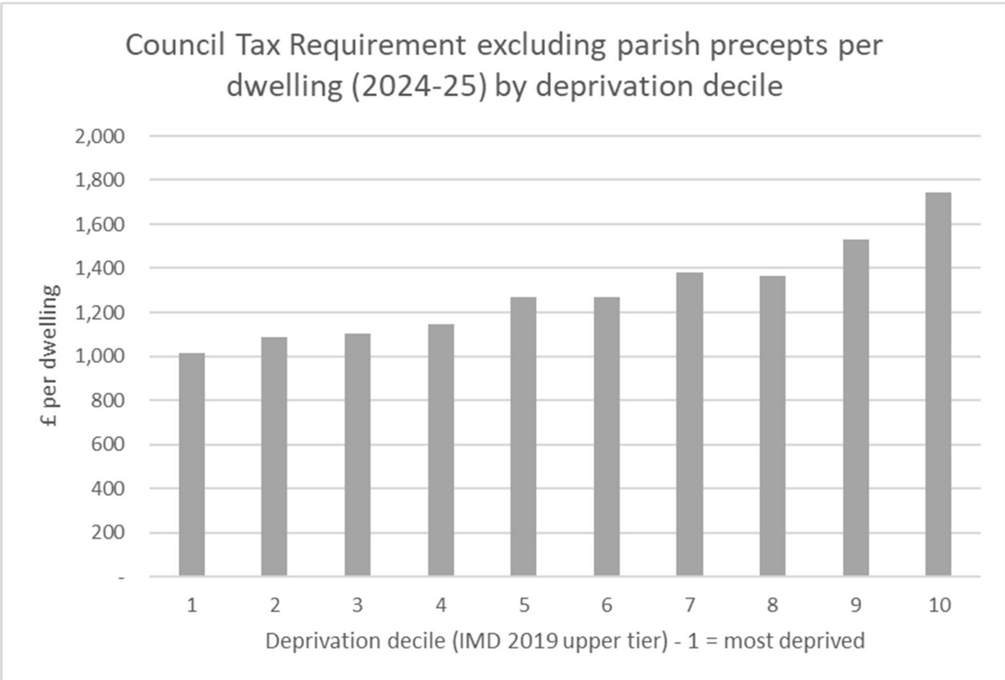
4.1. Like many organisations, SIGOMA is concerned at the extent to which increasing reliance is placed on using Council Tax (and business rates growth) to fund essential services.

4.2. We fundamentally disagree with shifting the cost burden of providing essential local services from central government to local taxpayers, these local services should be properly funded by central government in the first place.

National Audit Office - Change in Core Spending Power 2010-11 to 2020-21



4.3. 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 raise much less from a comparable Band D tax rate.



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

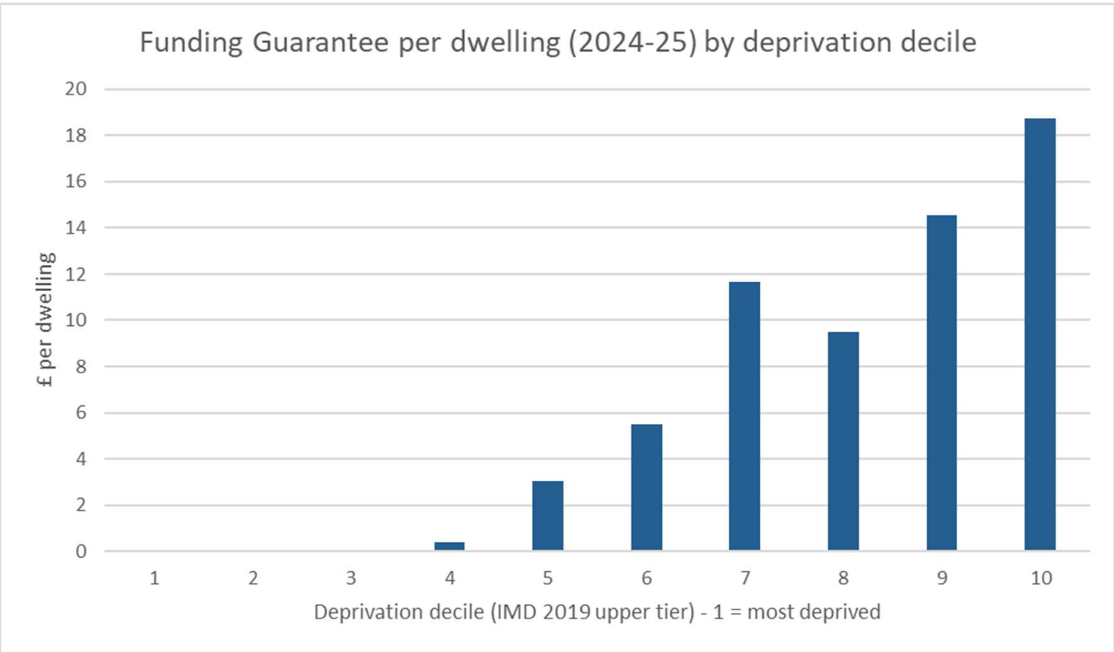
4.5. We have already commented that this is once again ignored in the distribution of increased Revenue Support Grant.

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

4.7. Our members continue to be concerned about the adult social care precept, which tends to have a greater impact on more deprived areas where is more likely that residents have less ability to pay but where the greatest adult social care needs are also present. It is our view that this council tax precept is not a sustainable funding mechanism for adult social care, and a proper funding mechanism is required that reflects actual need, rather than ability to pay.

5. Question 4: Do you agree with the Government's proposals to maintain the Funding Guarantee for 2024-25?

5.1. Members are disappointed that the Funding Guarantee has been maintained for a further year as it diverts funding away from need, with the funding distributed directly towards the least deprived authorities. Authorities in the three most deprived deciles, where the majority of SIGOMA authorities lie, receive nothing from the Funding Guarantee, whilst authorities in the least deprived decile receive the most per dwelling through the guarantee.



5.2. Members also have concerns over the funding guarantee in that it is based on a measure that fails to recognise what funding is actually available to councils, as it is calculated without consideration of the other income sources authorities raise from council tax, business rates growth, and fees and charges. The least deprived authorities raise far more through these income sources than the most deprived authorities.

5.3. This is evidenced by a largely flat increase in Core Spending Power across the deprivation deciles, where in the past more deprived authorities saw higher increases in their Core Spending Power. In the 2024-25 settlement, the most deprived decile has an average Core Spending Power increase of 6.7%, whilst the least deprived decile has an average Core Spending Power increase just 0.1% lower at 6.6%[2].

5.4. 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.

5.5. 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%.

5.6. 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 method; 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.

5.7. Our own analysis has shown that in the last 4 years as a result of the delay in the business rates reset the disparity has only grown. In 2021-22, for example we estimate[3] 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.

5.8. 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 Core Spending Power or take it into account when calculating the Funding Guarantee.

[2] Calculated at the upper tier level using the IMD 2019

[3] We have used 2021-22 NNDR3 data as more accurately reflecting outturn and related grants, though available rate income is calculated using NNDR1

5.9. We therefore do not agree with the Government's proposals to maintain the Funding Guarantee for 2024-25. This funding would be better distributed on a needs basis.

6. Question 5: Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

6.1. We welcome the £160 million used to equalise against the adult social care precept, which helps to slightly offset our members' disadvantage in having a high proportion of lower-banded housing. However, £160 million is not enough to fully equalise, and there is no justification provided on why the government could not fully equalise against the adult social care precept. We maintain that the adult social care precept is not an adequate funding mechanism for adult social care.

6.2. We disagree with the conditions placed on the social care grants, which places an expectation on local authorities to spend the majority of the grant monies on adult social care. At a time when our members are reporting significant demand-led and inflationary pressures on children's social care, local authorities need the flexibility to spend this grant on their areas of social care pressure, rather than those stipulated by central government.

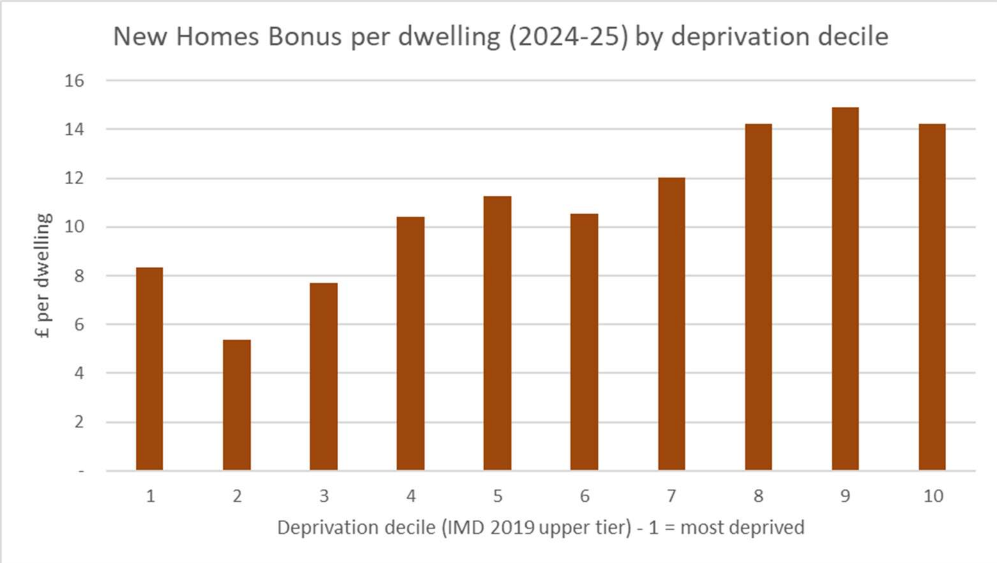
6.3. We continue to urge the government to bring in measures to support local authorities with children's social care which is an area of significant pressure for all our members. Whilst extra funding is always welcome, we recognise the position government are in. Measures such as regulating profiteering in the children's social care market and capping how much can be paid to agency social workers would be of significant help to our members.

6.4. Our members are concerned with how the Discharge Fund is included in Core Spending Power, as it can't be used to support general local authority budgets. By including this figure in Core Spending Power, its increase contributes to the average increase in Core Spending Power. We believe the Discharge Fund should be kept out of Core Spending Power, much like the Public Health Grant.

7. Question 6: Do you agree with the government's proposals for New Homes Bonus in 2024-25?

7.1. We are concerned that 2024-25 marks another year where the government has failed to set a clear position on the future of the New Homes Bonus, as was promised in the 2023-24 settlement.

7.2. We maintain our view that New Homes Bonus should be ended and be used to increase Revenue Support Grant. In its current form New Homes Bonus funding is principally distributed to the least deprived authorities.



7.3. 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.

8. Question 7: Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

8.1. We continue to object to the arbitrary and unsupported nature of this grant. Members remain unclear as to the principles that underlies this decision from a service point of view and so do not agree.

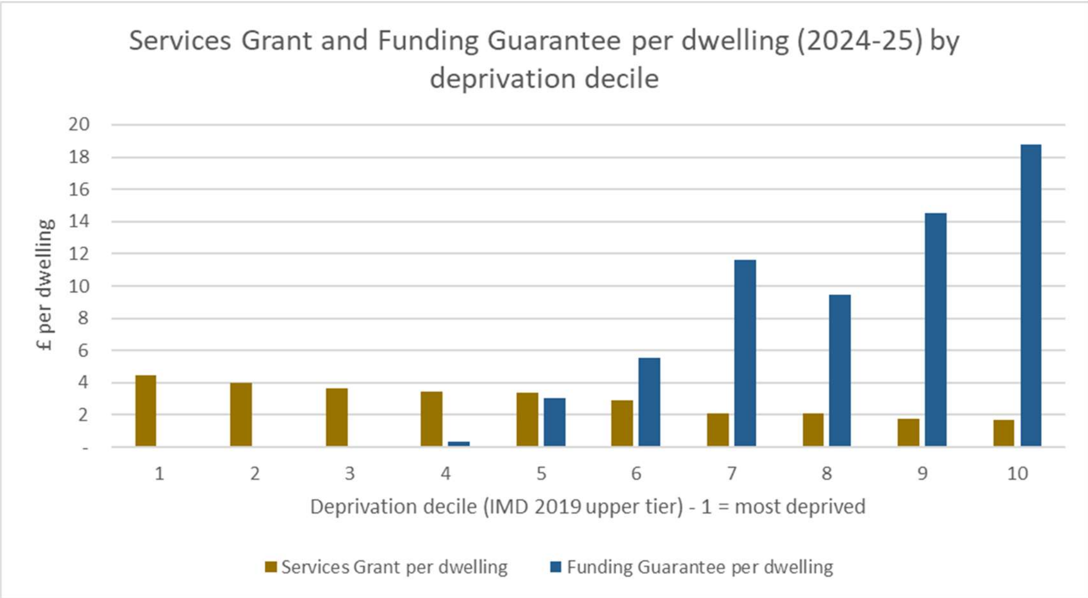
8.2. Additionally, it is yet another case of out-of-date data being used to determine funding allocations.

8.3. The funding would be more appropriately added to RSG where it would be distributed according to need formula, which includes a sparsity weighting.

9. Question 8: Do you agree with the government's proposals for the Services Grant in 2024-25?

9.1. We are concerned by the significant reduction in the Services Grant for 2024-25. A reduction of this size should have been clearly communicated to councils well in advance, as many local authorities will have assumed this grant would have stayed the same or reduced by less than 50% in their budget planning.

9.2. We do not agree with how the significant reduction in the Services Grant seems to have been used to fund the Funding Guarantee, which we have already highlighted diverts funding away from need.



9.3. We do however agree with the distribution of the remaining Services Grant by the Settlement Funding Assessment.

10. Question 10: Do you have any views about the government using levers in future local government finance settlement (those occurring after 2024-25) to disincentivise the so-called '4 day working week' and equivalent arrangement of part time work for full time pay?

10.1. SIGOMA agrees with the LGA view, and the wider views of the sector, on this issue.

10.2. The majority of councils are experiencing staff recruitment and retention difficulties. Local authorities should be free to pilot their own innovative solutions to these local challenges and be allowed to deliver crucial services to their residents without being penalised financially by government.