ANNEX I – RESPONSE TO THE LOCAL GOVERNMENT FINANCE SETTLEMENT

COTSWOLD DISTRICT COUNCIL

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

We support the principle of stability of baseline funding that is achieved by retaining the existing distribution methodology but note that where grants are rolled in it is vital that the distribution methodology continues to reflect the underlying expenditure associated with rolled in grants.

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

We support the Government's intention to remove ring-fencing of grant money and simplification wherever possible so therefore support this proposal. We would however seek to ensure that the distribution methodology continues to transparently reflect the underlying expenditure associated with rolled in grants and that the quantum of funding is maintained.

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

Whilst the increase from 2% to 3% is welcomed and recognises the financial pressures on local authorities, this does not provide any additional Council Tax flexibility to Councils such as Cotswold. For Councils with a Band D rate below £167, the £5 increase will always be greater than both 2% and 3%. There are 31 District Councils in this position.

By way of comparison, Ipswich has the highest Band D rate amongst shire districts. The increase from 2% to 3% provides up to £150,000 of additional Council Tax flexibility.

Whilst we understand that there will have been a number of options and calls Ministers will have made as part of the settlement, Councils who have kept their Council Tax Band D rates low in previous years are in effect penalised with lower flexibility than Councils who have steadily increased their Band D rates.

Given that the District Council Precept forms such a small portion of overall council tax bills, and the £5 increase was introduced to assist those councils with the lowest council tax bills, we would urge the Government to consider increasing the alternative limit to £10 from £5.

We recognise that at this late stage in the budget setting process not all authorities would be able to make use of the additional flexibility but for a number it would help to avoid service cuts and would assist all in planning for 2024/25.

We would note that the additional funding received by Districts from increasing the referenda limit is marginal compared to the additional costs District Councils are facing from additional pay, energy and other costs.

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

The funding guarantee is welcomed, especially given the additional instability in funding introduced by the changes to the new homes bonus and removal of the taper. We note however that the funding guarantee does not adequately deal with the pressures council are facing as a result of inflation and additional demand as a result of the cost of living crisis.

We note that, under the funding guarantee, District Councils such as Cotswold see a lower core spending increase than other councils despite inflation having a greater than average impact in areas such as waste and heating of leisure centres and the continuing impact of Covid and Cost of Living on income from fees and charges.

Furthermore, the calculation factors-in an increase in the Council Taxbase level which means that the Government is not fully financing the 3% Funding Guarantee. For Councils such as Cotswold, there can be a material difference in the Government's figures for Council Tax and the actual taxbase used for budget setting purposes. This is not recognised in the funding guarantee calculations and penalises the Council when compared to others.

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 as a District Council we cannot comment directly on social care funding, we would wish to highlight the vital work that is undertaken to support vulnerable communities and addressing health inequalities, provision of leisure, addressing issues through health and wellbeing strategies and the role of appropriate housing in avoiding health issues and the need for care. We would strongly resist any focus on social care funding at the expense of wider local government and the vital early intervention work that prevents later expenditure.

District councils such as Cotswold are seeing significant increases in housing need both as a result of affordability and market imperfections in the housing market and the impact of immigration and asylum schemes. Failure to adequately fund housing provision now will increase future costs in both health and social care.

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

The extension of the existing New Homes Bonus scheme and reward payment for a further year is welcomed, although recognising the additional funding instability that removal of the taper brings. We would welcome early announcement of the Government's intention for 2024/25.

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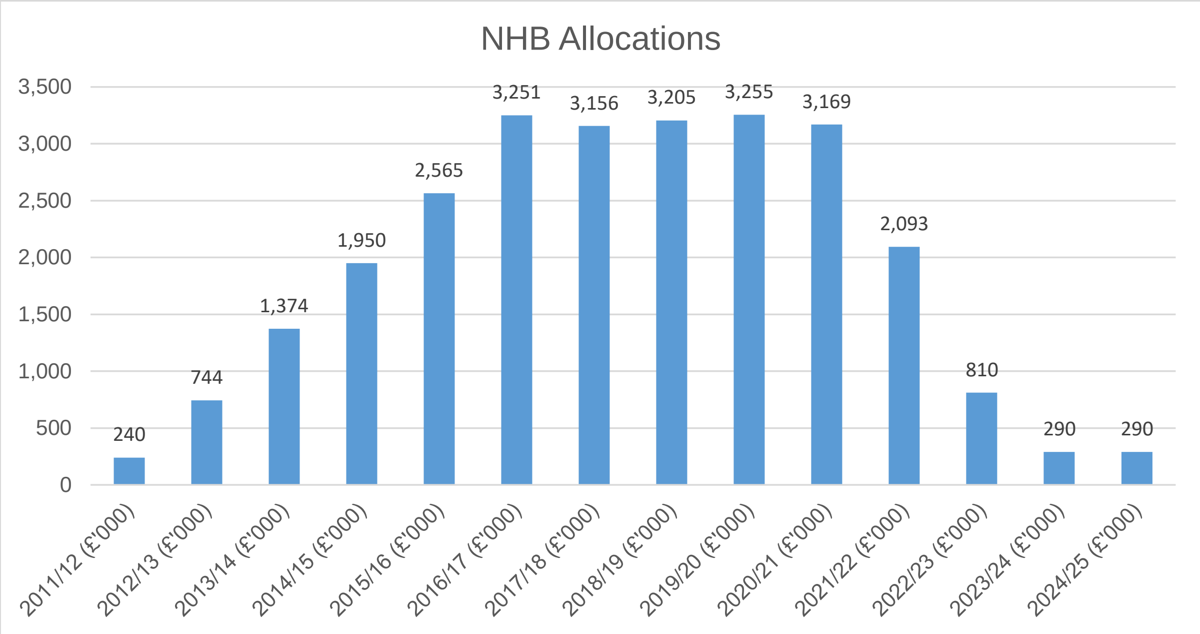
We would remind the Government of the reduced value of New Homes Bonus to Council such as Cotswold over the last 4 years from a peak funding position of £3.2m to just under £0.3m.



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

We welcome the stability in funding this brings for rural authorities although RSDG has not been uprated since 2020/21 and is in effect a real-terms reduction in the funding for rural authorities.

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

We welcome the stability in funding this brings although the reduction for Cotswold District Council is significant compared to the reversal of employer NI increases.

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.

Once again there is a lack of clarity around the introduction of the NDR reset and fair funding review. This lack of certainty causes considerable issues for District Councils given that NDR is the largest funding stream. It can be difficult to utilise the full extent of growth for ongoing service provision when the expectation is that a proportion of this could be lost at reset. CFOs credibility with Councillors and more widely is difficult to maintain when we build medium term financial plans taking into account changes in funding that are continually delayed. In addition it is difficult to convince local communities of the benefit of business growth locally with the prospect of a business rate reset hanging over our heads that would most likely re-distribute the business rate benefit of that growth.

We note the policy statement highlighted the introduction of Extended Producer Responsibility (EPR) in waste. We would welcome early discussion of the impact of EPR on district councils. Whilst we welcome a potential additional revenue source we have concerns over how EPR will impact upon existing recycling incomes and costs of waste collection. The introduction of separate recycling streams, including food waste, is likely to entail significant additional cost and capital investment at a time when costs are increasing due to supply issues and escalating inflation. We would welcome any early guarantees that can be given that the introduction of EPR and subsequent review of district council financing will not negatively impact the position of individual councils compared to where it would have been had EPR not been introduced.

We remain concerned about comments within the settlement and policy statement about the level of reserves within councils. We would wish to highlight the fact that reserve levels are not consistent across authorities and that reserves are held for a wide variety of purposes and can only be used once.

It should also be noted that the greater the uncertainty around core funding, the more reserves local authorities will hold to manage those fluctuations between years and the risk of future shortfalls in funding. This is particularly the case around business rates funding and Section 31 grant.

We would urge the Government to Implement the increases to planning fees proposed last May i.e. 35% increase to the fee for major applications and 25% increase for minor applications. This would make a significant difference to many district councils. We believe that consultation is required urgently so that the changes can come into effect from 1st April 2023.

A final point around business rate funding volatility is the impact of the business rates valuation on pooling. Because of changes to the levy rate as a result of revaluations there is the risk that a number of business rate pools will no longer be viable. In Gloucestershire the levy rate has moved from 15% to 21%. Other things being equal, this means less funding would remain in the County area and weakens the risk/reward incentive.

David Stanley
Deputy Chief Executive and Section 151 Officer
Cotswold District Council