

Response of F20 to:

Local Government Finance Settlement 2023-24 Consultation

The F20 Group of local authorities welcomes the opportunity to respond to the above Consultation. The Group consists of many of the lowest funded local authorities and is keenly interested in the 2023-24 Local Government Finance Settlement and in the development of a funding system which, going forwards, delivers a much fairer distribution of local government funding. Much needs to be addressed, especially the variations in levels of council tax between different classes of authority which in no way reflect differences in the level of service.

The response below does not directly answer the specific questions in the Consultation – F20 member authorities will respond according to their own views on those detailed questions – but the Group considers that the current funding system is deeply flawed and is in need of urgent replacement. The Fair Funding Review appears to be off the table for several years and low-funded authorities need additional resources now. Pending the eventual outcome of the Fair Funding Review, **F20 strongly urge the Government to act now in the 2023/24 Final Settlement** to address the low levels of funding the F20 group and other Councils face, by allocating around £300m to the lowest funded authorities, with no detriment to higher-funded authorities, as outlined in the article below.

<https://www.ukonward.com/reports/fair-funding/>

We believe that the Fair Funding reforms were making reasonable progress, however, we are extremely disappointed in yet another delay, this time for at least a further two years. The review has been underway for far too long, having been announced in February 2016. We are also concerned that the review will not fundamentally change the system, unless the Government is courageous and implements the significant redistribution of resources required to equalise council tax levels around the country. It is time for the Government to grasp the nettle and get to grips with this long-overdue reform.

After over a decade of austerity, all local authorities are under pressure, especially those like the F20 that are low funded. Acute financial pressure is being felt across the full range of services, not just the ones vulnerable people depend upon like social care but the services we all benefit from such as road maintenance. The current economic situation has increased these pressures even further and we are having to consider service reductions across all services. Serious funding reform is essential so that well run authorities can continue to deliver good services.

The table below shows average core spending power per head amounts in 2023-24 for classes of authorities and the F20. To compare unitaries and counties,

adjustments for fire, GLA and districts have been included. The only conclusion that can be drawn is the system is broken and in need of urgent replacement.

Core Spending Power Comparison

Authority	Average Core Spending Power per head in 2023-24
Inner London Boroughs	£1,377
Outer London Boroughs	£1,108
Metropolitan areas	£1,070
Unitary areas	£994
Shire County areas	£977
F20 authorities	£919

Core Spending Power (CSP), in the way it is currently used to allocate funding, is fundamentally flawed. Those authorities with lower council tax receive more funding (for example through social care grant allocations) to compensate for the fact that referendum limits are based around percentage increases on existing council tax. Instead, those with lower council tax levels should be permitted to raise higher percentages to compensate for this, thus reducing the level of council tax variations around the country. Inner London authorities in particular should be seeing higher council tax rises compared to the rest of the country, and core spending power should reflect this. The continued use of outdated formulas to distribute new grants is unjustified. This further imbeds the inequalities in the existing system and misses the opportunity to start a managed transition to a fairer arrangement, without authorities incurring an overall cash loss.

The continued use of outdated and flawed grant distributions has led to a situation where Council Tax levels have become increasingly unfair, as shown below:

2022/23 Council Tax averages (Band

D):	£
Inner London boroughs	1,437
Outer London boroughs	1,844
Metropolitan areas	1,960
Unitary areas	2,034
Shire areas	2,041
F20 areas	2,010

Council Tax in Inner London is significantly lower than in other parts of the country. The average 2022-23 Band D bill in F20 areas is £2,010, compared to just £1,437 in inner London. The current approach whereby the government is forcing councils to put up council tax (including the social care precept) to meet local demand and cost pressures will make the difference even larger. A system whereby a person living in a Westminster property worth more than **£1 million** pays a fraction of the council tax of the person in a **£375,000** property in Coalville (in Leicestershire) cannot be fair (£1,058 for a Band E property in Westminster compared with £2,483 for a Band E

property in North West Leicestershire). The Coalville resident pays almost two and half times the council tax that applies in Westminster yet lives in a property that is only around a third of the value.

When the provisional allocations of the various 2023-24 social care-related grants totalling £6.854bn are compared with the mid-2021 ONS population estimates for people 85 and over, the following class averages can be derived. These figures illustrate the unfairness of the proposed distribution:

**Grant funding per person
Aged over 85.**

Inner London	£14,828
Outer London	£5,502
Metropolitan Districts	£7,194
Unitaries	£4,524
County Councils	£3,495
F20 Group	£3,684

Conclusion

The F20 do accept that the settlement, compared to other parts of the public sector, does recognise the acute spending pressure facing local councils. However, the failure to make any attempt to address the inequitable funding system ensures F20 residents will face higher council tax bills and poorer public services than other local authorities.

The solution is fundamental funding reform, but short term we urge Government to introduce a floor under Core Spending Power as set out in the Fair Funding Onward report.