

What's on the financial horizon for essential refuse, street cleansing, parks and leisure services?

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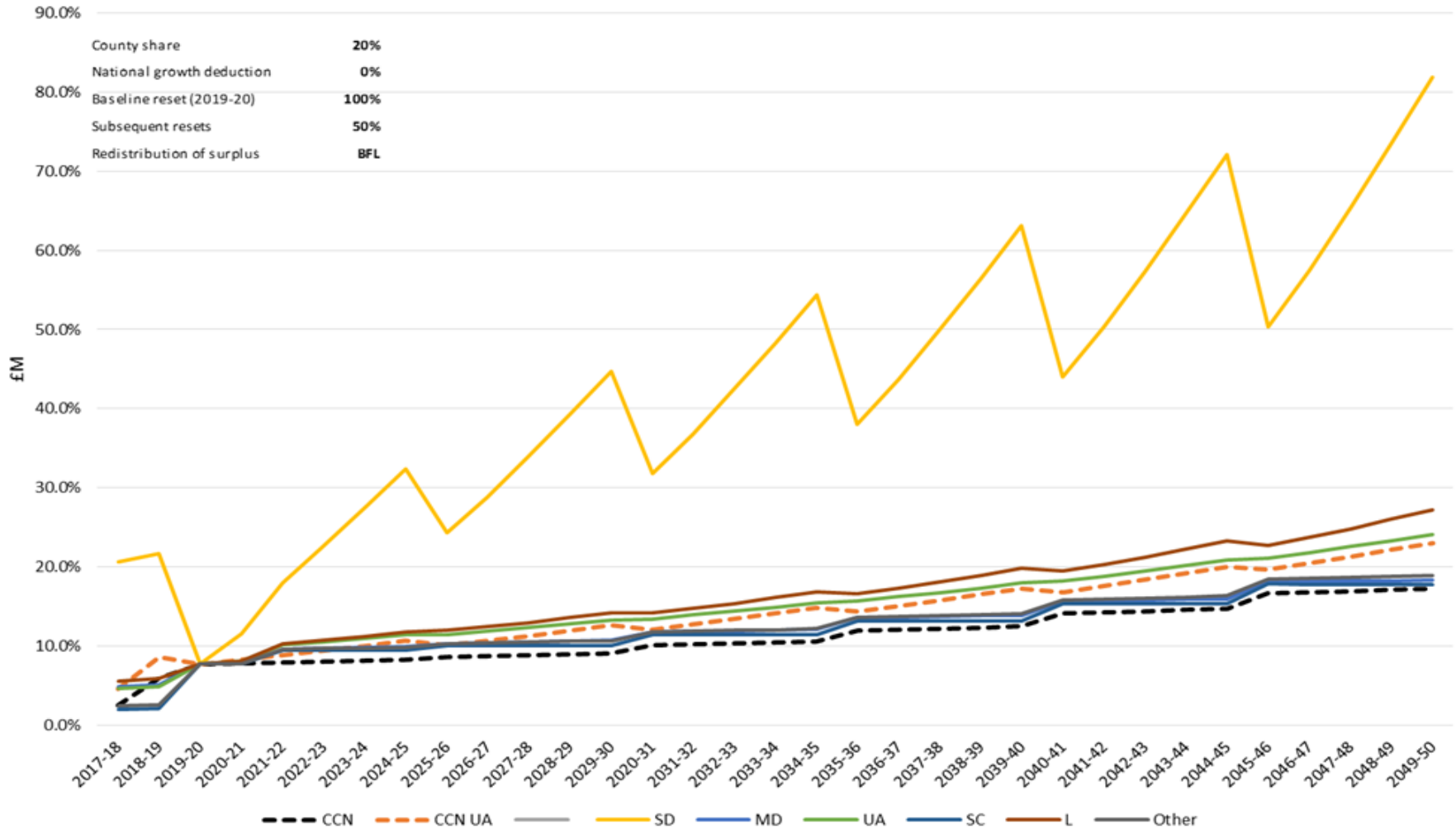
Local Government Finance

- Council Tax - £27bn
- Locally retained business rates (50%) - £26bn
 - Amount varies by authority
 - Based on need with:-
 - top up if income below need & tariff if income above need
- Revenue support grant - £4.9bn
- Move to business rates retention
 - Reduced central support
 - Reduction in Revenue Support Grant
 - 2017/18 - £4.9bn
 - 2027/28 - £0
 - Additional responsibilities passed down (LGA - £13bn)
 - Will still be re-distribution

Business Rates Retention

- Current position (excl. pilots)
 - 50% local / 50% central
 - Tier splits dependent on type of authority
 - Baseline reset 2019/20?
 - Full reset (lose all growth)
 - Partial reset (lose a proportion of growth)
- Modelling (Pixel FM)
 - Shire districts - highest retention compared to baseline funding
 - Cliff edge situation at reset – 2019/20
 - Will Government change tier splits?

Chart B - Forecast Retained Rates (compared to BFL) plus any returned surplus



Can Local Authorities set multipliers?

- No, set centrally
 - Small business multiplier (17/18 – 46.6p)
 - 2018/19 = 2017/18 + RPI @ 30/09/17 (17/10/17)
 - From 2020/21 RPI replaced with CPI
 - Difference?
 - 31/08/17 – RPI 3.9% = Small Business Multiplier 48.4p
 - 31/08/17 – CPI 2.9% = Small Business Multiplier 47.9p
 - Draft valuation list RV = £63.2bn
 - Loss of income = £3.2bn (local share - £1.6bn)
 - Standard multiplier = small business multiplier + supplement (set centrally each year)
 - Last 3 years = 1.3p

Can Local Authorities set multipliers?

- Local Government Finance Bill
 - Power to reduce multiplier
 - To encourage growth & economic regeneration
 - Need to consider how reduced multiplier is increased back to national multiplier
 - Infrastructure levy
 - Mayoral combined authorities
 - Up to 2p on multiplier
 - Bill fell when election was called
 - Not re-introduced

New Homes Bonus

- New homes bonus?
 - From 2011
 - Incentivised approval of house building
 - 6 years match CT funding for all approvals
 - 2011-15 set aside £1bn 140k new homes
 - By Dec 16 - £6bn (1.2m new homes)
 - Funding not ring fenced
 - From 2017
 - Reduced to 5 years
 - Payments only where growth above baseline of 0.4%
 - From 2018
 - Reduced to 4 years
 - Funding withheld if permission given after appeal
 - Increased baseline?

Adult Social Care Precept

- ASC precept?
 - Council Tax increases capped
 - Only authorities with responsibility for ASC
 - From 2016
 - Additional 2%
 - From 2017
 - Additional 3%
 - No more than 6% between 17/18 & 19/20
 - Ring fenced must spend on Adult Social Care

Fair Funding Review

- Current funding based on
 - out of date indicators
 - complex formula
- Fair funding review (from 2019/20) looking to
 - Set new baseline for funding allocations
 - Simplify & add transparency to the funding formula.
- Trying to identify a simple 'foundation' formula
 - Common cost drivers to allocate a proportion of the available funding to each local authority.
 - Obvious drivers - population and number of dwellings
 - Possibly elements of sparsity/density and deprivation
 - Will have an element of area cost adjustment

Fair Funding Review

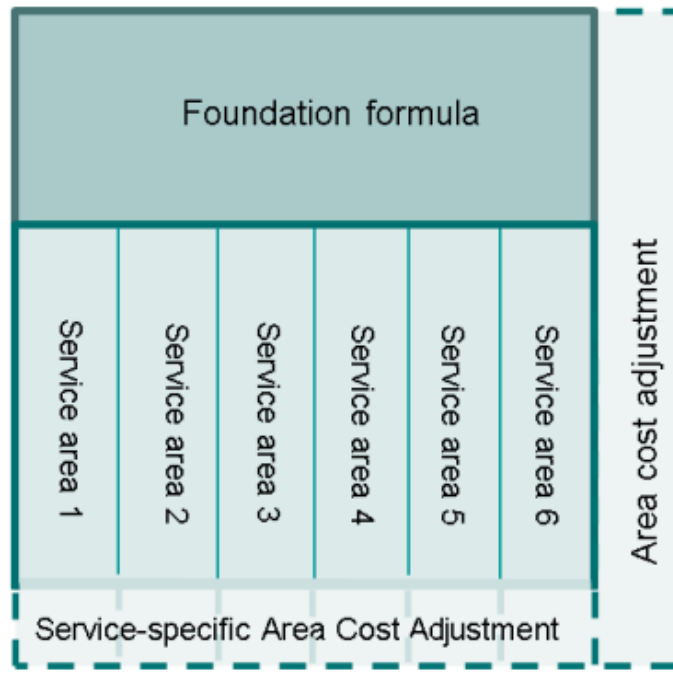
- Specific funding where
 - Significant & measurable
 - Cost does not correlate to foundation formula indices
 - Suggestions so far
 - Adult social care?
 - Children's social care?
 - Highways & transport?
 - Fire?
 - Example – refuse collection cost influenced by sparsity, i.e. distance travelled or number of collections per round.
 - No decisions as yet – on going project



Department for
Communities and
Local Government

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

The Fair Funding Review Relative needs



Things to consider

- Review your authority position
- What are your tax bases & growth prospects?
 - Could be crucial to maintaining services
- What kind of authority are you?
 - High need/low income (top-up)
 - High income/low need (tariff)
- What's the gap between funding and need?
- Will the Fair Funding Review help or hinder?
- How do you plug any funding gap?
 - Grow business rates base – attract business
 - Grow Council tax base – attract worker/cut LCTS
 - Alternative revenues streams?

Things to consider

- Do you have commercial skills internally?
 - e.g. property management & investment
 - Greater risks with commercialisation
 - Yield & liquidity tests
 - Potential Government restrictions
- Does your authority have a growth strategy?
- What services do you have to provide
- What services do the community want?
- What challenges does your authority face?
 - Health & social care?
 - Housing & employment?
 - Prosperity?

What does this mean?

- MTFP will have to be revised
- Greater emphasis on self-sufficiency
- Assess and review medium to long term funding
 - Alternative revenues streams?
 - Commercialisation?
 - Reliance on fair funding settlement?
- Identify future burdens & threats
 - Ability to cope with unexpected cost pressure?
- Variation in tax bases mean some authorities have capacity to grow, others don't
- Either increase income or cut costs

Questions or comments?





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