

LGA Finance Conference January 2019

SUMMARY OF KEY POINTS

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Agenda

The Annual LGA Finance Conference was very well attended and set out to cover the following areas:

- Local Government Finance Settlement for 2019/20
- Business Rates Retention
- Fair Funding Review
- Budget Outlook beyond 2020

There were several speakers and the following may be of interest:

- Liz Truss MP (Chief Secretary to the Treasury) - <https://www.publicfinance.co.uk/news/2019/01/whitehall-should-pass-more-power-councils-says-truss>
- Shadow Secretary of State Andrew Gwynne MP - <https://andrewgwynne.co.uk/speech-to-local-government-finance-conference-2019/>
- Speech from Secretary of State, James Brokenshire MP - <https://www.gov.uk/government/speeches/lga-finance-conference-2019-keynote-speech>

The following slides are a summary of the key points of the day

Local Govt Finance Settlement

In December the government announced what funding councils will receive for 2019/20. After a short period of consultation, the final figures were published in January which provided an additional £1bn.

The following slide gives a summary of the key points.

Local Govt Finance Settlement

- Additional central govt funding of about £1bn
 - Adults & Children's Services £650m
 - New Homes Bonus £18m
 - Rural Delivery Grant £16m
 - Surplus on Business Rates Levy Account returned £180m
 - Negative Revenue Support Grant cancelled out £153m
- Adult Social Care Precept (ASCP) - no more than 6% between 2017/18 and 2019/20
- Police precepts allowed to increase by £24
- Schools & Special Educational Needs funding increased by £350m
- Public Health allocated £3.1bn, £531m cut since 2015/16
- Adult Social Care Green Paper delayed four times, LGA version calls on national tax rises to meet demand
- Adults and Children's Funding gap in 2019/20 about £1.9bn
- Govt Assumed growth in Council Tax
 - Maximum ASCP; Up to referendum limit (3%); 1.95% growth in Council Tax Base (based on last 5 years)

Business Rates Retention

Pilot schemes for a number of councils to retain a greater element of Business Rates (in place of Revenue Support Grant) as a form of funding continues into 2019/20 with full effect due to be implemented for all councils as from April 2020.

[The following slide gives a summary of the key points.](#)

Business Rates Retention

- In 2018/19 Councils estimate they will keep @ £2.4bn in business rate growth
- Business Rate Retention to increase from 50% to 75%, reforms to be cost neutral as far as the government are concerned
- Pilot schemes to continue into 2019/20, London retention reduces from 100% to 75%
- Individual Business Rates baseline per council to be set as part of Fair Funding Review
- Administration of system to become a simpler model!
- Further work on appeals, provisions and business rates avoidance ongoing
- Consultation up until 21 Feb - see <https://www.gov.uk/government/consultations/business-rates-retention-reform>
- New system effective from April 2020

Fair Funding Review

The Fair Funding Review continues to make progress with the aim of determining spending baselines for all local authorities by April 2020. While this is a complex and lengthy exercise, the idea is to end up with a more transparent, fairer and more sustainable funding mechanism that better represents the demands and relative resources of different local authorities. While all this is going on, the fundamental issue is the size of the funding 'cake' in the first place, the LGA have consistently maintained that the funding 'cake' needs to be bigger otherwise we end up with just a different set of winners and losers.

The following slide gives a summary of the key points.

Fair Funding Review

- Relative spending needs & available resources
 - Set new baseline for funding allocations for councils
 - Up-to-date assessment of relative needs to be ascertained
 - Assess relative resources of local authorities (eg council tax, business rates, etc)
 - Consider transitional arrangements, moving from one system to another as smoothly as possible
- Relative needs to be based on a foundation formula (principally population) with Area Cost Adjustments which would pick up specific areas of cost (eg highways, rurality, etc)
- Fees & Charges generally not to be included (but some areas have significant sums in parking, eg Westminster!)
- Individual funding baselines to be published during 2019/20
- New system ready for April 2020
- Current consultation ends 21 Feb

Budget Outlook Beyond 2020

While the Budget Settlement gave us budget figures for 2019/20, councils need much longer timeframes to plan for the future. This year is the last of the four-year settlement and something similar going forward is very important. The government point towards the Fair Funding Review and Retained Business Rates as the necessary building blocks in providing a longer term view and more certainty will be forthcoming from the very important Spending Review which is likely to be in the Autumn of 2019.

The Institute of Fiscal Studies gave a presentation on the funding outlook beyond 2020.

[The following slide gives a summary of the key points.](#)

Budget Outlook beyond 2020

- Government Department spending set to increase by £18.9bn between 2018/19 and 2022/23. But extra funding going to NHS and other protected departments, therefore unprotected departments (eg Ministry of Housing, Communities & Local Govt) are likely to still face cuts or standstill at best
- Impact of Brexit? Possible short term spending boost to support economy but long term cuts
- Windfalls (eg better than expected tax receipts) have provided the government with extra money to spend in short term, as reflected in the Autumn Statement - but not sustainable
- A more self sufficient local government with stronger incentives, alternative sources of income? Tourist Tax, local stamp duty, etc
- Central government will still maintain many levers and control
- Pressures on local government services indicate a £7.8bn shortfall by 2025
- Fair Funding Review is really about re-distribution rather than level of funding. Without additional resources, likely to just create a different set of winners and losers

Presentation Slides

All the slides to the conference can be viewed here:

<https://www.local.gov.uk/lga-annual-local-government-finance-conference-8-january-2019-london>

Business Rates Retention

Provisional Local Govt Finance Settlement

Relative Needs and Resources

The fiscal and funding outlook beyond 2020

Any questions, please get in touch at cllrclarencebarrett@yahoo.co.uk or call 07863 116029