

# Future local government funding challenges

LGA Member Peer Conference

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[www.local.gov.uk/finance](http://www.local.gov.uk/finance)

- 2019 Spending Round

Next 12 months:

- Local government finance settlement
  - 2020 Spending Review
  - Business rates retention reforms
  - Review of relative needs and resources ('Fair Funding Review')
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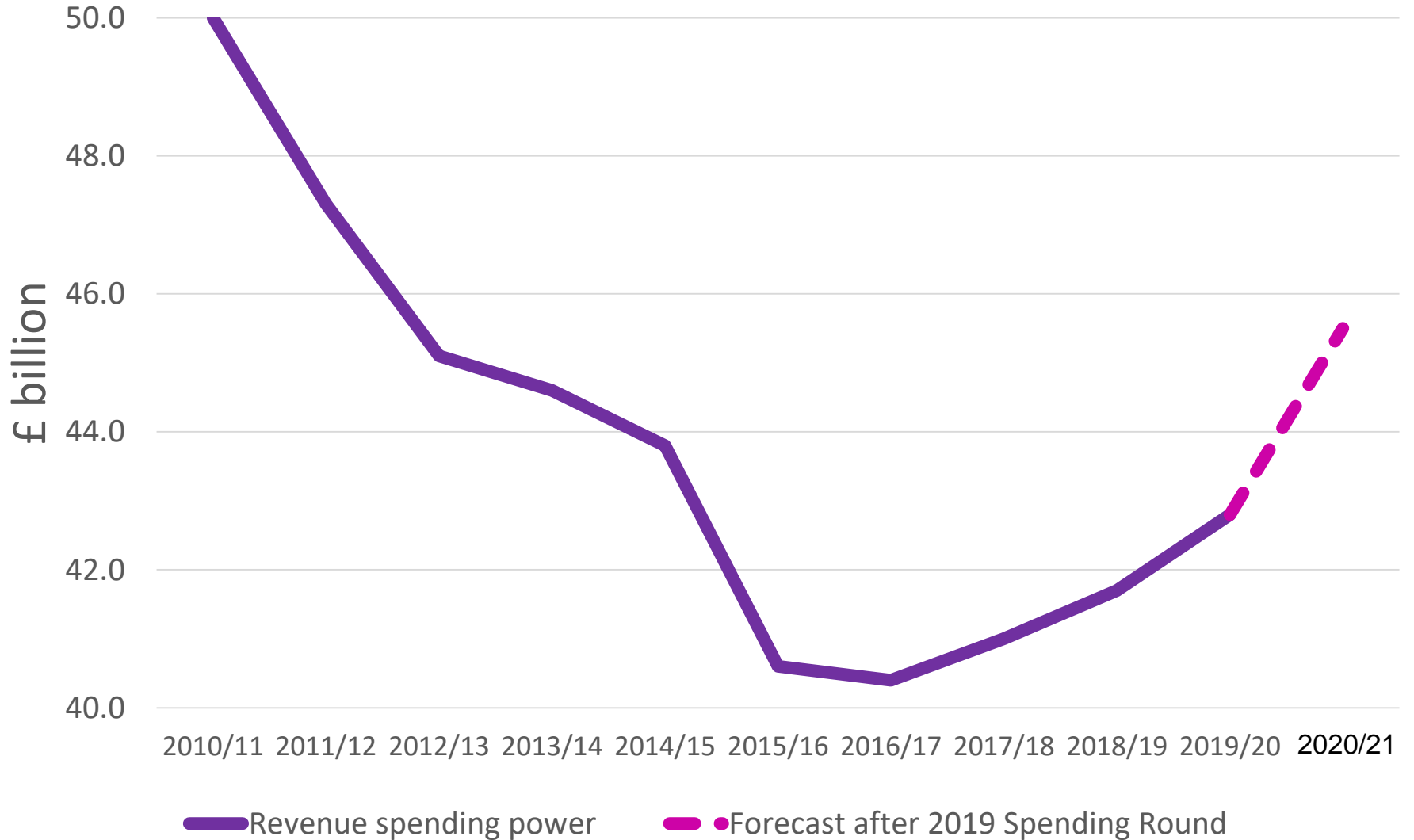
## The next 12 months..

- Autumn Budget: cancelled due to General Election
  - December (?) – local government finance settlement
  - February/March: budgets set for 2020/21 to be funded primarily from council tax and business rates
  
  - Further consultations on business rates retention and fair funding review (LGA pushing for early exemplifications)
  - Spending Review 2020 – uncertain timing.
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# Spending Round 2019 - outcome

Funding stream	£ billion
<b><u>Additional Core Spending Power</u></b>	
New adult and children's social care grant	1.0
2% additional Adult Social Care precept (incl. taxbase growth)	0.5
2% general referendum principle (incl. taxbase growth)	1.1
Business rates and Revenue Support Grant	0.3
<b>Additional Core Spending Power</b>	<b>2.9</b>
Additional SEND funding (outside Core Spending Power)	0.7
<b>Total – '£3.5bn package'</b>	<b>3.5</b>

# Core Spending Power



# Spending Round 2019 - outcome

- Homelessness (extra £54m in 2020/21) £422 million
  - UC vulnerable claimants £23 million
  - Building safety £24 million
  - Continue Troubled Families programme 19/20 levels
  - Towns fund £241 million
  - Bus service transformation £200 million
  - Air Quality £30 million
  - Discretionary Housing Payments £40 million
  - Brexit preparation funding to roll over?
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# Councils' annual cost pressures

	<b>Average annual cost pressures</b>
<b>Adult social care</b>	£1.2 billion
<b>Children's services (excludes SEND pressures)</b>	£0.7 billion
<b>Homelessness</b>	£0.1 billion
<b>Public health</b>	£0.1 billion
<b>Other services</b>	£0.4 billion
<b>TOTAL</b>	<b>£2.5 billion</b>

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- Timing uncertain due to 12 December General Election
  - However, technical consultation suggests..
    - Council tax flexibilities of 2% + 2%
    - Distribution of the additional £1 billion social care grant
    - New homes bonus continues for another year but no legacy element
    - Core funding from settlement to increase by inflation
    - End of one-year business rates retention pilots
    - Everything else rolled over from 2019/20
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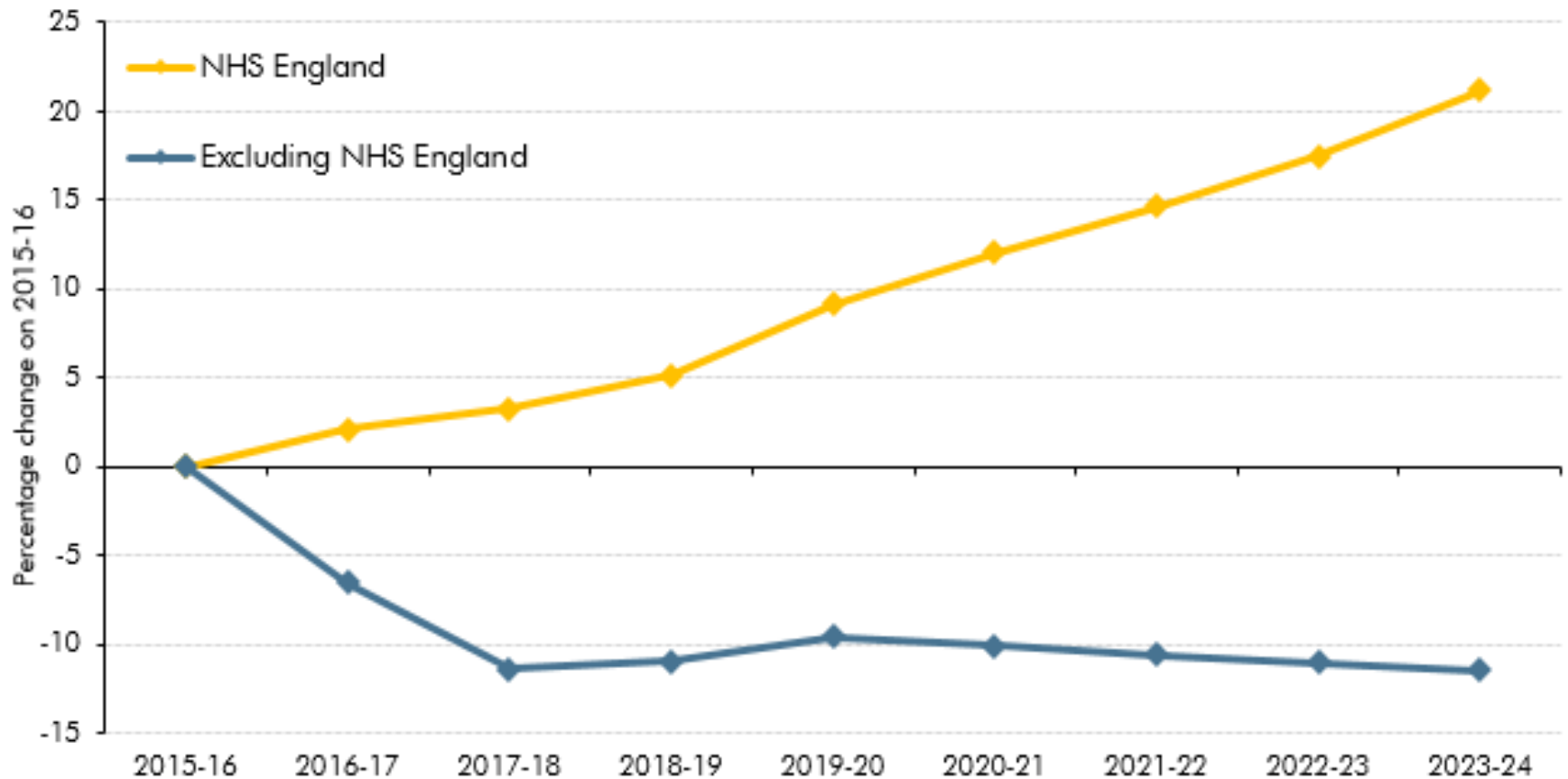
**What do we know?**

**It's in 2020!**

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# Spending Review 2020: context

## March 2019



Note: RDEL ex - the basis on which HM Treasury sets Departmental plans - rather than PSCE in RDEL

Source: OBR

# Business rates retention

- Government has specified reform should be fiscally neutral
  - Grants to be rolled in to retained business rates:
    - Revenue Support Grant
    - Public Health
    - Rural Services Delivery Grant
    - GLA Transport Capital Grant
  - Full business rates baseline reset in 2021/22 – keep subsequent growth
  - Alternative model? – to compensate for appeals
  - Resets, tier splits, safety net, levy, pooling.....
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## Principles

Simplicity

Transparency

Contemporary

Sustainability

Robustness

Stability

## Terms of Reference

- **set new baseline funding allocations** for councils
- deliver an up-to-date assessment of **relative needs**
- examine the **relative resources** of local authorities
- consider appropriate **transitional arrangements**
- be developed through **close collaboration with local government**
- focus initially on **services currently funded through the local government finance settlement**, with a subsequent case-by-case consideration of additional responsibilities

# Fair funding review – likely structure

Foundation Formula	County and District	
		Area Cost Adjustment
Adult Social Care		Area Cost Adjustment
Children and Young People's		Area Cost Adjustment
Public Health		Area Cost Adjustment or similar
Highways Maintenance		Area Cost Adjustment
Fire & Rescue		Area Cost Adjustment
Legacy Capital Finance		No area cost adjustment
Flood Defence & and Coastal Protection		Area Cost Adjustment
<b>Total needs assessment</b>		Sum of the above for each authority
<b>Less: council tax adjustment</b>		(Taxbase X notional council tax level per authority type)
<b>New funding baseline</b>		Needs assessment less council tax adjustment

**Transition to be applied, may take into account other income**

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  - Spending Review 2020 – uncertain timing.
  - LGA campaigning continues. Revising funding gap but clear it is not possible to meet via business rates and council tax growth alone
  - National politics a big uncertain factor
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