The special Interest Group of Municipal Authorities (outside London) within the LGA

*SIGOMA*

March 2016 Budget. Local Authority Finance Briefing Notes

Bullets

* £3.5 billion efficiency savings, all in 2019-20 no phasing and not allocated to departments
* Increases in local authority DEL 17-18 to 19-20 (see departmental funding changes)
* Small Business Rate Relief floor and ceiling raised
* Permanent doubling of SBRR
* Commitment to move to 100% rate retention by 2019-20 with some pilot authorities starting earlier

The 2016 budget was delivered on 16 March 2016 and focussed on the breadth of personal and company taxation issues, with little time on the floor of the house devoted to the further efficiency savings required in 2019-20.

Our briefing explains how overall authority funding has been presented in this budget and highlights individual items of interest to members.

Departmental Funding changes

Much press coverage has been given to the £4 billion required further efficiency savings the Chancellor revealed earlier in the week.

The allocation of this efficiency, now revealed as £3.5 billion in 2019-20 with no phasing, has been evaded in the budget document by showing the required efficiency as a single negative line in the table of Departmental Expenditure Limits (DEL - table 2.4 page 91) leaving individual Departmental budgets un affected.

Hence, local government budgets remain apparently unaffected by the efficiency, up in fact from our Departmental budget publicised in the November ’15 Spending Review[[1]](#footnote-1).



It may be that the Treasury has left the implied cut unallocated in the hope that future, more optimistic estimates of the OBR will remove the need for efficiencies to achieve the budget surplus target. For as long as the £3.5 billion cut remains unallocated, however, the possibility of further reductions in 19-20 exist.

It seems reasonable to assume that this budget will not result in a reduced “offer” of the four year settlement this year. If DCLG follow their recent usual practice, a July settlement consultation should confirm this. Treasury Departmental funding allocations are, however, a poor indicator of any of the key funding allocations that authorities use to fix individual budgets[[2]](#footnote-2).

Business Rates

Indexation – The government will change the annual uprating of business rates in England from the Retail Prices Index to the main measure of inflation, currently the Consumer Price Index, from 1 April 2020 (2.121) CPI runs at a lower rate than RPI and will result in lower rate increases to authorities.

Small Business Rate Relief (SBRR): doubling – The government will permanently double SBRR in England from 1 April 2017. With the cost subsidised by treasury (2.122)

Small Business Rate Relief: thresholds – The government will raise the SBRR threshold in England to rateable values of up to ￡12,000 tapering to ￡15,000 from 1 April 2017. (2.123)

Standard multiplier – The government will raise the threshold at which business rates bills in England are calculated using the standard multiplier to properties with rateable values of ￡51,000 and above from 1 April 2017. (2.124)

Local newspapers – The government will introduce a ￡1,500 business rates discount for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017. (2.126)

Long-term review – The government will publish a summary of the responses received as part of the long-term review of business rates in England in March 2016. (2.127 )

Modernisation – The government will work with local authorities in England to standardise business rates bills by 1 April 2017, ensure that all ratepayers can receive bills and make payments online by 1 April 2017 and ensure that all local authority billing and collection systems link with HMRC digital tax accounts by 2022.( 2.128) . *Once local authority and HMRC systems are linked, the government will consider the feasibility of replacing SBRR with a business rates allowance for small businesses– this would be applied to a business’s total property portfolio across local authority areas allowing businesses that grow and acquire more property to benefit from relief.*

Valuation reform – The government will aim to introduce more frequent (at least 3 yearly) revaluations of properties in England for business rates purposes and will publish a discussion paper in March 2016 outlining options to deliver this (2.129)

100% Retention – The government will pilot approaches to 100% retention of business rates with Liverpool City Region, Greater Manchester and the Greater London Authority. This offer is also available to other city regions that have ratified their devolution deals. (2.130)

Other

1. Launch of a Starter Homes Land Fund prospectus, inviting Local Authorities to access £1.2 billion of funding to remediate brownfield land to be used for housing, todeliver 30,000 Starter Homes
2. Homes and Communities Agency will work in partnership with Network Rail and local authorities to provide land around stations for housing, commercial development and regeneration. The government will set out shortly which sites will take part in the scheme
3. On 1 March 2016 the government confirmed that the date from which Local Housing Allowance caps apply to new tenancies in the supported accommodation sector will be delayed by one year. It will now apply to tenancies in this sector signed after 1 April 2017.
4. Allocation of a £50 million Pothole Action Fund for England in 2016-17, enabling local authorities to fill nearly a million potholes.The government will also provide a further £130 million to repair roads and bridges damaged by Storms Desmond and Eva. (1.239)
5. The government wants to ensure the £60 billion local authorities spend to procure Services is done in an efficient and competitive way. The government will consult on new rules requiring local authorities to be transparent about the cost of the in house services they use.
6. The government is now announcing further steps in the allocation of the Local Growth

Fund, including:

* + up to £1.8 billion will be allocated through a further round of Growth Deals with
  + Local Enterprise Partnerships later this year. The government will announce further
  + detail on the process for the next round of Growth Deals soon
  + a further £2 billion of the Local Growth Fund is being allocated through the Home
  + Building Fund. This programme provides finance to developers to unlock large housing
  + sites and bring forward the necessary infrastructure that large house building projects require

1. The government has received proposals from Local Government Pension Scheme administering authorities to establish a small number of British Wealth Funds across the country by combining their assets into much larger investment pools. These pools will deliver annual savings of at least £200-300 million. Government will work with administering authorities to establish a new Local Government Pension Scheme infrastructure investment platform, in line with proposals, to boost infrastructure investment. (1.284)
2. The government will work with Greater Manchester on the devolution of powers over criminal justice services, as well as supporting the establishment of a Life Chances Investment Fund. (1.293)
3. The government has agreed another mayoral devolution deal with Liverpool City Region. This builds upon Liverpool’s mayoral deal on 17 November 2015, and gives Liverpool additional new powers over transport, pilots the approach to 100% business rate retention across the city region, and commits the city region and government to work together on children’s services, health, housing and justice. (1.294)
4. From April 2018, the government will tighten the scope of the income tax exemption for termination payments to prevent manipulation. Termination payments over ￡30,000 which are subject to income tax will also be subject to employer National Insurance contributions. The government will undertake a technical consultation on tightening the scope of the exemption. (2.26)
5. The government will increase the National Minimum Wage rates from October 2016 (2.66). This includes:
   * a 3.7% increase in the rate for 21 to 24 year olds (from ￡6.70 to ￡6.95 per hour)
   * a 4.7% increase in the rate for 18 to 20 year olds (from ￡5.30 to ￡5.55 per hour)
   * a 3.4% increase in the rate for 16 to 17 year olds (from ￡3.87 to ￡4.00 per hour)
   * a 3.0% increase in the rate for apprentices (from ￡3.30 to ￡3.40 per hour)
   * a 12.1% increase in the accommodation offset (from ￡5.35 to ￡6.00 a day)
6. The government will align the National Minimum Wage and National Living Wage cycles so that both rates are amended in April each year. This will take effect from April 2017.(2.67)
7. The date from which new or renewed tenancies in the social sector will be subject to the cap on Housing Benefit at the relevant Local Housing Allowance rate will be deferred for supported accommodation – from April 2016 to April 2017 – to enable the government to complete a review of supported accommodation.(2.74)

ANNEX A

**Estimating Settlement from Budget Departmental Expenditure Limits (DEL)**

The Departmental funding allocation is the best indicator we get from the Budget of likely changes in funding to local government but is a poor indicator of any of the key funding allocations that authorities use to fix individual budgets. Data from the December Spending review and Settlement, summarised below, illustrate this problem. For example in 2016-17 local government DEL was £9.6 billion. The Revenue Support Grant that resulted was £7.2 billion and the Settlement Funding Allocation £18.1 billion. Aggregating Revenue Support Grant and New Homes Bonus gives a closer, but not close, figure of £8.7 billion, still £900 million less than DEL.



1. Apart from 2015-16 which may be due to a revised out-turn estimate. [↑](#footnote-ref-1)
2. See annex A [↑](#footnote-ref-2)