1. About SIGOMA

1.1. This submission is made on behalf of SIGOMA, the Special Interest Group of Municipal Authorities.

1.2. SIGOMA is a special interest group (within the LGA) of 46 local authorities in the northern, midland and south-coast regions of England, consisting of 32 metropolitan districts and 14 major unitary authorities covering key urban areas.

1.3. Our membership includes authorities in the North East, Yorkshire and Humberside, the North West, the Midlands and the Southern Ports.

1.4. SIGOMA authorities are host to some of the most challenging economic environments in the country. They are amongst those who face the greatest difficulty in growing income organically whilst at the same time striving to provide services to a demographic that has a high proportion of those most affected by changes to the welfare system.

2. Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

2.1. SIGOMA support the aspiration of Government to offer certainty and would welcome further measures beyond those listed in the consultation document.

2.2. The period covered by the four year offer now only extends to the years which would have been covered by a provisional settlement for 2018-19 and indicative settlement for 2019-20. We would expect the forthcoming Settlement to extend up to the plan period set out in Autumn 2017 Budget, including plans for Better Care funding, Council Tax and Adult Social Care Precept.

2.3. There are other aspects of uncertainty which overshadow council planning and which Government could help to remove:

- Removing the threat of possible withdrawal of 2018-19 Improved Better Care funding to Councils whose planned expenditure on adult social care is under review or who fall into the lowest quartile on Delayed Discharge metrics.

- Remove uncertainty over appeals on Business Rates due to lack of progress in the valuation service's provision of information and an apparent malfunctioning of the check, challenge, appeal system. We urge DCLG to represent to Cabinet and Treasury the difficulty this is causing for authorities and offer a viable solution.

- Address uncertainty of business rate income due to potential claims for charitable relief from Health Trusts. DCLG and the Department of Health could assure authorities they would be compensated for a successful claim by matching the value with a move of funding back from Health into DCLG.

- Address uncertainty on business rates for individual authorities due to appeals for re-assignment from Virgin Media. Whilst the case itself may be outside the control of the Department and appears to have reached a resolution, they could assure authorities that gains and losses resulting from a claim would be adjusted in Tariff and Top-up.

- Authorities still await news of the promised compensation for changes in the SBRR threshold. Whilst we understand an announcement is pending, authorities' budgets remain uncertain until such an announcement, with indicative allocations, is made.

- Our members are particularly concerned at the rumours that yet more transition funding will be made available to authorities with some of the highest historical settlements. In 2016-17 and 2017-18, this has taken the form of eliminating negative RSG and £300 million of additional funds. The narrow definition of gains and losses used has resulted in transition grant for many authorities who gained most in Settlement funding whilst most of the biggest losers received none.

2016 Councils with highest loss in spending power	% loss	Transition Grant £'000	2016 Councils with highest gain in spending power	% gain	Transition Grant £'000
Barrow-in-Furness	-6.1%	-	Daventry	3.8%	3.1
Stoke-on-Trent	-5.5%	-	Mid Sussex	3.8%	145.3
Broxtowe	-5.4%	5.5	Vale of White Horse	3.9%	41.9
Hyndburn	-5.2%	-	Harborough	3.9%	64.5
Kensington and Chelsea	-5.1%	-	Ribble Valley	4.0%	20.4
Newham	-5.0%	-	Craven	4.1%	21.2
Wigan	-4.8%	-	South Cambridgeshire	4.2%	75.8
Richmond upon Thames	-4.8%	2,910.2	North Kesteven	4.3%	-
Haringey	-4.7%	-	Uttlesford	4.9%	60.6
Blackburn with Darwen	-4.6%	-	Torridge	5.0%	-
Merton	-4.5%	566.9	Tewkesbury	5.1%	-
Great Yarmouth	-4.4%	-	Stratford-on-Avon	5.3%	61.4
Burnley	-4.3%	-	Aylesbury Vale	5.4%	81.2
Hounslow	-4.3%	-	Chichester	5.4%	93.3
Knowsley	-4.2%	-	Breckland	5.7%	-
Portsmouth	-4.2%	-	Ryedale	5.7%	25.2
Redcar and Cleveland	-4.2%	-	Hinckley and Bosworth	5.9%	-
Hammersmith and Fulham	-4.2%	-	Eden	6.2%	18.3
Newcastle upon Tyne	-4.2%	-	Horsham	6.3%	134.5
Birmingham	-4.2%	-	Test Valley	6.4%	53.8
Nottingham	-4.2%	-	Cotswold	7.0%	42.9
Pendle	-4.2%	-	East Devon	7.9%	62.4
Blackpool	-4.2%	-	Hambleton	9.0%	-

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Any available additional funding must be shared on a needs basis amongst all authorities.

- The Department should begin to engage with authorities on an open basis about funding in the post-Brexit era to fully understand the potential impact of the loss of European funding.

3. Question 2: Do you agree with the New Homes Bonus allocation mechanism set out above?

3.1. SIGOMA have frequently recorded our view that New Homes Bonus, as currently financed, works to the disadvantage of less prosperous authorities. So long as NHB is financed by top-slice from formula funding and needs remains underfunded, SIGOMA does not support continuation of the grant.

3.2. So long as the grant continues, we support measures which would further reduce the legacy payments.

3.3. SIGOMA renews its objection to a flat baseline. We believe this works to the disadvantage of less buoyant housing markets.

4. Q3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?
Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?
Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?
Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

4.1. Members remain unconvinced that this approach will result in any appreciable change in behaviours by authorities. Some members have suggested that a further refinement of data collection should be used which recognises successful appeals where costs have been awarded against the council.

4.2. Some members noted that the PINS data is experimental and was at one point withdrawn due to problems with the data.

4.3. Comparing the proposed approach to the one outlined in “Sharpening the Incentive” members would like to see real exemplifications of how allocations would have been affected under both proposals.

5. **Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?**
Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

5.1. No comment

6. Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

6.1. SIGOMA supports the LGA in their call for more flexibility for Councils with respect to Council Tax increases, which should be without the need for referenda when determined by locally elected officials.

6.2. Equally we support LGA calls for a review of Council Tax, its purpose and mechanisms (along with business rates). If the current trend for increasing retention and reliance on locally raised taxes to finance local services continues, Government must introduce comprehensive equalisation that matches funding needs with available resource. Moreover, Government must address the unequal balance of Council Tax burden. The high level of band D tax in poorer authorities suggests that full equalisation has not been achieved.

6.3. Some members have queried whether some Fire authorities should be afforded the same £5 deminimis as lower quartile police authorities .

7. **Question 11: What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?**

7.1. Members who are part of combined authorities comment that they welcome the fact that CLG are engaging directly with Mayors and Combined Authorities about the setting of budgets for next year and are aware that you are already in dialogue with them. They state that at this stage, they would support a flexible approach being taken, not least as the extent of Mayoral powers is still developing and Mayors have a number of priorities which they would want to progress once the various powers are available to them. As powers will continue to develop, it is evident that there will be an ongoing need for flexibility in setting notional budgets and any referenda limits over the coming years.

8. **Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?**

8.1. No comment

9. **Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

9.1. SIGOMA have identified the trend for localising funding and the mismatch between the scope for raising funds and demand for services at a local level.

9.2. This must, de facto result in fewer resources for the most disadvantaged individuals in the poorest parts of our country and impact on the vulnerable young and elderly within our communities.

10. Comments on other issues mentioned in the consultation

The business rates revaluation adjustment.

10.1. At the time the proposed formula was first consulted on within working groups, draft valuation data was not available.

10.2. SIGOMA and others within the group pointed out that the formula would not result in a fair adjustment if assets with relief changed valuation at a significantly different rate to other assets.

10.3. Despite assurances form DCLG that this would not, in their view, significantly impact on the adjustment our concerns proved to be well founded when valuation data showed a significant increase in school and university hereditament valuations which run counter to the change in value of other hereditaments and attract statutory relief.

10.4. Several authorities have contacted us, assessing that they are adversely affected by a difference in valuation growth on university and other educational hereditaments with relief. One large authority estimated they had lost around £1.3 million in top-up compensation due to the impact of educational establishments attracting 80% relief within the adjustment calculation.

10.5. The calculation method of adjustment to top-up and tariff for 2017-18 makes no recognition of the impact of charitable relief where the assets concerned change at a significantly different rate, and on some occasions in a different direction, to other assets. One authority points out that, where revaluation, charitable relief and transition surcharge combine, the authority can actually lose money on each hereditament, see illustration in Appendix A.

10.6. Authorities were assured that they would be left largely unaffected by the revaluation and they feel that this assurance is currently not being fulfilled by the formula proposed in the settlement.

Illustration

2010 RV - £565,000
2017 RV - £307,500

Adjusted Base Liability - £266,988.61
Notional Chargeable Amount - £143,295.00
Transitional Surcharge - £123,673.61
Mandatory Relief 80% - £213,590.89
Net Charge - £53,397.72

Mandatory Relief attributable to 2017/18 charge (£143,295.00 x 80%) - £114,636.00
Mandatory Relief attributable to transitional surcharge - £98,954.89
Total Mandatory Relief - £213,590.89

Income retained locally (£143,295.00 x 50%) - £71,647.50
Local share of mandatory relief – (£213,590.89 x 50%) - £106,795.44

Income passed to Central Government (143,295.00 x 50% + £123,673.61) - £195,341.11
Central Government Share of Mandatory Relief (£213,590.89 x 50%) - £106,795.44

Net Income to authority – (£35,147.94)
Net Income to Central Government - £88,545.67
Total Net Income - £53,397.72