SIGOMA SETTLEMENT CONSULTATION RESPONSE

2019-20

The Special Interest Group of Municipal Authorities (Outside London)

SIGOMA RESPONSE TO THE 2019-20 LOCAL GOVERNMENT FINANCE TECHNICAL CONSULTATION

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) representing 46 local authorities covering key urban areas in the North West , East and West Midlands, the North East, Yorkshire & Humberside and the South-coast ; consisting of 32 metropolitan districts and 14 major unitary authorities.

1.3. SIGOMA Councils comprise 13.4 million people, around a quarter of England's total population. However SIGOMA collect just 19 percent of the nation's total Council Tax and benefited from just 22 percent of the nation's retained business rates according to 2017-18 estimates[1].

1.4. At the same time our members are striving to provide services to a population that includes a disproportionately high number of those most affected by changes to the welfare system. For example around 33% of all recorded working age benefit claimants are from SIGOMA authorities[2] and 35% of all looked after children[3].

1.5. Therefore the distribution of Government funding and a fair redistribution of locally collected taxes, is a matter of vital concern for the continuity of services by our authorities.

2. Question 1 Do you agree that Government should confirm the final year of the 4 year offer as set out in 2016

2.1. SIGOMA might agree that Government should confirm the 2019-20 settlement, if this is what was proposed. However what is actually proposed is a modification of that allocation which overturns the allocation basis of revenue support grant, as proposed and accepted by 97% of authorities, and substitutes an arbitrary additional allocation to authorities who had undergone a negative tariff top up adjustment, otherwise referred to as negative RSG.

[1] Source NNDR1 2017-18, adjusted to remove the impact of rate retention pilots, as reflected in core spending power tables.
[2] Source NOMIS analysis working age benefit claimants 2011-2016
[3] Source DfE Children looked after in England SFR50 2017

2.2. However whilst sympathising with the Departments position regarding future Treasury allocations we also comment that Government should not confine itself to a 2019-20 settlement. As is usual, Government should provide an indicative settlement for 2020-21.

2.3. Government cannot expect local authorities to make well planned and locally consulted strategic decisions, executed in a way to optimise service delivery and minimise negative impact without some indication of the likely direction of travel in funding at authority level.

2.4. In particular Government need to urgently address the inadequacy of funding for children's services as evidenced by budgetary overspend on this service in many authorities in 2017-18, rather than using scarce funds to support wealthier authorities.

3. Rate Retention Pilots and Revaluation Scheme

3.1. We note the Government's intention to Pilot further rate retention schemes.

3.2. Members are keen to understand what has been learnt from the existing rate retention pilots and how that will impact on rate retention schemes from 2020, in less than 18 months' time.

3.3. The Department is requested to publicise, or state when it will publicise, its findings from the rate retention pilots.

3.4. Intentions regarding the revaluation scheme are noted. It is understood that the Department is monitoring the impact of the revaluation scheme and members would be interested to understand the conclusions of that monitoring process.

3.5. In particular many members noted the detrimental effect within the overall adjustment of exempt hereditaments or those attracting high reliefs, where those hereditament revaluations have run contrary to the general revaluation impact locally. A particular example is educational hereditaments in Manchester which have increased relative to Manchester's tax earning hereditaments, reducing revaluation adjustment but resulting in no additional tax.

4. New Homes Bonus

4.1. The Departments proposals in respect of New Homes Bonus are noted.

4.2. We emphasise and repeat our opposition to the use of a national growth baseline, especially if the expectation is that the baseline value will increase.

4.3. Our opposition is based on the fact that many of our members have not experienced growth at the national level and are at a disadvantage as a result of using a national baseline. Baselines should be set at a local or at least regional level for as long as New Homes Bonus continues.

4.4. On a broader issue the majority of our Members oppose the continuation of New Homes Bonus for as long as it is financed by a top slice from local authority DEL, i.e. reducing funding available for formula needs.

5. Question 2: Do you agree with the Council Tax referendum principles proposed by the Government for 2019-20?

5.1. Members continue in their belief that decisions on Council Tax increases should be entirely local and not limited by referendum requirements.

5.2. Part of our assertion is due to the obvious historic support via grants of low band D Council Tax in many London authorities which the national cap underpins by setting a de facto national limit to tax rises.

5.3. Members are not clear what is meant by paragraph 4.2 of the consultation which refers to “an update on [the Departments] proposals for Council Tax referendum principles”, since these appear to be encompassed in the consultation. We request further explanation.

5.4. Members point out that a funding system that places increased reliance on locally raised taxation, without equalisation, will not place funds in the areas where they are most needed and will exacerbate the growing divide between poor and wealthy parts of the country.

6. Question 3: Do you agree with the Governments preferred approach that negative RSG is eliminated in full via foregone business rate receipts in 2019-20?

6.1. The inference behind this proposal is that there is no loss to local Government as funds are taken from central share of business rates.

6.2. By Governments own assertions this cannot be the case since we are repeatedly assured that all business rates, including central share and central list income, are applied for local government finance purposes. This is at best therefore a repurposing of grant.

6.3. Even if the funds were additional, our members are of the unanimous view that this arbitrary use of scarce resource to satisfy a minority of already well-funded authorities must cease. We will show that over time the hardest hit authorities have lost out due to unplanned and unjustifiable late allocations to wealthier authorities.

6.4. The notion that this adjustment is the only negative adjustment to RSG is a fallacy. In fact at the time the adjustment was created, in 2016 Settlement, the adjustment was termed by MHCLG “Top up and Tariff adjustment”. Every Tariff authority suffers a negative adjustment to its RSG, an inevitable consequence of the rate retention system created by the Department. In 2016-17 222 authorities had a negative adjustment, a Tariff, that was greater than their RSG, by an aggregate £3,118 million.

6.5. The 4 year offer of 2016 introduced a change in methodology of calculating distribution of cuts which incorporated Council Tax income, a step towards using core spending power as the base measure for cuts and one with which our members agreed. 97% of authorities accepted the consequences of this by acceptance of the 4 year offer.

6.6. The change was introduced late in the settlement timetable and the justification of the adjustments to provisional settlement which included transition grant of £300m as well as cancellation of Top up Tariff adjustments in 2016-2018, was to give authorities a chance to adapt their budgets, not a luxury afforded to our members who suffered greater cuts in earlier years.

6.7. In this, the final year of the four year offer this excuse for further adjustments cannot be repeated without bringing into disrepute and seriously undermining the credibility of the settlement formula mechanism. In fact this proposal is causing many of our members to question the credibility of the Fair Funding review process. They are concerned that adjustments of this sort may be patched on to the objective results or that there will be another series of never-ending transition adjustments.

6.8. **Q4: If the proposed method of eliminating the Top up Tariff Adjustment is not supported what method is preferred?** We suggest that the Department should support its own methodology of allocating funds and place sufficient funds in the system to lift all authorities in that proportion, or use surplus funds to support those that have really lost out in successive settlements. The Departments own estimate of the cost of doing this only serves to illustrate the distortion in relative funding caused by the preferred option.

6.9. The Department and other contributors may be surprised at the strength of feeling amongst our members on this single topic but it should be viewed in the context of repeated ministerial adjustments to a system that has already been heavily weighted against poorer authorities.

6.10. This includes additional funding for rural areas (though sparsity is already factored into formula), two tranches of transition grant to some of the least affected authorities in the country and RSG uplifts, again to those least impacted by funding changes.

6.11. Rural Services Grant, allocated in 2016-17 and 2017-18 saw a total of **£90.5m** provided to wealthier authorities. This decision was also scrutinised by the NAO who commented:

> "The Department told us that the additional uplift to the grant for 2016-17 was a ministerial decision… in recognition of … the particular costs of providing services in sparse rural areas".

6.12. The Department's own research, however (the NAO investigation goes on to explain): "found that while population sparsity [rurality] was positively correlated to unit costs in 11 services comprising 15% of local authority service spending, it was negatively correlated to unit costs in 15 services which comprise 31% of service costs."[4] In other words the limited evidence available to the Department showed that, if anything, costs were relatively lower in rural areas, invalidating their official rationale. The grant also benefited many of the same authorities that benefited from Transition Grant, though both were calculated without reference to the other.

6.13. The following table shows those authorities that have had the least and the greatest cuts in Core Spending Power[5] since the austerity programme began and the amount of transition grant, rural services grant and RSG refund they have been allocated in the last 4 years.

Authorities with the lowest cut to core spending power	Cum. Cut 9 years 10-11 to 19-20 %	Additional Grants 2016-17 to 2019-20: Transition Grant £m	Rural Services Grant £m	RSG refund £m	Total £m
Dorset	-7.5%	6.45	8.49	15.82	30.75
Poole	-7.4%	1.73	-	1.42	3.16
Warwickshire	-7.3%	6.36	1.08	1.69	9.13
Windsor and Maidenhead	-7.1%	2.54	-	2.20	4.74
Leicestershire	-7.0%	6.91	1.14	3.05	11.09
Wiltshire	-6.7%	6.03	11.93	2.24	20.20
Cheshire East	-6.1%	5.95	-	2.61	8.56
Buckinghamshire	-5.6%	9.95	-	15.77	25.72
Central Bedfordshire	-4.9%	4.46	-	1.28	5.74
West Sussex	-4.3%	13.68	0.71	6.72	21.10
Surrey	-4.2%	26.78	-	33.22	60.00
Rutland	-3.6%	0.68	3.05	0.99	4.72
Wokingham	-2.5%	4.21	-	10.49	14.70

Authorities with the highest cut to core spending power	Cum. Cut 9 years 10-11 to 19-20 %	Additional Grants 2016-17 to 2019-20: Transition Grant £m	Rural Services Grant £m	RSG refund £m	Total £m
Knowsley	-31.9%	-	-	-	-
Newham	-31.7%	-	-	-	-
Hackney	-31.7%	-	-	-	-
Manchester	-30.3%	-	-	-	-
Westminster	-29.9%	-	-	-	-
Blackburn with Darwen	-29.8%	-	-	-	-
Birmingham	-29.2%	-	-	-	-
Liverpool	-29.1%	-	-	-	-
South Tyneside	-28.2%	-	-	-	-
Kingston upon Hull	-28.0%	-	-	-	-
Rochdale	-27.8%	-	-	-	-
Haringey	-27.5%	-	-	-	-
Kensington and Chelsea	-27.5%	-	-	-	-

6.14. The simple unfairness of these additional grant allocations, driven we believe by parliamentary pressure, is obvious. Each individual grant is relatively minor but the cumulative value from 2016-17 to 2019-20 will total £768 million of which £220 million, or 28% will go to the 13 least affected authority areas above.

6.15. From recent events[6] the Department and Ministers must surely appreciate that the authorities facing the greatest challenges are those providing adult and children's social

[4] https://www.nao.org.uk/wp-content/uploads/2017/02/Transition-grant-and-rural-services-delivery-grant.pdf p9

[5] Core Spending Power is Governments own measure of funds available to authorities each year. In this table we have combined the data of shire districts with their counties for comparison to single tier authorities. Results of fire authorities and the city of London are excluded.

[6] https://www.theguardian.com/society/2018/sep/01/children-social-care-services-councils-austerity ; https://www.lgcplus.com/politics-and-policy/finance/overspending-on-childrens-social-care-services-soars-by-10/7025721.article; the report of the all-party parliamentary group for children "Storing up Trouble – July 2018 ; the 50th report of the Public Accounts Committee on the Financial Sustainability of Local Authorities (especially

care services. Yet 20% of the additional funding above goes to Shire Districts which have no social care responsibilities.

Cuts to Core Funding 2019-20 and Additional Grant by Authority Type*

By Authority Type	Cut 2010 to 2019 %	Additional Funding £m	Additional Funding % of total
Shire District	-21.6%	149.9	19.5%
Shire County	-8.5%	400.3	52.1%
Metropolitan Districts	-24.5%	4.9	0.6%
Inner London	-26.5%	-	0.0%
Outer London	-17.9%	40.6	5.3%
Unitary Authorities	-16.9%	164.9	21.5%
England	-17.0%	768.4	
SIGOMA	-24.1%	3.38	0.4%

* The results of fire authorities, the GLA and the City of London are not shown.

6.16. In addition, no account is taken in these calculations of the fact that 2013 transitional funding, in terms of damping, is already included in formula funding, leaving some authorities far behind their calculated need yet suffering some of the greatest cuts. Of the 167 authorities who would receive an RSG uplift under these proposals, 75 will have received an aggregate of around £1,200 million in damping grant over the period 2011-12 to 2019-20 whilst 113 of the authorities who have lost an aggregate £3,390 million due to damping over the same period receive nothing. This includes Blackpool, one of the most deprived authorities in the country who have lost around £40 million due to continuing damping, have suffered cuts since 2010 of 27% yet receive nothing from transition or RSG uplift.

6.17. Members view, therefore, is that this proposal is fundamentally unfair and unjustifiable in the context of the funding position authorities now find themselves in and the increased pressure of demand for services, particularly social care services.

6.18. At a time when the crisis in children's services funding features regularly in national headlines, we would suggest that additional funding, however small, would be better directed towards this service, providing an average £1m per authority for hard pressed children's services facing increased demand[7].

6.19. Our members urge the Department to reconsider this proposal.

7. Equal opportunities

7.1. By failing to direct funding towards areas of services for vulnerable children which are evidentially under pressure, in favour of other areas not evidenced by need it is likely that these proposals will contribute to a possible service failure in the area of children services, to the benefit of unspecified other services.

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recommendation 4) and "Close the children's services funding gap" a joint letter by the LGA and children's services leaders at https://www.local.gov.uk/about/campaigns/bright-futures/bright-futures-childrens-services/close-childrens-services-funding

[7] Based on allocation pro rata to children's services needs indices in 2013-14 formula

7.2. Attached at appendix A to this response is a table showing one example of additional pressures on children's services and the disparity in funding which will be exacerbated by the proposals in the consultation.

INCREASED CHILDREN LOOKED AFTER, SPENDING POWER CUT & GRANT   APPENDIX A

The table shows the % change in looked after children, the projected cut in core spending power, the proposed RSG uplift in the consultation and how that might alternatively be distributed to better effect.

Single/Upper Tier Authority	Increase/ (decrease) in looked after after children 2010-2017 %	Change in core spending power * 2010-2019 %	Proposed RSG uplift 2019-20 £m	Allocation based on Childrens RNF £m
Halton	112.0%	-29.2%	-	0.41
North East Lincolnshire	103.4%	-28.9%	-	0.49
Stoke-On-Trent	59.8%	-28.6%	-	0.78
Redcar and Cleveland	56.7%	-28.6%	-	0.43
Hartlepool	54.5%	-30.0%	-	0.31
Thurrock	64.3%	-19.8%	-	0.53
Dorset	73.2%	-10.2%	12.41	0.89
Durham	52.3%	-25.5%	-	1.36
Oldham	47.8%	-29.3%	-	0.81
Central Bedfordshire	69.4%	-7.3%	1.28	0.62
Bedford	60.6%	-14.5%	-	0.49
Stockton-On-Tees	50.0%	-24.0%	-	0.55
Northumberland	52.8%	-20.7%	-	0.79
Warrington	55.1%	-18.1%	-	0.44
Trafford	51.0%	-22.1%	-	0.55
Oxfordshire	56.5%	-12.7%	6.99	1.44
Herefordshire	53.8%	-14.6%	-	0.45
Hackney	37.0%	-31.2%	-	1.45
Leicester	39.0%	-25.9%	-	1.24
Wandsworth	38.1%	-26.6%	-	0.94
Tameside	37.3%	-26.8%	-	0.65
Southampton	40.3%	-23.8%	-	0.67
Lancashire	42.9%	-20.8%	1.44	2.80
Middlesbrough	33.3%	-29.6%	-	0.54
Harrow	46.4%	-15.9%	-	0.77
Milton Keynes	46.3%	-15.9%	-	0.87
Cambridgeshire	46.8%	-15.1%	7.99	1.40
Sunderland	31.7%	-30.0%	-	0.75
Blackpool	32.9%	-28.8%	-	0.45
Telford and the Wrekin	40.7%	-20.1%	-	0.53
Lincolnshire	40.8%	-18.2%	0.18	1.83
North Lincolnshire	36.4%	-22.3%	-	0.46
Wolverhampton	30.6%	-27.9%	-	0.91
Leicestershire	43.7%	-13.3%	3.05	1.32
Sutton	39.4%	-16.7%	-	0.58
Wakefield	31.6%	-23.8%	-	0.84
Cheshire West & Chester	36.6%	-16.8%	-	0.76
St Helens	23.2%	-29.4%	-	0.51
Poole	40.7%	-11.9%	1.42	0.33
Liverpool	19.1%	-33.1%	-	1.54
Northamptonshire	34.9%	-16.8%	0.91	1.85
Swindon	38.3%	-12.9%	-	0.54
Walsall	25.0%	-25.7%	-	0.95
Torbay	26.7%	-22.8%	-	0.35
Rotherham	24.4%	-24.7%	-	0.76
Isle Of Wight council	28.6%	-20.3%	-	0.36
Nottingham	17.1%	-30.0%	-	1.07
Bracknell Forest	35.3%	-11.8%	-	0.28
Sefton	19.7%	-26.5%	-	0.67
Shropshire	31.8%	-13.5%	-	0.68
Barnsley	18.4%	-26.9%	-	0.64
Worcestershire	29.7%	-14.9%	2.64	1.26
Hampshire	33.3%	-11.1%	5.37	2.78
Kingston Upon Hull	12.1%	-32.3%	-	0.86
Staffordshire	25.9%	-16.9%	0.89	1.83
Gloucestershire	27.1%	-15.8%	1.16	1.41
Doncaster	13.3%	-29.3%	-	0.89
Kirklees	19.7%	-22.6%	-	1.20
Wirral	12.5%	-28.8%	-	0.94
Reading	20.9%	-19.8%	-	0.47
Sandwell	11.9%	-27.7%	-	1.21
West Berkshire	28.0%	-11.5%	3.51	0.39
Cumbria	22.5%	-17.0%	0.83	1.17
Portsmouth	14.3%	-25.2%	-	0.56
Darlington	18.9%	-20.0%	-	0.29
Bolton	11.5%	-27.2%	-	0.85
Bournemouth	17.1%	-20.1%	-	0.40
Slough	15.2%	-22.0%	-	0.57
Merton	15.4%	-20.8%	-	0.62
Knowsley	1.8%	-34.4%	-	0.55
Havering	22.5%	-12.5%	-	0.67
Blackburn with Darwen	1.4%	-32.6%	-	0.55
Bradford	4.5%	-29.1%	-	1.92
Peterborough	14.5%	-19.0%	-	0.66
Nottinghamshire	14.8%	-18.6%	0.31	1.85
Dudley	10.7%	-22.1%	-	0.85
Rochdale	2.2%	-30.2%	-	0.73
Bexley	14.3%	-17.5%	-	0.74
Gateshead	4.1%	-27.5%	-	0.52
Islington	4.6%	-26.9%	-	0.95
Norfolk	15.1%	-16.3%	0.05	2.12
Bury	7.7%	-23.6%	-	0.49
Stockport	11.9%	-19.1%	-	0.63
Newcastle Upon Tyne	0.9%	-29.5%	-	0.78
Coventry	6.0%	-24.4%	-	1.05
Barnet	15.0%	-15.0%	-	1.21
Tower Hamlets	3.1%	-26.9%	-	1.49
Enfield	8.3%	-21.5%	-	1.54
North Tyneside	5.4%	-24.3%	-	0.48
Redbridge	9.5%	-19.4%	-	1.16
Birmingham	-2.6%	-30.8%	-	4.79
Plymouth	4.0%	-24.0%	-	0.69
Kent	12.1%	-15.4%	5.47	3.86
City Of London	0.0%	-27.3%	-	-
Richmond Upon Thames	16.7%	-10.1%	7.47	0.37
Buckinghamshire	16.7%	-8.9%	13.36	1.19
Wiltshire	15.8%	-9.6%	2.24	1.11
Southwark	-3.8%	-29.1%	-	1.47
Southend-on-Sea	3.7%	-21.6%	-	0.53
Barking and Dagenham	0.0%	-25.0%	-	1.09
Surrey	19.2%	-5.8%	26.93	2.34
Bromley	9.4%	-14.6%	2.26	0.87
Suffolk	5.7%	-18.1%	2.06	1.73
Derby	-2.2%	-25.9%	-	0.76
Wigan	-3.3%	-26.9%	-	0.79
Sheffield	-6.4%	-29.4%	-	1.46
Warwickshire	9.4%	-13.4%	1.69	1.22
Lewisham	-5.2%	-27.6%	-	1.55
Bristol	0.7%	-21.5%	-	1.25
Rutland	14.3%	-7.9%	0.96	0.08
Somerset	5.6%	-15.9%	0.51	1.24
Calderdale	-3.1%	-23.4%	-	0.59
Devon	5.4%	-14.6%	1.34	1.68
Manchester	-15.9%	-33.2%	-	1.98
South Tyneside	-14.1%	-31.2%	-	0.43
Brighton & Hove	-6.2%	-23.2%	-	0.62
Salford	-10.3%	-26.1%	-	0.73
Westminster	-14.3%	-30.0%	-	0.77
Luton	-6.4%	-21.6%	-	0.84
Derbyshire	-4.5%	-19.5%	0.59	1.79
Bath & North East Somerset	0.0%	-14.9%	-	0.35
Solihull	-3.8%	-18.4%	-	0.51
Hammersmith and Fulham	-14.0%	-28.2%	-	0.70
Windsor and Maidenhead	4.8%	-9.3%	2.20	0.32
Kingston Upon Thames	0.0%	-13.8%	2.51	0.40
Ealing	-10.4%	-23.7%	-	1.36
Newham	-19.4%	-32.2%	-	1.77
North Somerset	-2.2%	-14.5%	-	0.49
Waltham Forest	-11.1%	-23.1%	-	1.23
Croydon	-7.1%	-18.6%	-	1.52
East Riding of Yorkshire	-6.6%	-18.0%	-	0.71
Lambeth	-17.0%	-28.2%	-	1.49
Leeds	-13.1%	-23.7%	-	1.95
Medway	-8.2%	-18.6%	-	0.81
Greenwich	-16.8%	-26.1%	-	1.30
East Sussex	-5.1%	-14.3%	1.75	1.25
Cheshire East	-3.4%	-10.8%	2.61	0.72
Brent	-16.9%	-23.6%	-	1.45
Cornwall	-11.7%	-17.5%	-	1.35
Wokingham	0.0%	-5.3%	7.14	0.32
North Yorkshire	-8.6%	-13.5%	5.29	1.33
York	-12.8%	-16.1%	-	0.34
Haringey	-27.0%	-29.4%	-	1.25
West Sussex	-10.7%	-9.8%	5.95	1.73
Hillingdon	-19.5%	-17.3%	-	1.01
Camden	-29.8%	-27.1%	-	0.84
South Gloucestershire	-14.3%	-11.6%	-	0.57
Hertfordshire	-17.4%	-12.8%	5.00	2.78
Hounslow	-27.5%	-22.4%	-	0.94
Kensington and Chelsea	-38.5%	-27.6%	-	0.44
Essex	-36.3%	-14.6%	5.14	3.54

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