Self-sufficient local government: 100% Business Rates Retention and Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution

Policy Context

1. The proposal supports the vision for Gateshead as outlined in the Sustainable Communities Strategy, Vision 2030 and the Council Plan. In particular, it supports the priority to ensure a sustainable Gateshead by building capacity across the Council and ensuring the best use of resources.

Background

2. By the end of this Parliament, local government as a whole will retain 100% of business rates taxes raised locally giving local councils in England control of around an additional £12.5 billion of revenue to spend on local services. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities and some Whitehall grants will be phased out.

3. At the beginning of July, the Government published a consultation entitled “Self-sufficient local government: 100% Business Rates Retention”.

4. The move to 100% business rates retention will shape the role of local government for decades to come. To achieve such radical reform, the Government invited councils, business and other interested stakeholders to respond to this consultation and help to shape the design of the new system.

5. The consultation sought views on a number of issues to be considered in designing a new system of local government finance. This includes how the reformed system recognises the diversity of local areas and the changing pattern of local governance arrangements. It also considers how the design of the new system can provide the right level of incentive and rewards to councils that drive economic growth in their areas. Finally, the consultation sought views on how business rates income might be shared across local authorities as a whole striking a balance between providing a strong incentive for growth and considering the distribution of funding.

6. The timetable for reform is shown in the table below:

Summer 2016	Consultation on the approach to 100% business rates retention. The Government invited responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	It is expected that the Government will undertake a more technical consultation on

	specific workings of the reformed system
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. It is expected that the legislation will be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100% business rates retention to begin.
By end of Parliament	Implementation of 100% business rates retention across local government.

7. The consultation on business rates reform asks for comments on the high level principles of the reforms. Work in the detailed design of the system will continue and the preferred design choices are likely to be the subject of a more detailed consultation later in the autumn providing time for an iterative process of system design to take place.

8. In 2013/14, the previous Government introduced the business rates retention scheme, under which local government retains 50% of the business rates income. To determine the starting position of funding for local authorities, the Government carried out an assessment of the relative level of needs and resources of councils across England.

9. The assessment of the relative needs of local authorities is a fundamental part of the reforms to business rates and many councils now feel that too much time has passed since the last fundamental review of the approach to assessing a council's relative needs, and the costs it can expect to incur in delivering services. As part of the 2016/17 Local Government Settlement, the Government announced the Fair Funding Review that will undertake a thorough review of what the needs formula should be in a system in which local government spending is funded by local resources rather than central grant. Alongside the consultation on business rates, the Government also released "Business Rates Reform - Fair Funding Review: Call for evidence on Needs and Redistribution" based on initial feedback from a technical working group. The Government is intending to consult on the principles for the needs assessment in autumn 2016 and expects to have a final consultation on the formulae in the summer of 2018.

10. The deadline for response to the consultation and call for evidence was 26 September 2016. This report is to note the Council's response shown in the attached annex which was submitted by the deadline.

Consultation

11. The Council has been represented on the Association of North East Councils (ANEC) working group.

Alternative Options

12. There are no alternative options.

Implications of Recommended Option

13. **Resources:**

    a) **Financial Implications -** The Strategic Director, Corporate Resources confirms that any financial implications are subject to the outcome of the consultation and the call for evidence and will be the subject of future reports. The Council is clear that fairness in funding should be given precedence within the new framework and that "fair funding" must be reflective of need and transparent.

    b) **Human Resources Implications –** None.

    c) **Property Implications –** None.

14. **Risk Management Implications –** Whilst the Government has outlined that the move to 100% business rates retention will be fiscally neutral on local government financing, there is a significant risk facing individual authorities in particular the perceived fairness of the needs assessment and the eventual baseline funding level at day one of the system.

15. **Equality and Diversity Implications –** None.

16. **Crime and Disorder Implications -** None.

17. **Health Implications –** None.

18. **Sustainability Implications –** None.

19. **Human Rights Implications -** None.

20. **Area and Ward Implications –** None.

21. **Background Information –** Self-sufficient Local Government: 100% Business Rates Retention Consultation Document and Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution.

Annex

Consultation Response – Self-sufficient local government: 100% Business Rates Retention and Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution

The Council welcomes the opportunity to respond to the consultation on 100% Business Rates Retention and on the Call for evidence on Needs and Redistribution.

The retention of 100% business rates is an important step towards achieving fiscal devolution but must be underpinned by a fair funding framework which takes into account local needs and demographics, recognising different areas capacity for growth and the ability to raise income locally. From the outset of the new system, only genuine fair funding that meets the needs of the Borough and the wider region will enable the concept of fiscal devolution to succeed. The Fair Funding assessment will be the primary determinant of retained funding and the importance of the review should not, therefore, be underestimated.

Self-sufficient local government: 100% Business Rates Retention

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

The quantum is already paying for locally delivered services and so any devolved responsibilities must form part of the ongoing needs assessment. The full cost of any transfers in and regular assessment must be ascertained to ensure that all councils are not subject to further pressures

Transfers in should leave sufficient headroom to allow the Council to use retained business rates to meet existing funding gaps and pressures e.g. the impact of the National Living Wage, apprenticeship levy, additional national insurance costs, demographic pressures and non-wage inflation in key statutory services

Those currently funding areas where demand is volatile should be excluded, in particular Early Years and Attendance Allowance as growth in business rates can be long-term and will not keep pace with demand.

Any ring-fencing should be removed to allow flexibility and genuine local decision making

- Revenue Support Grant (RSG) – The Council is supportive of RSG being funded from business rates provided that the level of funding is fair and reflects need
- Rural Services Delivery Grant – Not applicable
- Public Health Grant (PH) – The Council supports the transfer in of PH and that the grant should be un-ring-fenced to allow genuine local

decision making but the funding level must reflect need. The Council proposes that the Advisory Committee on Resource Allocation (ACRA) measures for allocating PH are revisited with close involvement of local authorities

- Improved Better Care Fund (IBCF) – there is limited information about the way in which the IBCF will be provided or grant conditions. The funding is likely to be pooled for partnership working with Health and could be subject to demand pressures. As such the Council considers the IBCF as not suitable for funding from retained business rates
- Early Years (EY) – this is another area where allocations are subject to ongoing consultations on service provision and funding changes. Until such time as there is clarity on this EY remains an area unsuitable for funding from retained business rates
- Youth Justice – provided the level of funding is fair and reflects need including preventative services
- Local Council Tax Support Administration and Housing Benefit Pensioner Administration Subsidy – these are areas for which councils already have responsibility and have received significant reductions to funding in recent years without compensating reductions in workload. Funding from retained business rates must enable the funding to be protected and increased to meet need
- Attendance Allowance – this could leave the Council exposed to significant increases in demand and funding from retained business rates is not supported by the Council

Regardless of which new responsibilities are transferred the way grants are rolled in is critical. There must be absolute transparency regarding the amounts involved and the assumptions in future years

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Local government already faces significant financial pressure up to 2020 and beyond for the services it already provides and the Council will struggle to provide additional new services if they are not funded in a fair and transparent way. The quantum should have sufficient headroom to allow the Council to fund these existing pressures before any consideration of new areas of responsibility

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

The Council believe that a single local authority is still the most appropriate geographical level for managing budgets. Combined Authorities are designed to deal with wider major infrastructure projects such as transport and are not appropriate for dealing with resourcing of individual statutory functions and everyday local service priorities. Local authorities should not be forced into governance structures that are not suitable locally. Pooling should be driven from the bottom up rather than a top down approach to allow local discretion

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Local Growth Fund – although this is closely aligned to economic growth, the project nature of the investment means that amounts could vary significantly from year to year and area to area. As such it is not suitable for funding from retained business rates

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Yes, it is essential that local authorities are funded separately for new burdens and the mechanism should be transparent. Any approach to new burdens funding should not be a top-slice from the quantum and should be fully funded outside of the system

Not all new burdens have been treated as such by the Government and hence not all have been funded e.g. the impact of the National Minimum Wage, the apprenticeship levy, additional national insurance costs and council tax support costs. Local authorities need commitment from the Government that all new burdens will be fully funded, so that costs are not unfairly passed on to councils with a lack of transparency

Question 6: Do you agree that we should fix reset periods for the system?

Yes as this allows a degree of certainty allowing effective planning but reset should not hinder the effects of encouraging economic growth

The impact of demographic or other socio-economic changes within local authority areas can change significantly over time, so reset periods need to be frequent enough to ensure that councils always have sufficient funding to carry out their statutory functions. The reset period should be a maximum of 5 years, should include updates of needs and equalisation to maintain fair funding and should be aligned to revaluations

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Form and frequency must strike a balance between growth incentives and funding changing needs and pressures which must be recognised through redistribution. The system must be fair and focus on meeting statutory need with an acknowledgment that some areas have either natural advantages or are in a better position from day one to generate economic growth

Incentives need to be targeted at the right things to help economy e.g. manufacturing

The principle of a partial reset is supported by the Council but detailed modelling will be needed to understand the impact on the Council

The system will also need to address the issue of disproportionate income growth where councils have very different income profiles; business rates to council tax/grant income streams – this is a major issue that gives certain councils a major advantage over others in terms of ability to generate growth. This is an issue that has been highlighted in a report by the Institute for Public Policy Research (IPPR) entitled “Better Rates: How to ensure the new business rates regime promotes growth everywhere”. The IPPR have a “growth first” option that aims to provide all local authorities an equal incentive to increase their retained income, irrespective of whether they are rich or poor. The increase in an authority’s funding would be calculated by multiplying its economic growth rate by its funding need, not by the amount of business rates it collects. This would guarantee a strong economic growth incentive for the local authorities that most need it. Options to equalise growth potential should be further explored by Government

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

A partial reset should not, at this stage, set a fixed percentage until such time as the funding required at a reset to bring authorities who have experienced ‘negative growth’ is known as funding will still be required to bring them back to the baseline. Further work is needed in this area but it’s recognised that a known percentage element of retained growth will encourage economic growth and allow an element of certainty in that retained growth for planning purposes

The Council considers a “rolling” reset example to avoid strategic timing of investments should be modelled further. The Safety Net needs to provide a reasonable guarantee of funding between resets

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

The system of tariffs and top-ups is understandable and gives an element of stability in balancing funding need with variations in local funding. Fundamentally, business rates have no correlation to local government funding requirements, so the Fair Funding baseline is critical

The working of the system should be protected from political interference to provide certainty and reassurance – independent control through a totally independent organisation (e.g. NAO, CIPFA)

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Yes, base income levels should not be affected by revaluations as they are outside of local authority control. Revaluations need to be aligned with resets

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Powers should also be available for non-mayoral areas and regional collaboration if desired

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

Not applicable to Gateshead

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Yes as Fire Authorities cannot influence economic growth. An advantage would be reduced accounting requirements for the Collection Fund and simpler NNDR forms. The funding removed should be transparent and should not disadvantage any authority

Also, the system passes on risks (and rewards) unfairly to fire authorities, as they have no control over business rates but still feel the effects.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Although we recognise that both are important it is clear that fairness in funding needs to take precedence over incentives

Enterprise zones should continue to operate as they do under the current system. Alternative incentives for growth should be considered such as the reintroduction of enhanced capital allowances for development costs to help overcome market failure and incentivise speculative development. Whist the current scheme gives LEPs a tool to deliver enabling infrastructure it doesn’t address market failure in the commercial property market

It is also important that targets aim to incentivise the right things e.g. manufacturing or renewable energy

The Government should look at how reliefs interact with the ability to grow the business rate base in local authorities e.g. areas with many properties which benefit from Small Business Rate Relief.

Local discounts are an option but will we end up competing against neighbouring authorities which can only lead to a race to the bottom

Question 15: Would it be helpful to move some of the ‘riskier’ hereditaments off local lists? If so, what type of hereditaments should be moved?

Any measure to reduce or share risk is supported however the element of risk can be mitigated by more frequent resets and a narrower Safety Net

A transparent mechanism to demonstrate how central list funding is returned to local authorities would be welcomed

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

This approach could be unnecessarily complicated; would the administration remain within each billing authority? Would there be a central administrator?

How would an area level list accommodate differing discretionary rate relief schemes?

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

The Council are of the opinion that the risks associated with appeals is managed at a national level. Areas should be given the choice of managing risk regionally but it should not be compulsory

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

This is a crucial issue for the Council. As at July 2016, almost 45%of the total rateable value was at appeal and the Council is holding a provision of £1.656m which could be better spent on delivering Council services

Valuation Office needs the capacity to deal with the level of appeals; recognising recent approach to “check, challenge, appeal”. Timing is an issue as decisions on appeals can take years to resolve. There should be time limits for settlements and no or restricted backdating of appeals

A national approach to new areas of appeal would be useful as opposed to individual authorities making their own decisions (e.g. NHS Trust appeals)

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

This should remain an option for local discretion but is not an attractive proposition for the Council. If so, those outside of pools should not be impacted detrimentally

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

This needs to be resolved following more consideration of the options to deal with risk and needs modelling. The Council considers the current level of 92.5% too low to be helpful to most

Given the decision to remove the levy on disproportionate growth, clarity is also needed on how the safety net will be funded

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Any authority should be given the flexibility to reduce the multiplier with the “cost” borne by the individual authority.

However, reducing the multiplier will not be a viable option for poorer areas where business rates income is critical to services and economic growth potential is limited; this would be a race to the bottom for many areas

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

The Council would welcome any proposal to give greater flexibility over tax setting as long as this sat within a fair system of funding distribution

Question 23: What are your views on increasing the multiplier after a reduction?

Fluctuations in the multiplier will not give ratepayers stability but councils must have the right to revert to the current standard multiplier

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Reducing multipliers may give local authorities options to attract businesses but if this happens nationally smaller authorities will lose out to the authorities with larger tax bases

Whilst competitiveness should be encouraged the ability to provide local discounts would appear to be counterproductive. It encourages locations within the UK to compete on cost rather than quality. This could lead to a 'race to the bottom'. The UK is an internationally attractive location for investment because of the knowledge base, R&D, etc. Competition should be fuelled by creating business environments that enable business to flourish and prosper and attract world class talent

Similarly at a time when government is considering reducing corporation tax to improve competitive the introduction of local levies increases taxes for businesses

It is believed that businesses seek stability and the proposals may in fact create a more volatile and uncertain taxation system and business environment that is based around unfair competition

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?
Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

The authority to levy a charge under the scheme should be taken in consultation with those businesses affected. The system should set a minimum rateable value threshold for the application of the levy guaranteeing protection for occupiers of smaller properties

Infrastructure levy could be used to attract developers to brown field sites

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Whilst LEPs are partnerships between the public and private sector the private sector members are neither elected nor represent the wider business community. A ballot of the wider business community regarding the introduction of a supplement will help to ensure that any proposals have wide reaching impact rather than localised benefit

Question 28: What are your views on arrangements for the duration and review of levies?

Levies should be set for an agreed period as part of consultation and subject to regular review. Decisions should be taken locally rather than prescribed

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

It is not necessary to be prescriptive. A business case and consultation would challenge appropriateness

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

It would be easier to have a single levy for multiple projects – having multiple levies would complicate billing and collection – especially on how payments are allocated

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

The power to introduce an infrastructure levy should be available to all authorities and not just combined authorities

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

Resolve issues in relation to uncertainty over appeals

Avoidance – The Government should undertake a review of methods of avoidance. Ratepayers are employing various mechanisms to avoid paying business rates, something that is costing the public purse. A tightening up of the legislation around charity registrations is also needed, with regard to charitable reliefs and the schemes employed by some ‘charities’ to reduce business rates liabilities

Earlier announcements i.e. autumn statement in autumn not winter

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

The balance between national and local accountability must be transparent from the outset of the new scheme

The Council recognises the role of Government in establishing a fair framework within which local authorities operate and that the Government needs to oversee a mechanism for fairly distributing funds between authorities

Local authorities must have the freedoms to use local income from retained business rates to meet their responsibilities and fund services in the way they see as most appropriate

Accountability should continue to operate through democratically elected councillors as well as the accounts and audit process

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

There would be no benefit to the removal of the requirement to prepare a Collection Fund as this would exist for council tax anyway

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

The requirement for a balanced budget should remain but the Government should understand and publicly acknowledge the requirement for maintaining prudent levels of reserves under such as system

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

NNDR forms should be published in a timely manner. There should be limited changes to the forms and they should be accurate on release

Business Rates Reform – Fair Funding Review: Call for evidence on Needs and Redistribution

Question 1: What is your view on the balance between simple and complex funding formulae?

Funding formulae that are easier to understand will lead to greater transparency however fairness should be the primary objective. The diverse range of local authority services and differing levels of need, in conjunction with appropriate cost drivers, will necessitate an element of complexity to ensure the right level of funding for services is directed to the right authorities

The fair funding formula must take into consideration:

- The main cost drivers of local authority service provision across all tiers
- The ability of service users to pay for the service
- The ability of authorities to raise funds from other sources
- Changes in these factors over time, sustainability and future proofing

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

Funding should be directed towards services based on key drivers of service delivery that are logical, reflective of need and transparent to enable them to provide a similar level of service for people in similar circumstances regardless of location

Some services will inevitably require a more complex formulae e.g. social care including taking into consideration any new areas of responsibility under the Care Act 2014, and Public Health. In addition, all new responsibilities transferred in need to be transparent

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

The Council would be supportive of this approach as long as the regression includes statistically significant indicators based on key drivers relevant to the service for which it is directing the funding and the outcomes are sense checked.

However, it should be noted that the source data may be artificially supressed in more recent years due to disproportionately high levels of cuts creating an element of unmet need and an assumption that higher spending authorities have a higher need, an issue highlighted in paragraph 2.12 of the consultation document

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

Assessment needs to be based on objective evidence of relevant underlying cost drivers with strong correlation to the particular service being funded

Disproportionate cuts to services in recent years need to be taken into consideration to reflect the element of now unmet need as a consequence of the cuts. In addition, the ability to pay for services [by residents] should be taken into consideration as well as the historical reliance on grant funding due to low tax base for both business rates and council tax as well as other self-funding such as fees and charges

Indices of Multiple Deprivation must also be taken into consideration. In total 25% of the population of Gateshead live in the 20% most deprived areas in England and there are eight wards containing areas within the 10% most deprived in England. In addition, approximately 25% of the population in Gateshead have one or more long-term conditions. The gap in the employment rate between those with a long-term condition and the overall employment rate is around 11% in Gateshead compared to an England average of around 8.5%. Factors such as these create greater demand on services and consequently a greater need for funding to support which must be taken into consideration as part of fair funding

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

Statistical data should not be based on historical need but should be future proofed taking into consideration estimated growth in demographics

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

Consideration should be given to the ability to raise and generate income locally for example ability to pay for services. In addition the impact of low council tax base and residents ability to pay should be taken into consideration. Gateshead has 60% of its properties in Band A and 90% in Bands A – C so council tax represents a lower proportion of the Council's overall funding resulting in greater reliance on grant funding

Land and property values should also be taken into consideration as these will impact on an authority's ability to generate capital receipts. The ability to raise capital receipts is restricted by a number of factors and challenges including the availability of suitable land, market forces and site constraints which can then impact on the commercial viability of development activity. This can lead to a reliance on taking additional borrowing in order to fund planned capital investment creating further pressure on revenue budgets

Within Gateshead, many development sites have a number of constraints such as contamination or former mine workings, which often require significant investment to overcome in order to facilitate development. This can impact on the residual land valuation or mean that development is unable to progress at all in some cases

In addition, there can also be considerable variation between locations, both national and regional, as a result of market forces. We have seen this on a national level where Right to Buy receipts are not sufficient within Gateshead to fund the one for one replacement of affordable housing due to the relatively low market values of the dwellings and also on a regional level on schemes such as office developments which are able to progress in Newcastle (Stephenson Quarter) due to the differential between the build cost and rent levels that can be commanded, but where similar developments (Baltic Business Quarter) aren't considered viable in Gateshead as the rent levels within the market are not sufficient to fund the construction and would require additional intervention to progress

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

Council Tax resource equalisation should continue to be an important part of the new system

Clarification required on whether consideration of local tax growth would be based on individual authorities or whole groups of authorities

Any proposal to retain increases in business rates tax since 2013/14, as outlined in paragraph 2.14 of the consultation, would be cancelled out through the tariff/top-up mechanism once the baseline is set unless the growth is excluded from the quantum for redistribution of needs. Growth should be retained outside of the quantum or the incentive to stimulate growth is lost or diminished

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

Assuming that the new method of needs assessment is fair and equals out the disproportionate cuts to councils such as Gateshead since 2010, this will mean that it's inevitable that council's that have historically received more favourable settlements will suffer. Clearly there will need to be a transition to avoid a cliff edge impact once the system is introduced but funding this should not be at the expense of other authorities and should be funded outside of the quantum

Any transition should be transparent in its methodology which was not the case in the 2016/17 settlement

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

Any transition should be time constrained, transparent and not built in long-term

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

The Council believe that a single local authority is still the most appropriate geographical level for assessing need and distributing funding. Combined Authorities are designed to deal with wider major infrastructure projects such as transport and are not appropriate for dealing with resourcing of individual statutory functions and everyday local service priorities

In addition, this would add a further level of bureaucracy in an already tight timeframe for decision making and setting the budget

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

The Council disagrees with the principle, see response to question 10

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

The Council disagrees with the principle, see response to question 10

Question 13: What behaviours should the reformed local government finance system incentivise?
Question 14: How can we build these incentives in to the assessment of councils' funding needs?

The system should promote local decision making but incentivisation should not be at the expense of fairness. Councils are already well versed in positive actions to implement efficiencies through transformation and collaboration as a result of the sustained level of reductions to local authority funding coupled with increasing demand. Incentives should therefore be kept separate from the funding of statutory service provision