What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services.

It is apparent that having a 4 year funding deal helped LA’s to plan ahead. Having yearly changes made and unknowns forced upon us at the very last moment makes LA’s have to take knee jerk reactions to financing services. Restricting LA’s ability to change council tax levels effectively forces them to either cut services or raise income to try to maintain services. With efficiencies having been made for many years now there is nothing else to cut. Funding streams need to be available to LA’s for a longer period so that they can confidently plan ahead.

Changing the duties and responsibilities of LA’s without calculating the necessary funding to help with this is a recipe for disaster.

The funding system has become far too complicated and needs to be simplified as it is not clear how all elements of funding fit together.

Incentivised funding such as New Homes Bonus has helped us to deliver more housing etc. taking away such an incentive doesn’t seem the right step forward.

In summary greater lead in times for changes and longer funding deals need to be the order of the day.

The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

Need greater certainty and smoothing of receipts from funding without any major upheavals ‘forcing’ cuts to services.

Levels of retention need to be determined for longer periods. Too many resets can give uncertainty for planning ahead.

Any new source of funding needs to be considered in light of how easy it is for the relevant LA to be able to generate that type of income. Will vary from area to area and existing sources of funding and their distribution need to take that into account. Funding equalisation and relative needs need to be considered. There needs to be an incentive effect on any new form of funding to allow LA’s to retain a greater share than they had previously.

How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.
Need to consider the timing of any changes and full consultation and transparency behind any reasoning for those changes. Significant lead in times and clarification of any damping or transitional regime and how it would work.

A review of population growth and how it impacts on various areas of the country needs to be fully considered. Just using population projections ignores changes to council tax base.

- The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

Incentives need to be kept in to drive forward upward growth and required targets. Long term funding regimes are a priority as are formulas that are clear to follow. Identifying LA’s with significant pressures and how that can be converted into additional funding seems a fair way forward. The merits are that it is clear for a LA to know how particular changes will impact upon it and also what they will receive over a longer time period. New Homes Bonus to be retained in its current format with no further cuts to the baseline – particularly with higher revised targets for new house building.

*April 2019*