

# SIGOMA

The Special Interest  
Group of Municipal  
Authorities within  
the LGA

5 December 2013

## **SIGOMA Response to the Autumn Statement**

The Special Interest Group of Municipal Authorities (SIGOMA) believe that the announcements included in the Autumn Statement must be implemented at no extra cost to local authorities, and result in no further redistributions away from the poorest areas of the country. It was positive to hear the word "fair" pass the Chancellors lips again. It is unfortunate that the principles of fairness do not seem to have found their way into existing policy for local government funding.

Whilst the Autumn Statement states that there will be no additional cost to local authorities on top of that which has already been announced, the changes continue to provide funding according to business rate base as opposed to need. The statement does not alleviate the disparity in cuts that have resulted in the changes to the funding system since 2010.

Since 2010 40% of core funding has been removed from local authority budgets. Within this, it is the poorest areas which have been hit the hardest. According to our estimates, the average council in the North East will lose £665 per person compared to those in the South East, where councils only lose £305 per person by 2017/18. The scale of the cuts and the large disparity in funding is taking some councils to breaking point, and this statement does nothing to alleviate this.

### **Economic Growth**

The prediction of a gradual return to national growth is encouraging. It is essential that this growth is experienced by all areas of the country and all have opportunity to benefit from this growth. A return to growth that leaves the poorest in society behind is no return to growth that we want to see. The large disparity in funding since 2010 means that any economic recovery may bypass parts of the UK.

The recession has hit deprived areas the hardest. The signs of an upturn in the national economy has contained significant regional fluctuations in unemployment rates, shop vacancies, business growth and house prices. The optimism for economic growth in the Autumn Statement will only be shared across the whole country once more deprived areas are assured that future funding and regeneration will provide fairness of outcomes and opportunity.

### **Business Rates Cap**

The cap on business rates will be a welcome relief to business rate payers across the country.

Budget data suggests that the cost of this will be borne by the Exchequer until 2017-18. Allocating grants according to rate base, however, does nothing to alleviate the pressure on authorities in poorer areas as it does not recognise the changing demand for services.

The loss from business rates to local authorities should be reimbursed by uplifting the payment of RSG. To not do so would be unfair and contrary to previous assertions from government.

In addition, the postponed revaluation of business rates means that the grant is supporting an out of date economic picture in which many poorer areas are paying too much in rates whilst the more prosperous are paying too little.

SIGOMA has concerns that the policy may perpetuate the anomalies in the safety net and levy mechanism. This has seen councils in the poorest areas of the country supporting authorities with huge business rate bases, for example the City of Westminster. We will be analysing the details of the local government financial settlement closely and call for no further redistributions as a result of the rate cap.

### **Small Business Rate Relief**

The extension of small business rate relief for another year beyond 2014 has been welcomed by the business community. SIGOMA support the vital contribution that small businesses make to local economies. SIGOMA believes that it is essential that this extension is funded in full by Treasury at no extra cost to local authorities. To not do so would represent another cut to local government and be contrary to previous commitments from government.

### **Local Authority Reserves**

In recent months councils have been criticised for increasing their reserves whilst asserting that they are at risk of significant financial problems as a result of the cuts. Financial reserves are used by councils to provide some security against financial risks. When council budgets are stretched to a tipping point and are laced with uncertainty, increasing the level of reserves is the correct step for prudent financial officers. The introduction of a cap on business rates amidst the backdrop of the unexpected loss after the Spending Review shows the uncertain climate that councils have to operate within. Prudent financial accounting is a necessity due to the large and unexpected cuts that are being implemented by government.

### **New Homes Bonus**

The announcement that the New Homes Bonus will not form part of the Local Growth Fund will be welcomed by many. This was a proposal which SIGOMA had recommended against. We will await the full details of the government response to the New Homes Bonus consultation in due course. The change, however, will not address the regional re-distribution that New Homes Bonus causes.

The review of the New Homes Bonus is expected to complete in Easter 2014. SIGOMA believes that this review, in addition to understanding how the incentive can be improved regarding planning approvals, also needs to question whether the New Homes Bonus provides an incentive at all. It should also provide analysis and solutions regarding the redistributive effects of the bonus away from areas with higher levels of deprivation. These are concerns that SIGOMA, the National Audit Office and the Public Accounts Committee have raised before and the review should answer these concerns.

## Local Government Financial Settlement

Later in the month we will receive the local government financial settlement. In this announcement we would like to see:

- No further reductions to the figures published in the autumn statement
- No further redistributive effects away from poorer areas of the country
- New burdens funding to be fully funded in accordance with new burdens doctrine
- Assurance about the review of New Homes Bonus and how it interacts with the Business Rates system.
- Any new burdens from the 2% cap on business rates to be fully compensated for by Treasury. The government should intervene on the effects on safety net and levy to ensure that there are no further redistributive effects across the country.
- The extension of small business rate relief to be fully funded by Treasury

SIGOMA Chair, Sir Stephen Houghton has said:

On the Autumn Statement:

*"The important question for local government is where savings will be made across the country and how new initiatives will be funded. Local authorities in the poorest areas have previously had to bear a disproportionate amount of cuts. Government will have to change their current proposals for local government to put an end to the continuation of this trend. Since the debacle of the June settlement announcement where we found ourselves £650 million worse off 3 weeks after the Spending Review, we will await the detailed local government financial settlement to be clear on the implications."*

On the business rates cap:

*"The business rates system takes no account of changing needs. The cap on business rates gives a welcome boost to businesses, and businesses in deprived areas need a boost even more than elsewhere. However, it would be unfair if implementing the cap would result in funding being taken from local authorities in the poorest areas to support those with huge local economies. It would have been welcome to hear that the business rate valuation, long overdue, was being pulled back onto schedule."*

**SIGOMA (<http://www.sigoma.gov.uk>)**

SIGOMA is the collective voice of urban areas representing most of the large towns and cities in the Northern, Midland and South Coast regions of England. SIGOMA's membership comprises of 33 metropolitan districts and 12 major unitary councils with similar characteristics. The combined population of SIGOMA councils amounts to over a quarter of the population of England and its members account for over 25% of English local government expenditure.

[sigomaenquiries@barnsley.gov.uk](mailto:sigomaenquiries@barnsley.gov.uk)

01226 775032