



SIGOMA



**PROTECTING VITAL
SERVICES**

WE ARE SIGOMA

THE SPECIAL INTEREST GROUP OF MUNICIPAL AUTHORITIES



Chair of MPs Group:
Marie Rimmer MP



Chair: Councillor Sir
Stephen Houghton
CBE



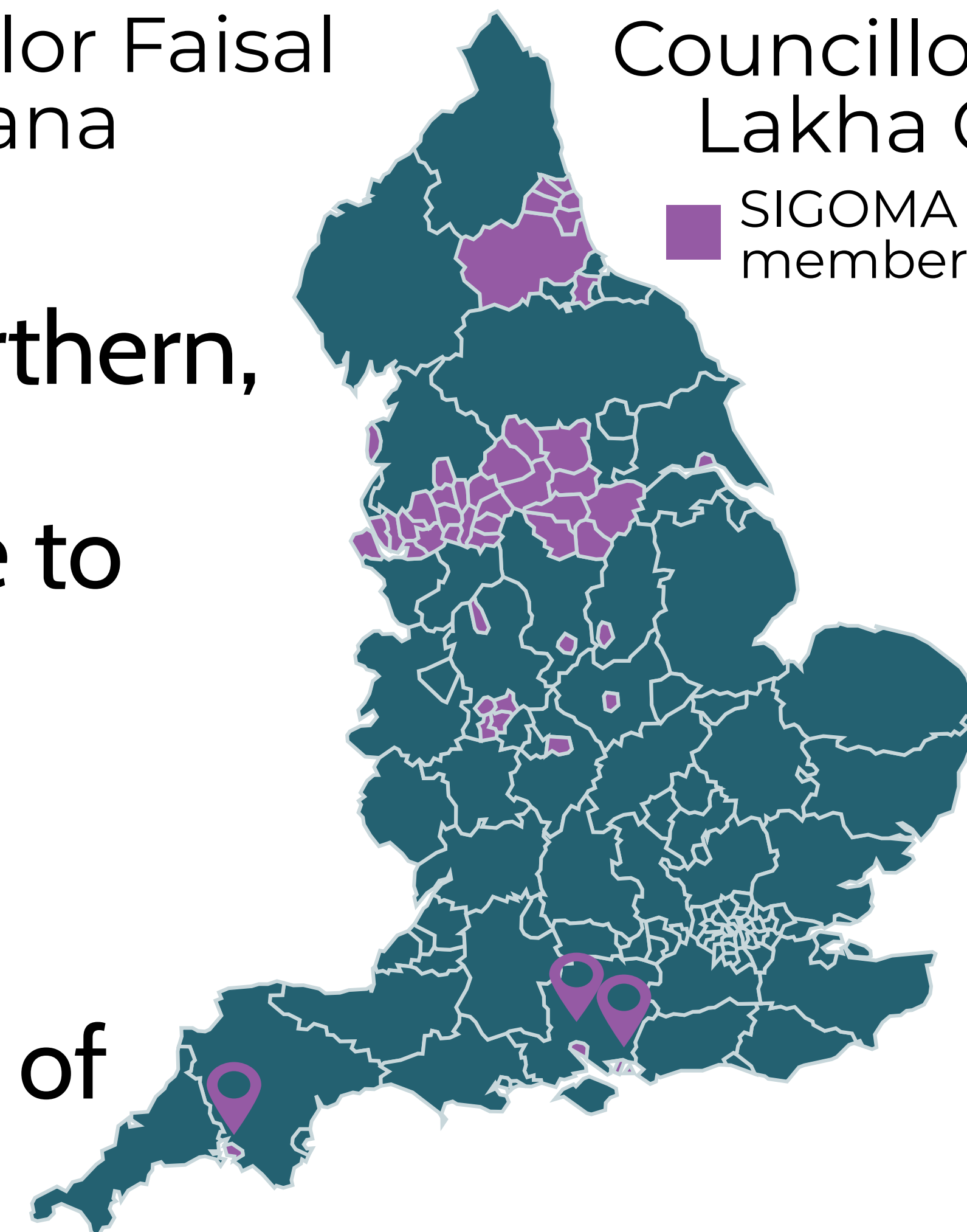
Co vice-chair:
Councillor Faisal
Rana



Co vice-chair:
Councillor Ram
Lakha OBE

SIGOMA is a campaigning network of urban local authorities, representing 47 councils across the northern, midland and south coastal regions of England. We combine technical expertise and political influence to achieve fair treatment for our members.

The combined population of SIGOMA authorities amounts to nearly a quarter of the population of England and its members account for over 25% of English local government expenditure.



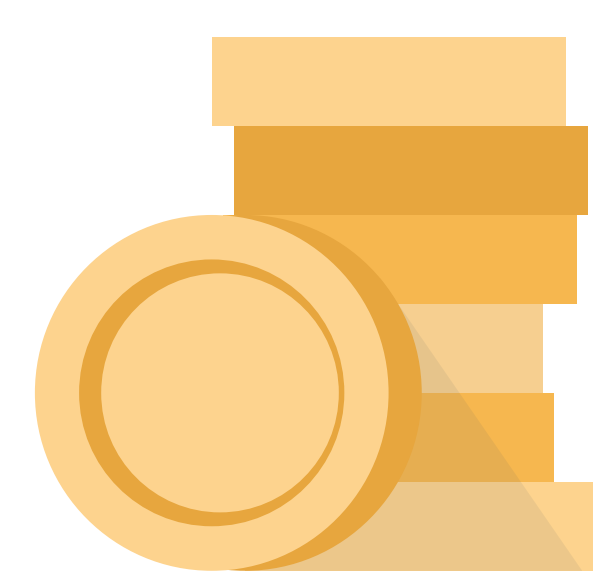
WHY CHANGE IS NEEDED

Back in 2015, halfway through what has proved to be a decade of austerity measures imposed on local government, we proposed an alternative view of how local government finance should be structured. At the heart of this proposal was the principle that the first priority of local government funding must be the protection of vital services.

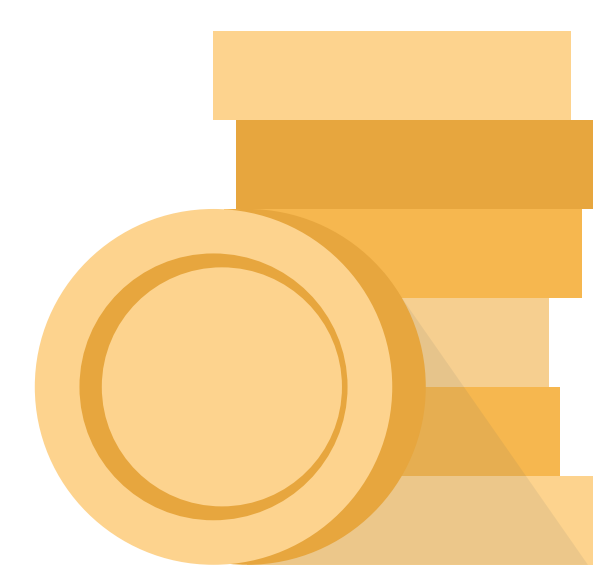
We predicted then, an ever-widening funding gap between the better-off and worse-off councils in our country, if the funding structure proposed continued.

Not only has our prediction come true, but it has proved even worse than we predicted. Core Spending Power has fallen by over £12 billion in real terms whilst rates growth retention between 2013-14 and 2019-20 exceeded £4 billion.

Change in Core Spending Power 2010/11 - 2019/20 [1]



SIGOMA
34.1%



Rest of
England
28.0%



Additional cut
per SIGOMA
authority
compared to
average
council [2].

£21m



74%
Percentage of
SIGOMA
members
relatively more
deprived than 5
years ago [3].

Only by one-off grants for social care have our members been pulled back from the brink of financial or service failure.

The variation between councils that suffered the worst cuts and those that benefitted most from rates growth, is shown below [4].

Deprivation Decile	CSP Real Term cut to 2021 %	Rates growth as % of CSP baseline	Net effect %
Most deprived	-32.2%	6.6%	-25.7%
2	-30.1%	6.0%	-24.1%
3	-28.9%	8.2%	-20.7%
4	-26.5%	7.1%	-19.4%
5	-23.2%	5.9%	-17.3%
6	-22.6%	6.0%	-16.6%
7	-15.0%	9.7%	-5.3%
8	-16.8%	6.9%	-9.8%
9	-12.8%	10.8%	-2.0%
Least deprived	-10.3%	9.4%	-0.9%

More deprived councils have seen bigger cuts and less business rates growth.

Due to the impact of Covid, the promised rebalancing of rate income with needs has been deferred for a second year until 2022 whilst business rates await the results of a fundamental review.

In advance of the next Spending Review and Settlement, we are using this opportunity to restate and reemphasise the drawbacks of the current funding system, our principles for a fair outcome and what will be needed to make them work.

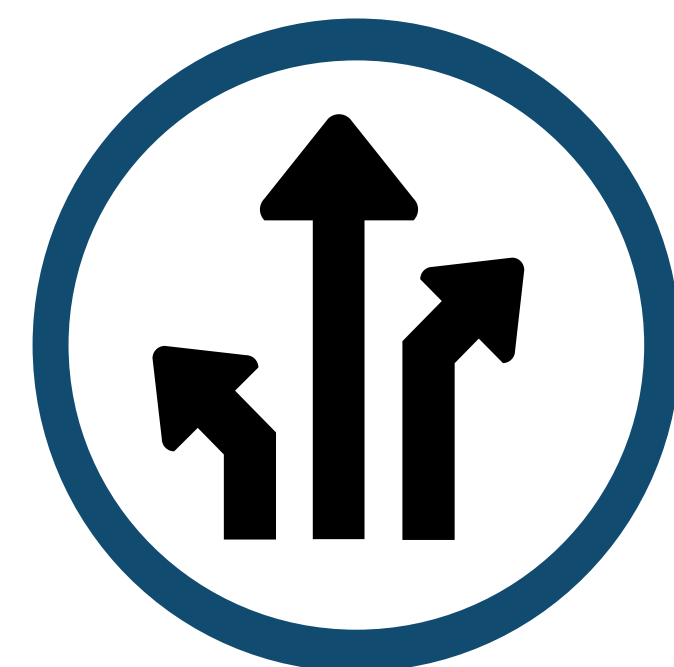
KEY FEATURES OF A FAIRER FUNDING MODEL

We believe that in order for the system to operate fairly and effectively it should contain the following features:



Stable and Predictable

Early notification of all forms of grant is essential if authorities are to be able to implement longer term planning. This may also include measures to ensure changes are phased in.



Flexible

This obviously needs to be considered alongside the need for a system to be stable and predictable.



Transparent & Understandable

Any system needs to be seen to be fair by citizens, Members and officers, and to be readily understood by those interested.



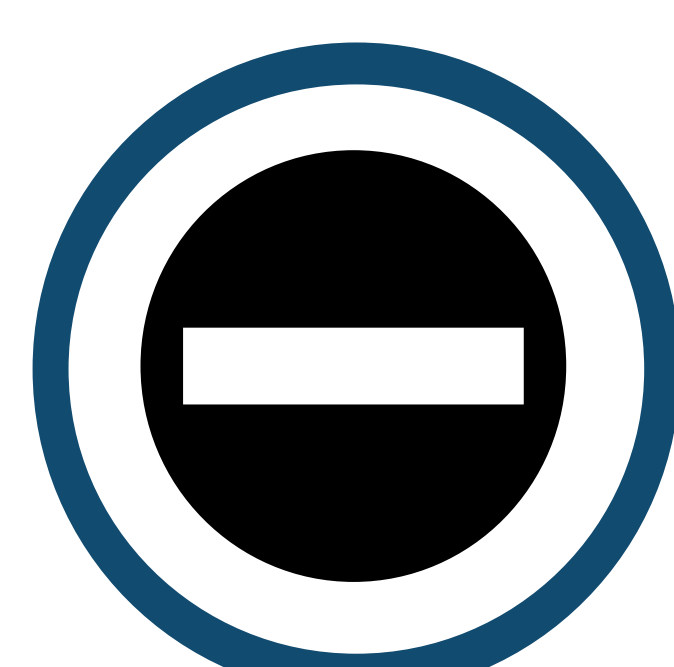
Focus on outcomes

Any new system should be forward-looking and not reliant wholly on what has happened in the past.



Reflects capacity

The system needs to reflect current taxable capacity.



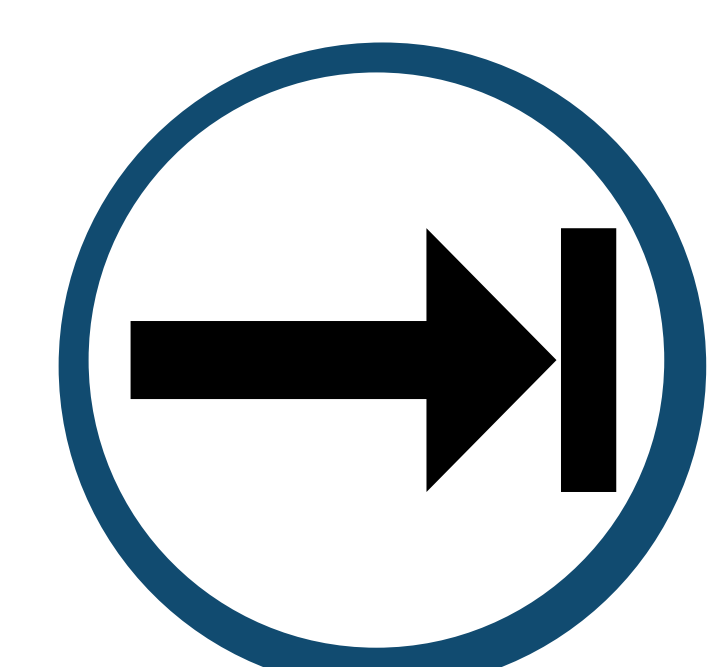
Does not reward inefficiency

Any new system must promote efficiency.



Plausible

Clearly if any system is to be perceived as being fair, the outcome needs to be seen to reflect overall perception of what it should be.



No capping

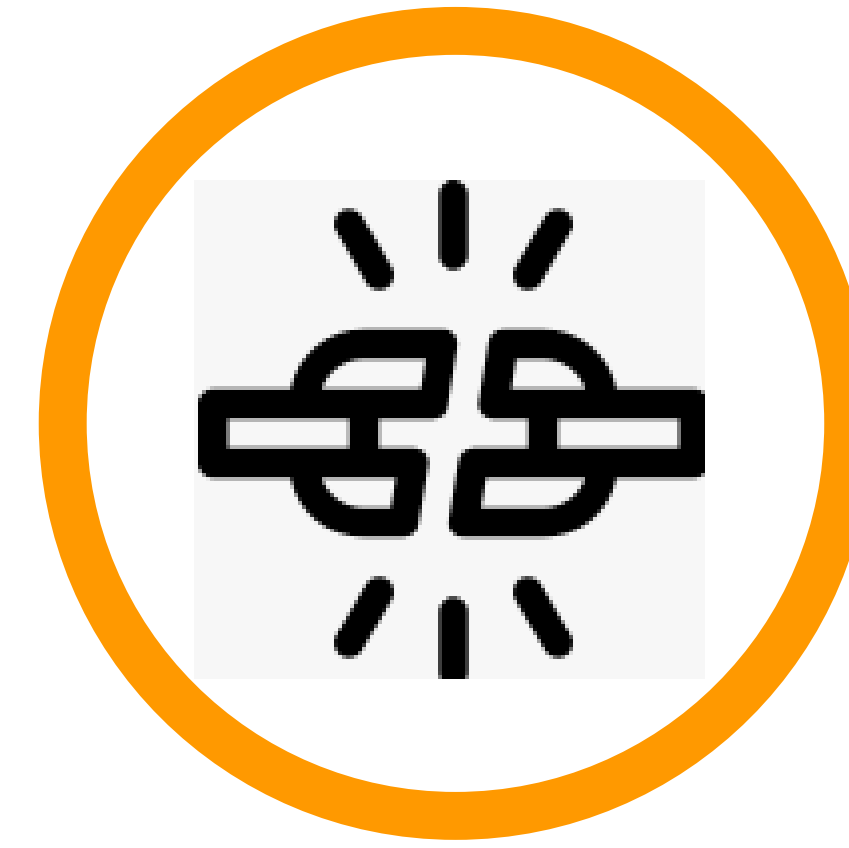
Any capping of Council Tax increases is contrary to local democracy and accountability,

CORE UNDERLYING PRINCIPLES

In order to begin to address the significant flaws within the current funding system, SIGOMA have laid out a set of four core principles that we believe must be at the heart of the local government finance system if it is to be truly equitable and sustainable.

Fairness

People in similar circumstances pay the same price to receive the same service outcome no matter where they live i.e. equalisation of resources and ability to pay.

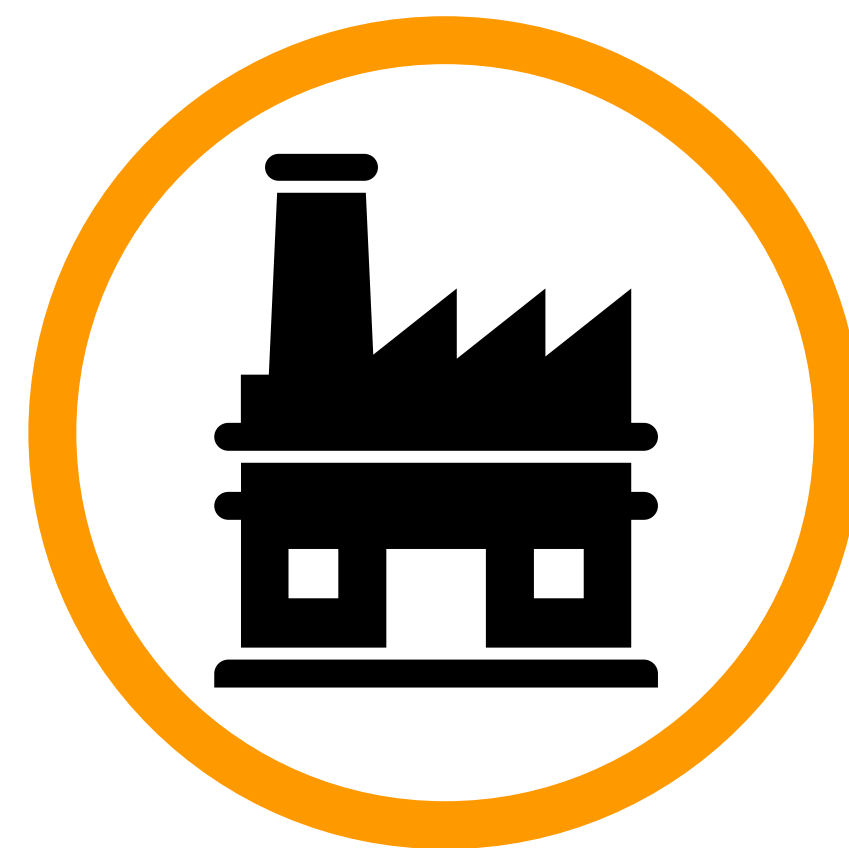


Independent determination

Key elements of any future system should be independent from party political interference

Incentives for growth & innovation

Ability to provide rewards for growth without impacting on total resources for funding core services.



Promoting local democracy

Local accountability in the provision of services that the community demands needs to be strong

A THREE BLOCK APPROACH

RESOURCE NEEDS BLOCK

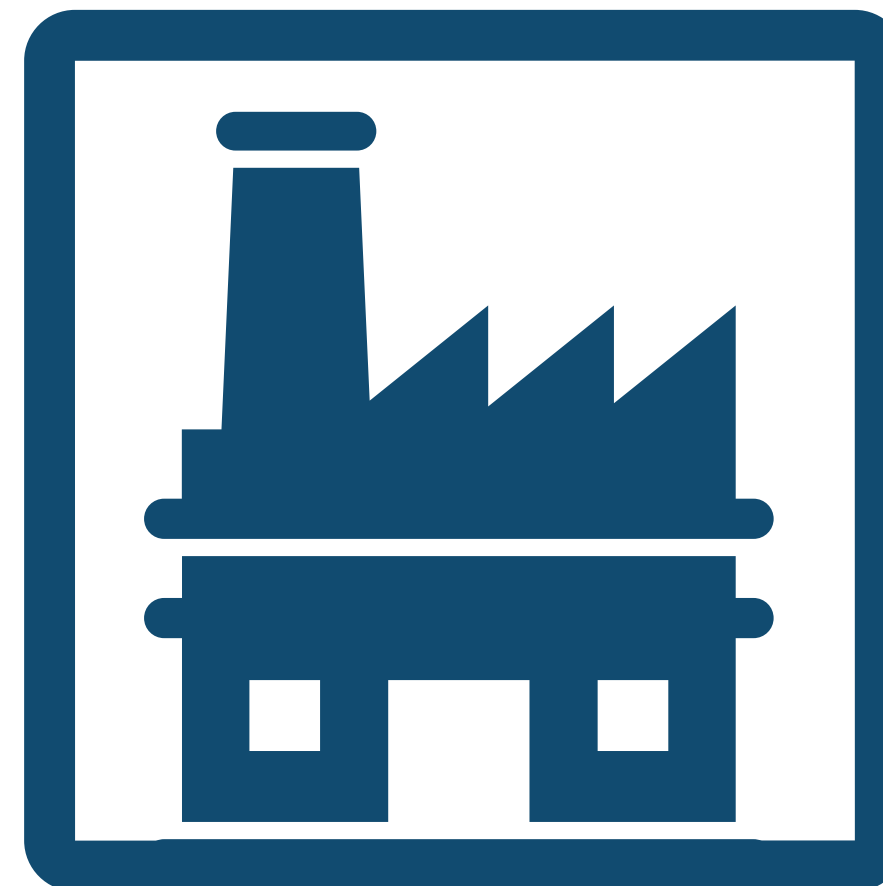
This Block is the foundation of the SIGOMA model. Allocations would be based on a sustainable model of supporting the equitable delivery of core services and remedying the long-neglected vital commitment to equalisation.



Allocations would be for a period of 3 years and set by an independent body after appropriately broad consultation has taken place - providing local authorities with a degree of certainty in terms of financial planning.

INCENTIVISATION BLOCK

This block recognises the need for a degree of incentivisation to remain within the funding model. Firstly those business rates not required for sustainability or needs equalisation purposes could be used as reward for economic growth within the area.



A second element of the block would deal with the development and allocation of new income streams as negotiated with/directed by Central Government. The third element relates to incentivisation around efficiency savings allocated to Councils as part of a community budget approach.

GOVERNMENT SHARE BLOCK

If business rates continue **the government is likely to want to receive a share of those remaining elements of business rates** income that remain unallocated, to support local government in alternative ways.



It is therefore proposed that following the relevant allocations to the first two blocks those remaining elements of business rate income, or relevant parts thereof, could be passed onto the Government. Allocations could be agreed for a period of 3 years and then reviewed in line with the other blocks.

A FAIRER ALTERNATIVE

In 2015 the total value of business rates and Council Tax was fully distributed to councils. We showed then how we expected that needs funding would continue to fall whilst growth funding would increase. We have updated our illustration showing how our predictions have been proved correct.

Growth funding has increased from 7% of funding allocations to nearly 20%. This needs to be reversed. The central share of business rates should be fully distributed to councils on a needs basis without further burdens

We need to return to funding for our services based on need. The current position is not fair.

	2015-16 £ billion	2017-18 £ billion	2018-19 £ billion	2019-20 £ billion
SOURCE				
Business Rates Source	22.8	23.6	25.2	25.2
Council Tax Source	22.0	24.7	26.3	27.8
ALLOCATION BASIS				
Needs Basis	42.2	38.6	38.7	38.3
Growth basis	3.2	5.9	7.8	9.2
Central share		3.8	5.0	5.5
Central contribution	-0.6			

PROTECTING VITAL SERVICES - OUR ASKS

To give all councils a chance of providing essential local services to the same national standard it is essential that the following steps SIGOMA previously asked for are now taken by adopting our 3 block approach.

FAIRNESS

Overall funding levels for local authority services must be adequate and sustainable – funding based on need.

Implement longer term financial settlements covering three year periods - certainty and security for financial planning.

Remove top-slicing of general funding to fund government incentive schemes - need separate funding streams.

PROMOTING LOCAL DEMOCRACY

Ensure that changes to local government finance are implemented in a transparent manner. Remove any caps on local government's ability to raise revenue- decisions best taken locally.

INDEPENDENT DETERMINATION

Create an independent body to oversee the local government finance system and set funding allocations - protect local government's ability to provide core local services.

PROVIDE INCENTIVES FOR GROWTH AND INNOVATION

Reward efficiency to give councils a share of their efficiency savings - putting money saved back into vital services.

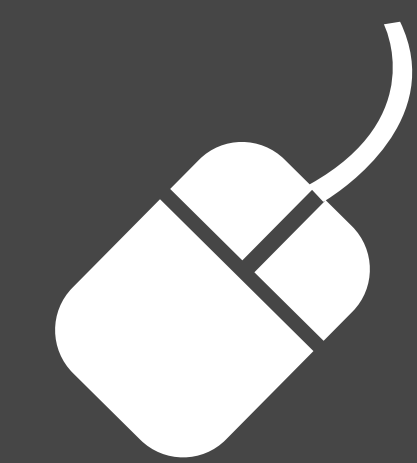
FOOTNOTES

[1] **Core Spending Power 2010/11-2019/20.** This is the % change in the resources available to local government which includes Council Tax, Business rates and grants including the Revenue Support Grant. latest figures available at: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021> 2010-11 data available from: <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-in-england-2010-to-2011-final-outturn-revised>

[2] **Average Cut** - Prepared by SIGOMA using CSP tables adjusted for comparability over time and using GDP deflators.

[3] **Change in IMD - 2019** - Index of Multiple Deprivation produced by MHCLG, measured in Chart 1 at county level.

[4] **Cuts and business rates growth** - SIGOMA analysis of: MHCLG core spending power tables and annual business rates growth above baseline as measured by MHCLG. Results of upper and lower tier combined.



*To find out more about SIGOMA and the work we do, visit www.sigoma.gov.uk
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