

# RSN Finance Seminar

*Finance Settlement 16/17 to 19/20  
– a rural perspective*

Dan Bates



# Agenda

- Headline Analysis
- Short term rural boost: provisional versus final settlement
  - Transitional grant
  - Rural Services Delivery Grant
- Long term analysis: rural taxpayers to fill the rural / urban grant
- Where all this might leave the rural funding campaign

# Headline Analysis

- Main focus on Government Funded Spending Power (GFSP) which is:
  - Settlement Funding Assessment
  - New Homes Bonus
  - Rural Services Delivery Grant
  - Transitional Grant (for 16/17 and 17/18)
  - Improved Better Care Fund (from 17/18)

# Provisional Settlement Analysis

- On the day headline grabbing boost to Rural Services Delivery Grant - £65m by 19/20 more than 4 fold increase and exactly half of what RSN asked for
- Sting in tail – Council Tax included in the calculation for reduction in SFA – high taxbase/tax authorities took a higher cut in SFA
- Negative impact on rural overall outweighed RSDG gains!

# Rural / urban funding split

- General movement in funding away from rural to urban authorities
- Change in policy away from “flat cuts” disadvantages rural authorities’ funding
- 3.5% to 4.0% taken away from PR and SR and passed to PU in 2016-17
- Cash terms PR has lost £102m and SR £137m, compared to PU gain of £239m

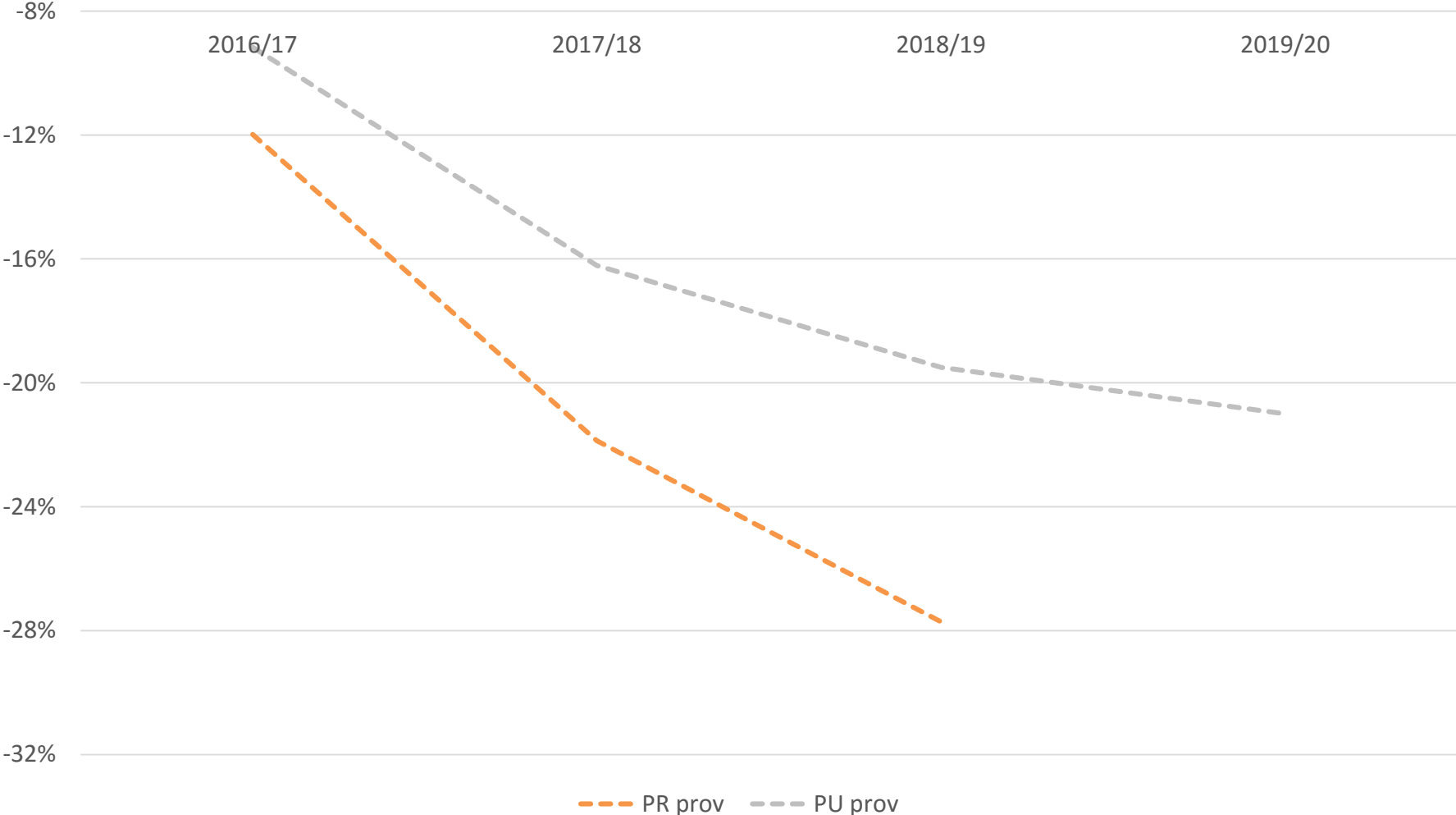
# Rural/ urban funding split - Provisional

Type Of Authority	Reduction in SFA	Reduction: SFA+NHB+RSDG
Mets	-28.0%	-19.4%
London Boroughs	-29.1%	-22.8%
Unitaries – no RSDG	-33.4%	-26.3%
Unitaries - RSDG	-38.9%	-27.1%
Counties – RSDG	-39.2%	-25.5%
Counties – no RSDG	-44.6%	-35.3%
Districts - RSDG	-42.7%	-34.4%
Districts – no RSDG	-45.0%	-39.3%
Predominantly Rural	-40.1%	-31.2%
Predominantly Urban	-27.3%	-21.6%
Newham	-22.5%	-16.8%
East Dorset	-82.6%	-64.2%

# NHB redistribution

Type Of Authority	NHB as % of CSP 16/17	15/16	16/17	Change 15/16 to 16/17	19/20	Change 15/16 to 16/20
Mets	2.66%	192.9	234.4	22.9%	142.1	-26.3%
London Boroughs	4.73%	254.1	312.4	21.5%	189.3	-25.5%
Unitaries – with fire	3.76%	24.7	30.6	23.8%	18.5	-24.9%
Unitaries – no fire	3.63%	236.0	295.3	25.1%	179.0	-24.2%
Counties – with fire	0.96%	41.8	51.1	22.1%	31.0	-26.0%
Counties – no fire	0.99%	62.7	75.8	21.0%	46.0	-26.6%
Districts	18.93%	387.8	485.4	25.2%	294.2	-24.1%
Uttlesford	37.55%					
Tewkesbury	36.63%					
Aylesbury Vale	34.35%					
Corby	33.61%					
Forest Heath	33.50%					

# Reduction in GFSP – England Average





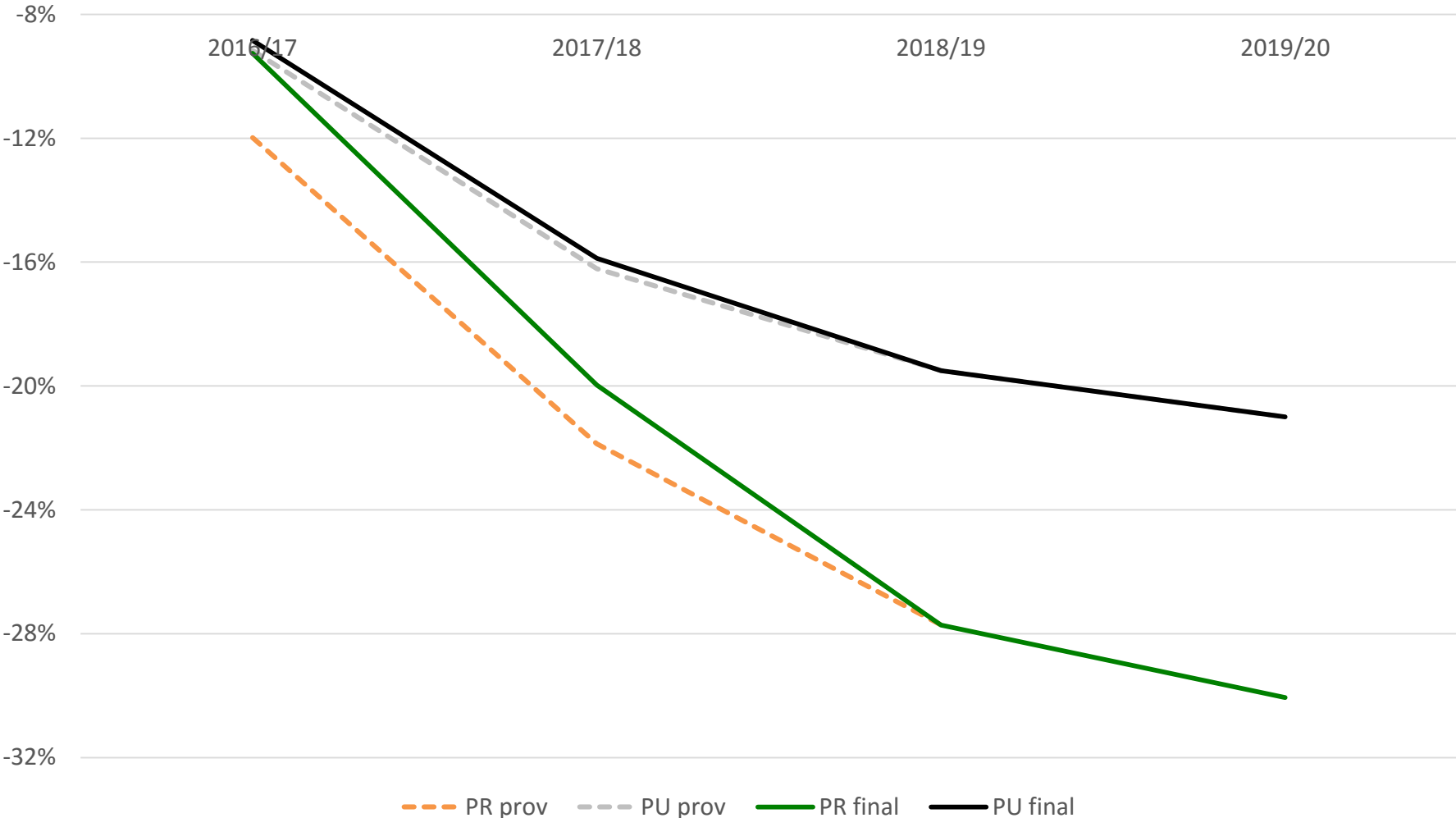
# RSN / Rural Fair Shares Campaign

- Slowly became clear that provisional settlement was very poor for rural
- RSN met with Minister to put forward points and RSN response shared with members
- Joint working with CCN – Counties had been particularly hard hit
- Real groundswell of rural MP outrage hit the press

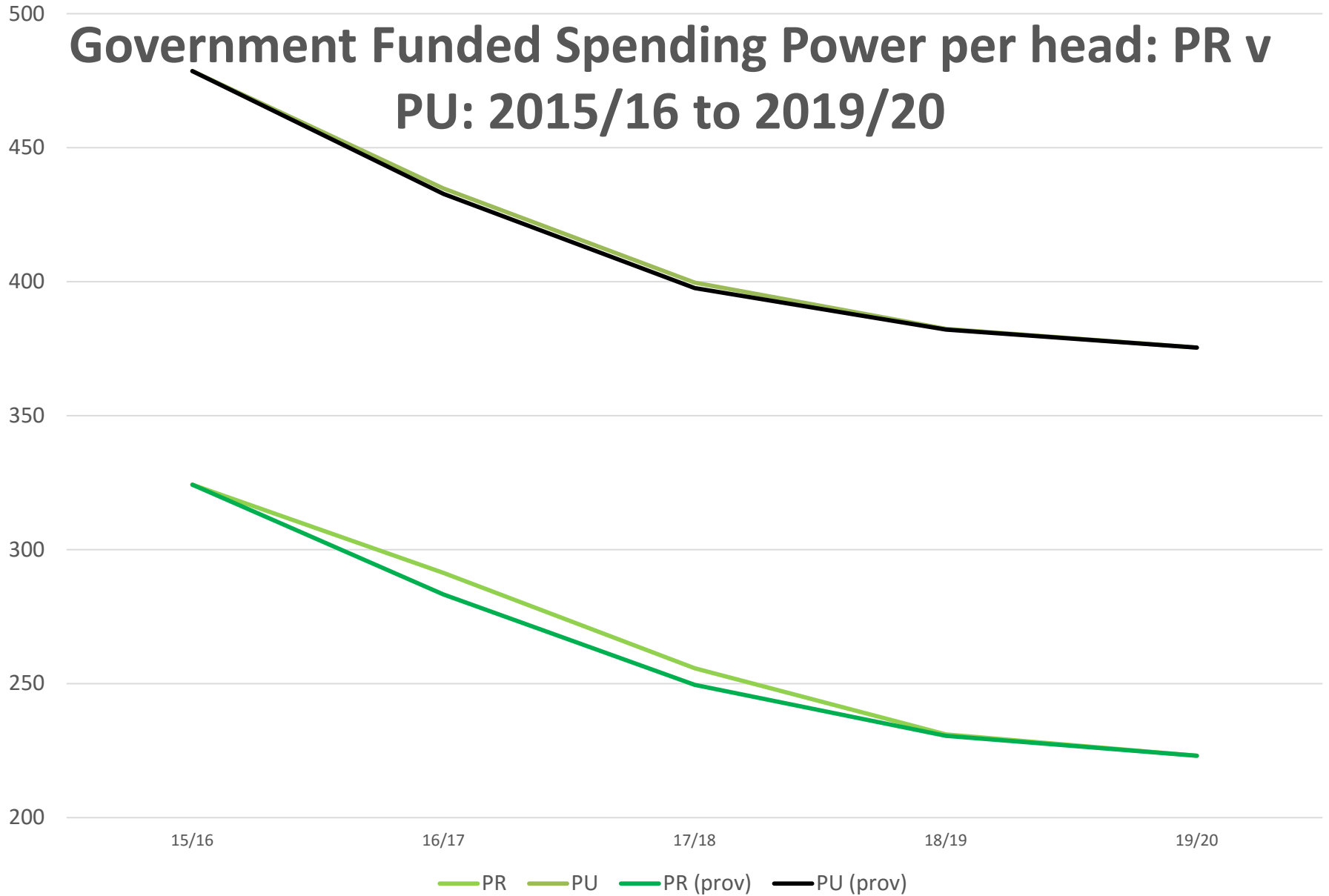
# Final Settlement

- Unprecedented change in figures between provisional and final settlement
- £150m Transitional Grant for two years
- Additional £60.5m of Rural Services Delivery Grant in 16/17

# Reduction in GFSP – England Average



# Government Funded Spending Power per head: PR v PU: 2015/16 to 2019/20



# Analysis of £60.5m additional RSDG and £150m Transitional Grant in Final Settlement

	Provisional Settlement			Final Settlement			
	Gov Funded Spending Power			Extra RSDG	Transition Grant	Gov Funded Spending Power	
	£ millions	£ millions	Change			£ millions	Change
	2015-16	2016-17				2016-17	
London	5,251.0	4,867.5	-7.3%	0.0	13.4	4,880.8	-7.0%
Mets	5,528.2	4,986.0	-9.8%	0.0	2.5	4,988.5	-9.8%
Unitaries	4,631.2	4,112.7	-11.2%	18.1	26.6	4,157.4	-10.2%
Counties	5,027.0	4,221.8	-16.0%	28.8	97.2	4,347.7	-13.5%
Districts	1,342.1	1,279.3	-4.7%	12.5	9.0	1,300.9	-3.1%
Fire	682.6	635.8	-6.9%	1.1	1.4	638.3	-6.5%
Scilly	3.3	3.3	0.0%	0.0	0.0	3.3	0.0%
<b>Total</b>	<b>22,465.4</b>	<b>20,106.5</b>	<b>-10.5%</b>	<b>60.5</b>	<b>150.0</b>	<b>20,317.0</b>	<b>-9.6%</b>
Predominantly Rural	3,497.6	3,075.7	-12.1%	58.9	37.2	3,171.9	-9.3%
Significant Rural	3,788.8	3,240.0	-14.5%	0.5	62.5	3,303.1	-12.8%
Predominantly Urban	14,496.4	13,154.9	-9.3%	0.0	48.8	13,203.7	-8.9%
Fire	682.6	635.8	-6.9%	1.1	1.4	638.3	-6.5%
<b>Total</b>	<b>22,465.4</b>	<b>20,106.5</b>	<b>-10.5%</b>	<b>60.5</b>	<b>150.0</b>	<b>20,317.0</b>	<b>-9.6%</b>

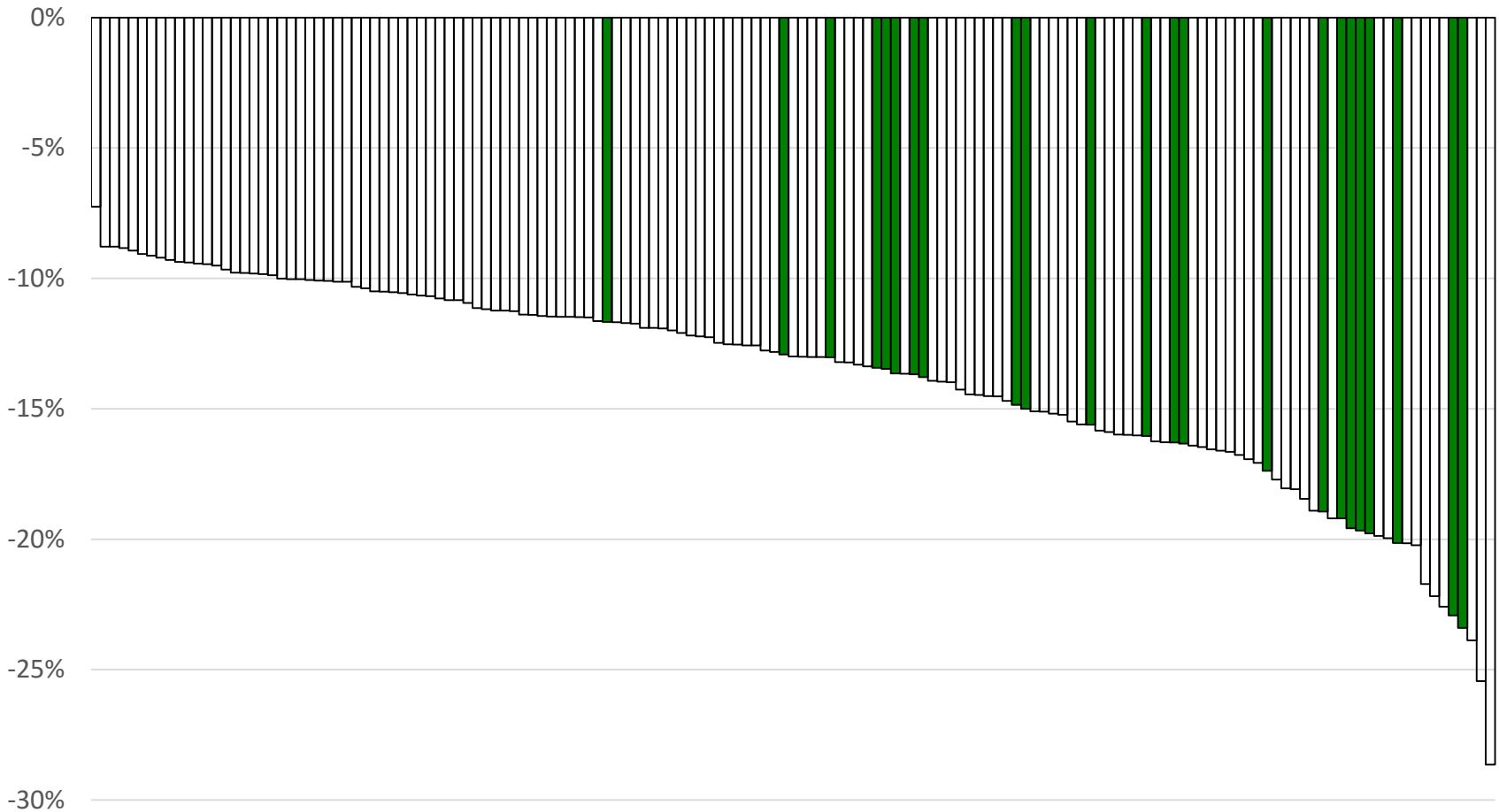
# Rural Services Delivery Grant

- Increase from £20m to £80.5m in 16/17
- All existing recipient increased by just over four-fold (ie. no widening of entitlement)
- Increase from £35m to £65m in 17/18
- No change to 18/19 and 19/20 figures
- Positive impact on rural still smaller than negative impact of SFA changes

# Transition Grant

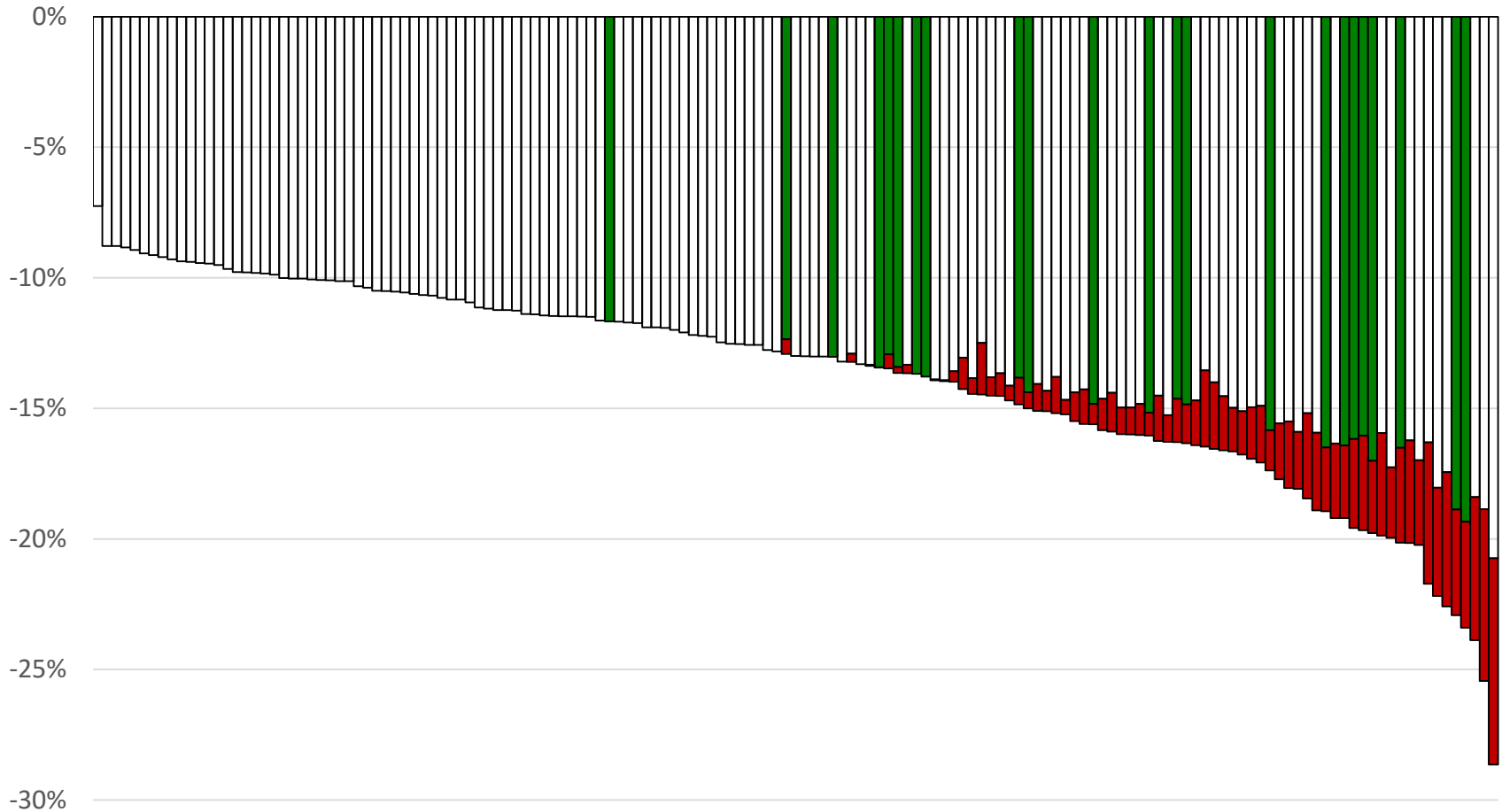
- £150m Transitional Grant for two years
- Reduces (but does not remove) the impact of the SFA changes
- Reduced impact in year 2 – £150m as in 16/17 but 17/18 gap wider
- Disappears in 18/19 to leave significant impact on SFA

# Reduction in SFA – provisional settlement – upper tier authorities (rural authorities in green)



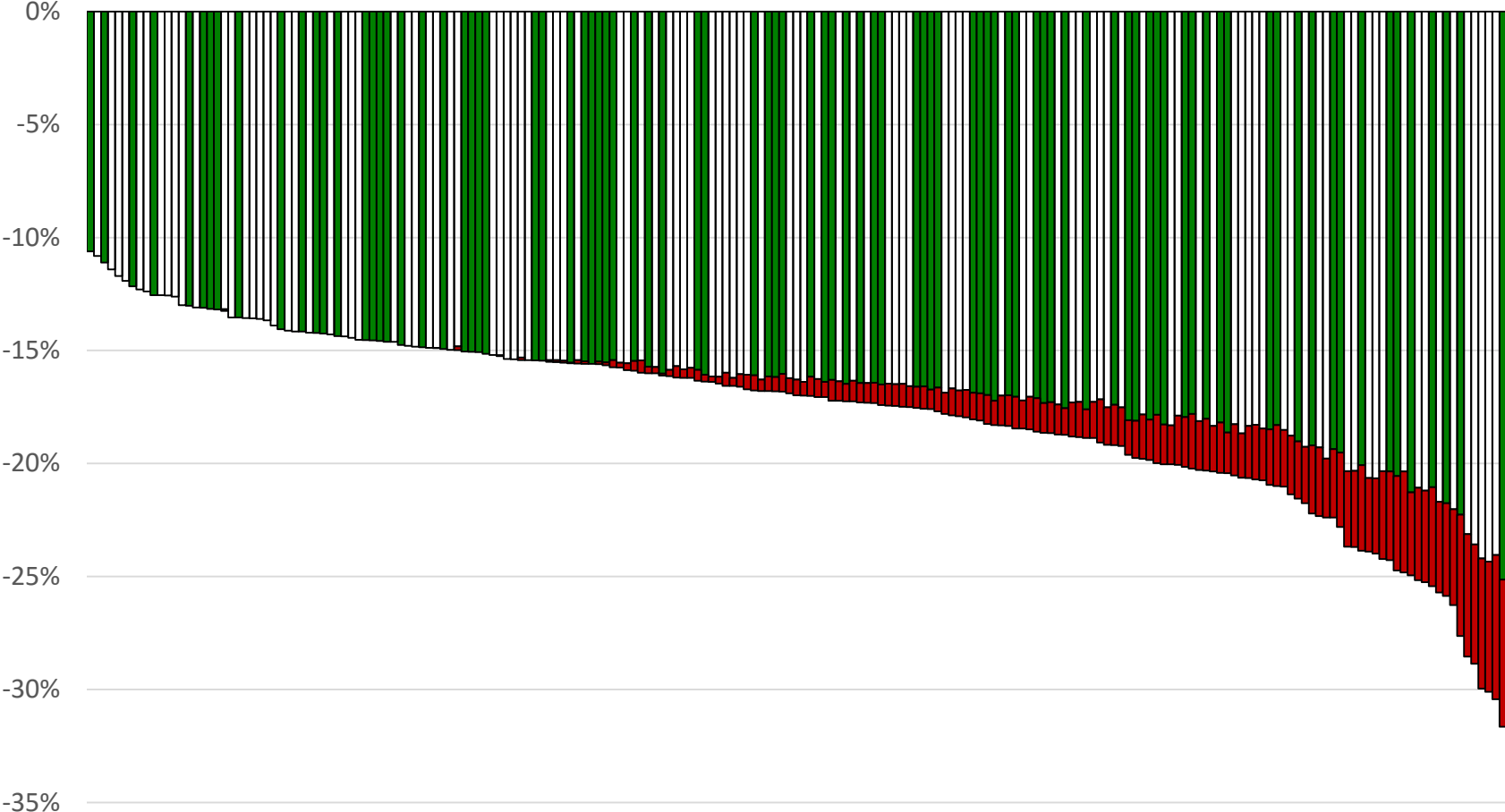


# Reduction in SFA – final settlement after transition grant – upper tier authorities (rural authorities in green)





# Reduction in SFA – final settlement after transition grant – districts (rural authorities in green)



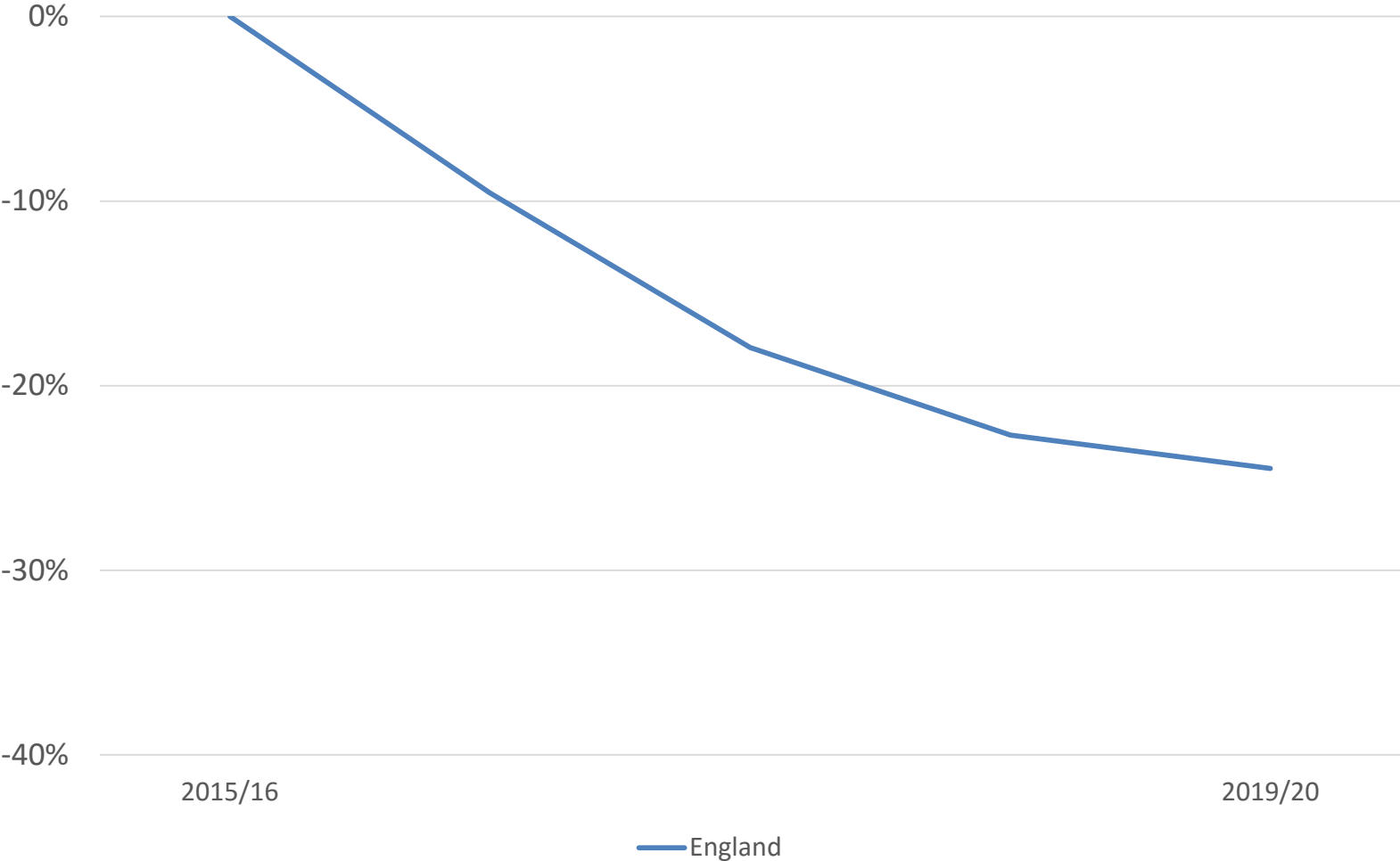
# Rural Opinion

- Provisional settlement would have been catastrophic for most rural authorities
- The additional resources have rectified the situation for 16/17 BUT ...
- Even in 16/17 they only maintain the gap – it doesn't close
- And from 17/18 it starts to widen
- Not all rural authorities are impacted in the same way

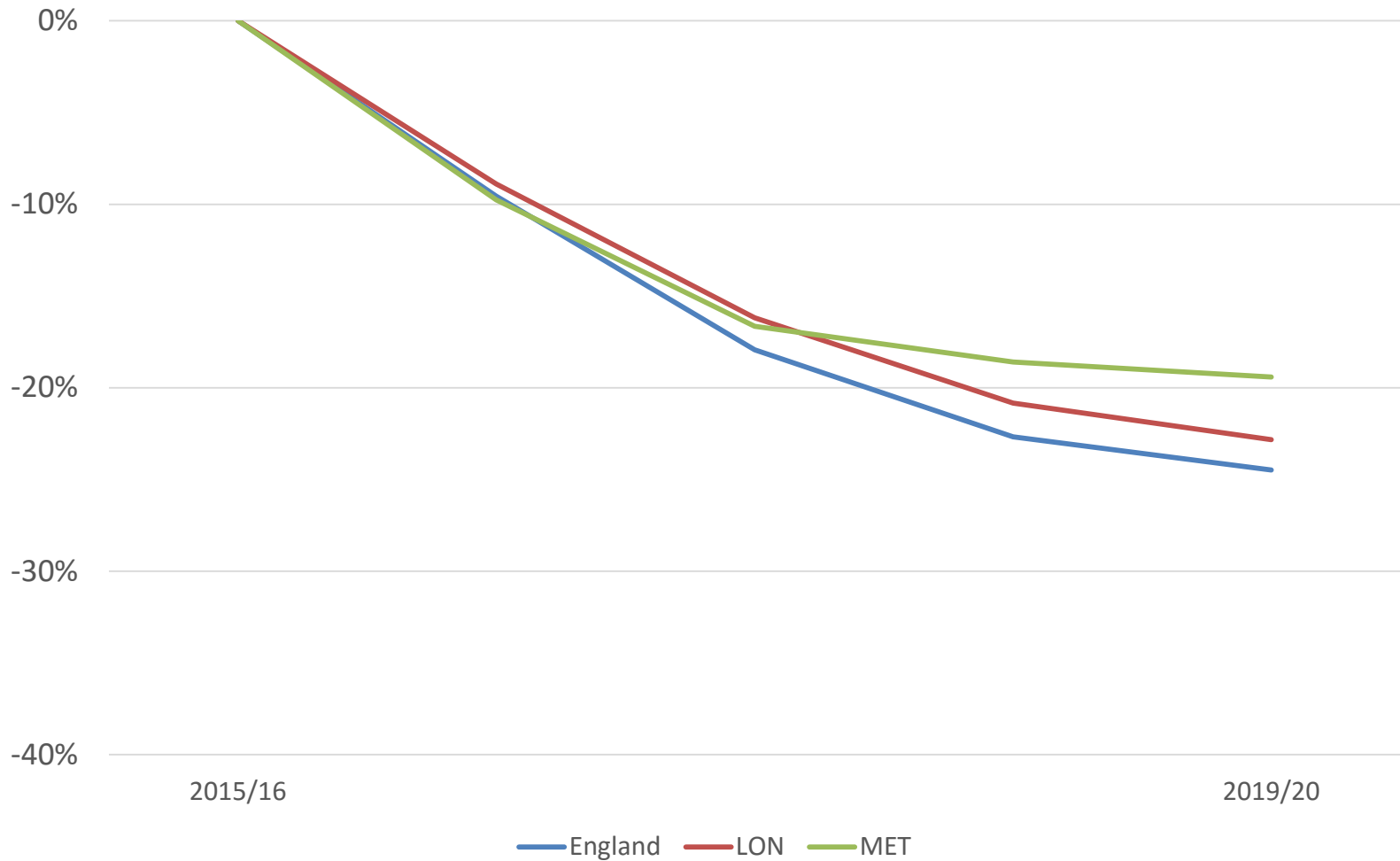
# Looking forward

- Changes to settlement were JUST sufficient to buy rural MPs loyalty for settlement vote
- But they understand that more has to be done in the longer term
- Secretary of State open to further concessions
- Campaign must focus on Government Funded Spending Power Gap
- And additional costs of serving a rural area

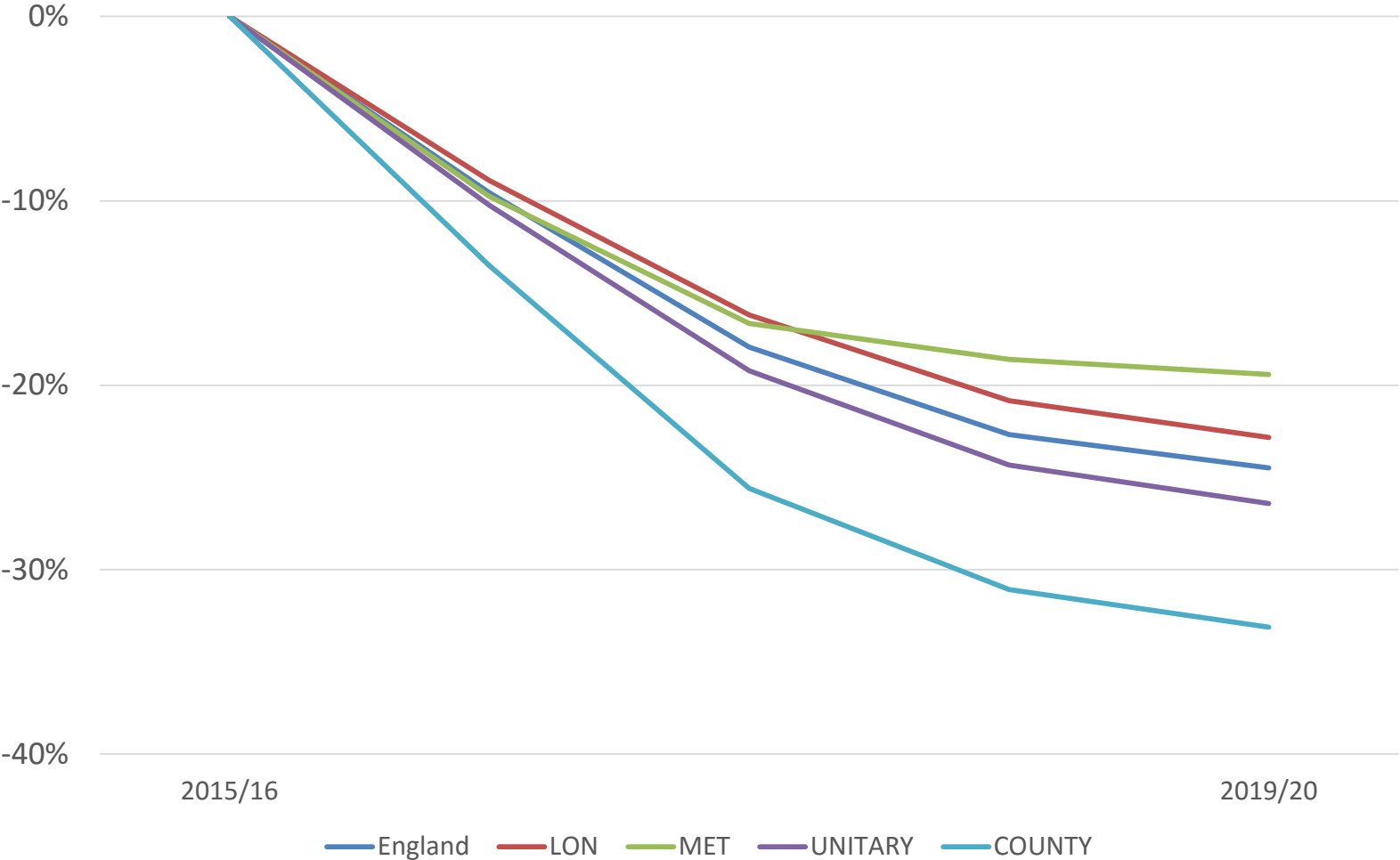
# Reduction in GFSP – England Average



# Reduction in GFSP – add in London and Mets.

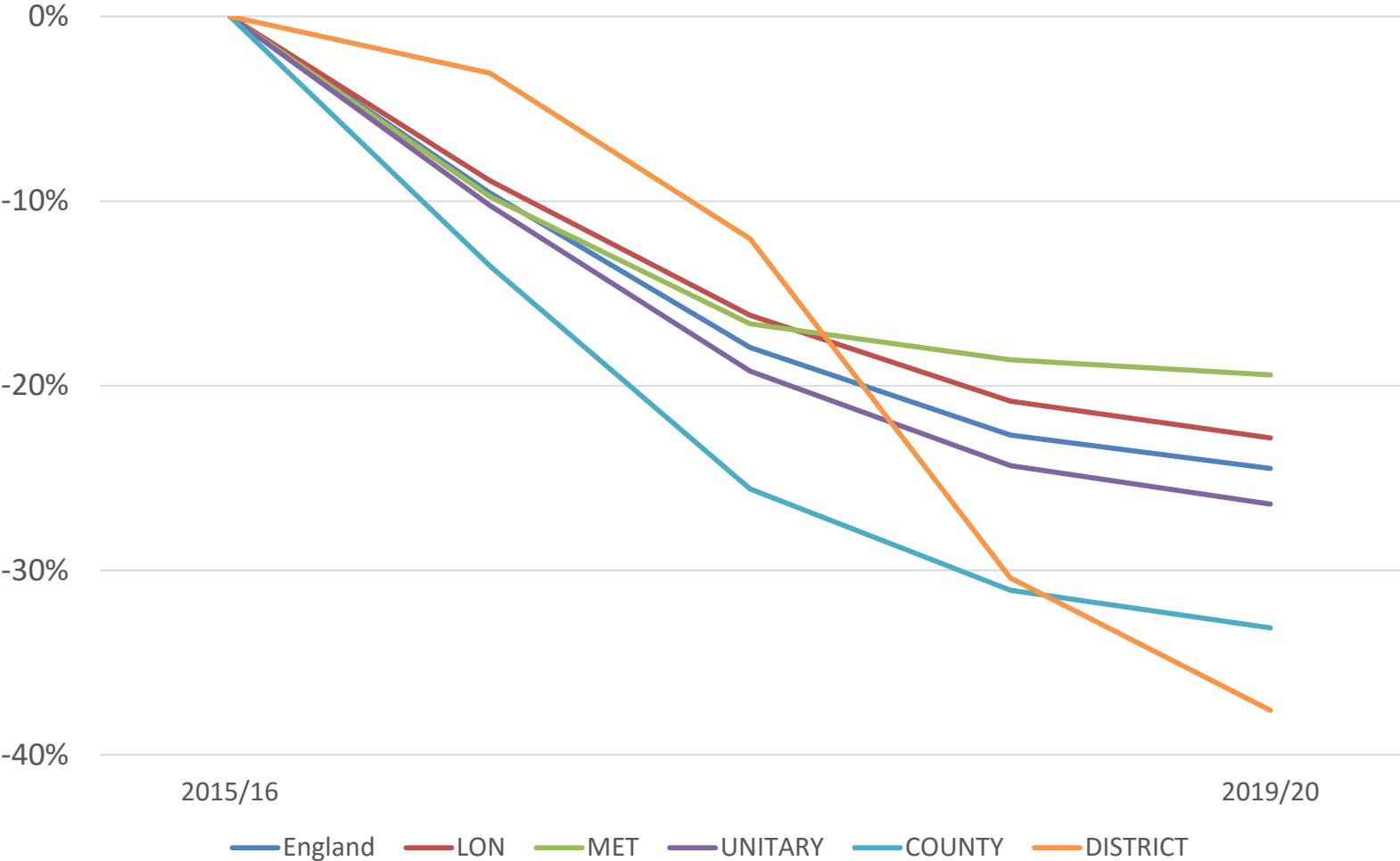


# Reduction in GFSP – plus Unitaries / Counties

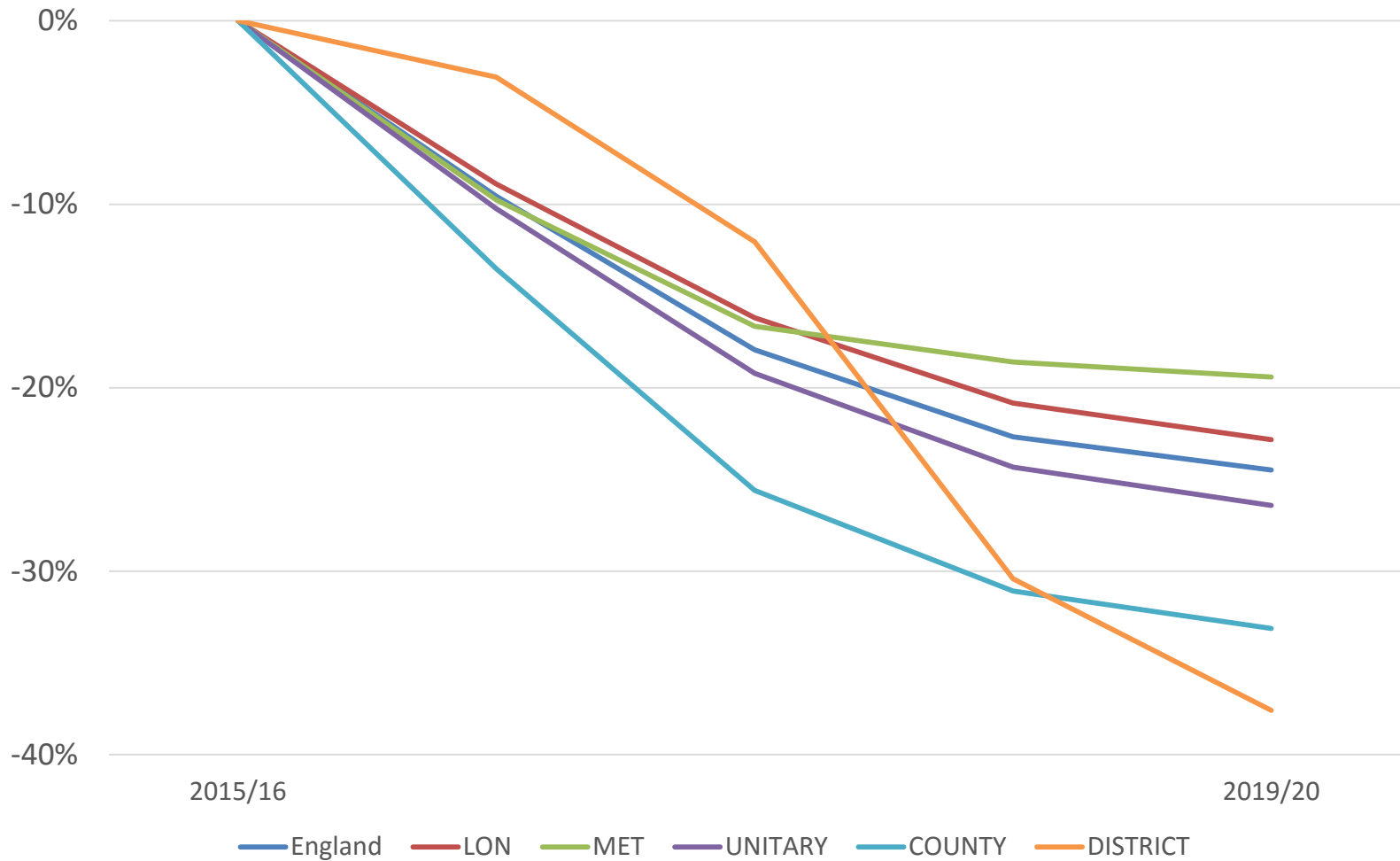




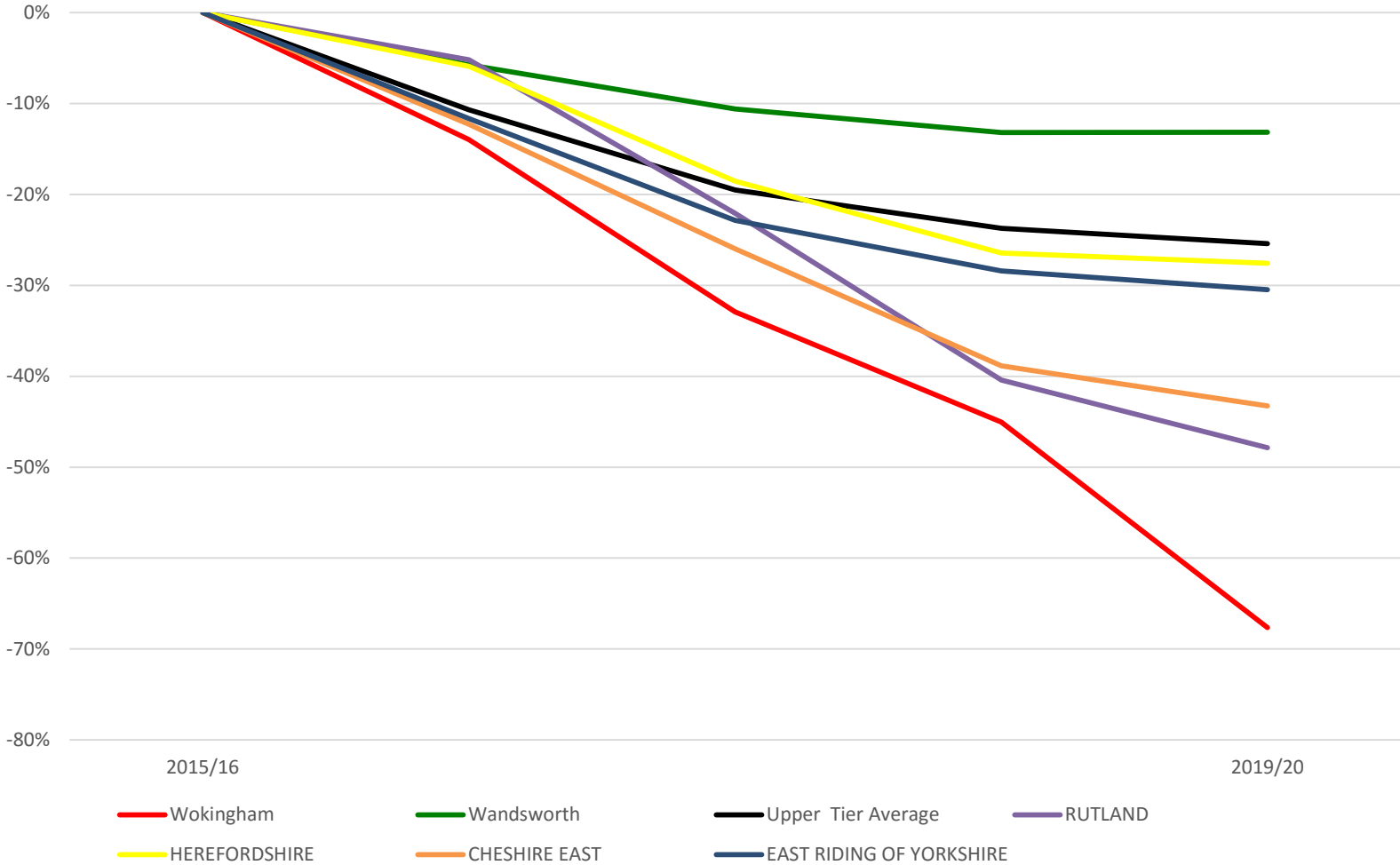
# Reduction in GFSP – last and not least! - Districts



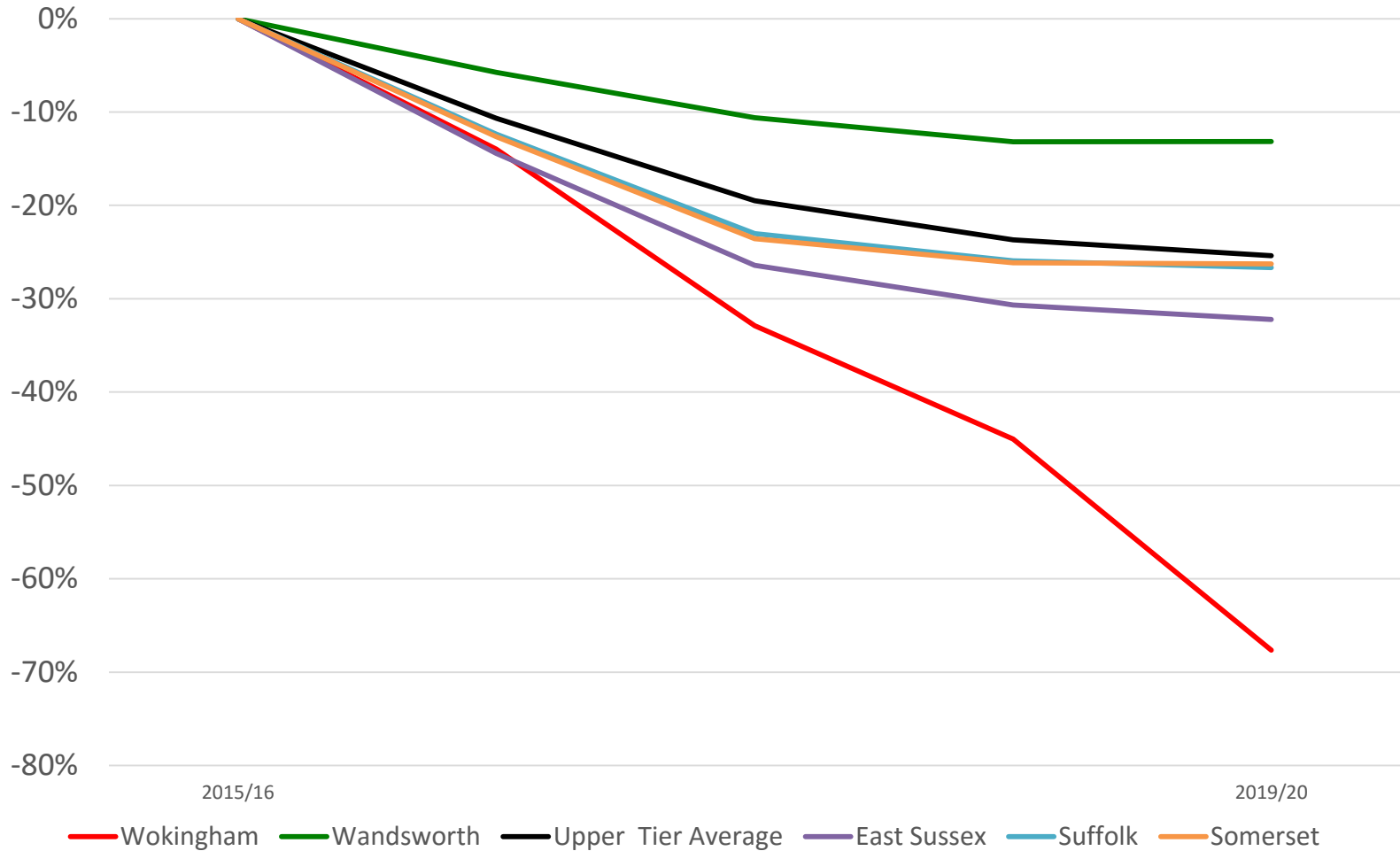
# Reduction in GFSP – last and ~~not~~ least!! - Districts



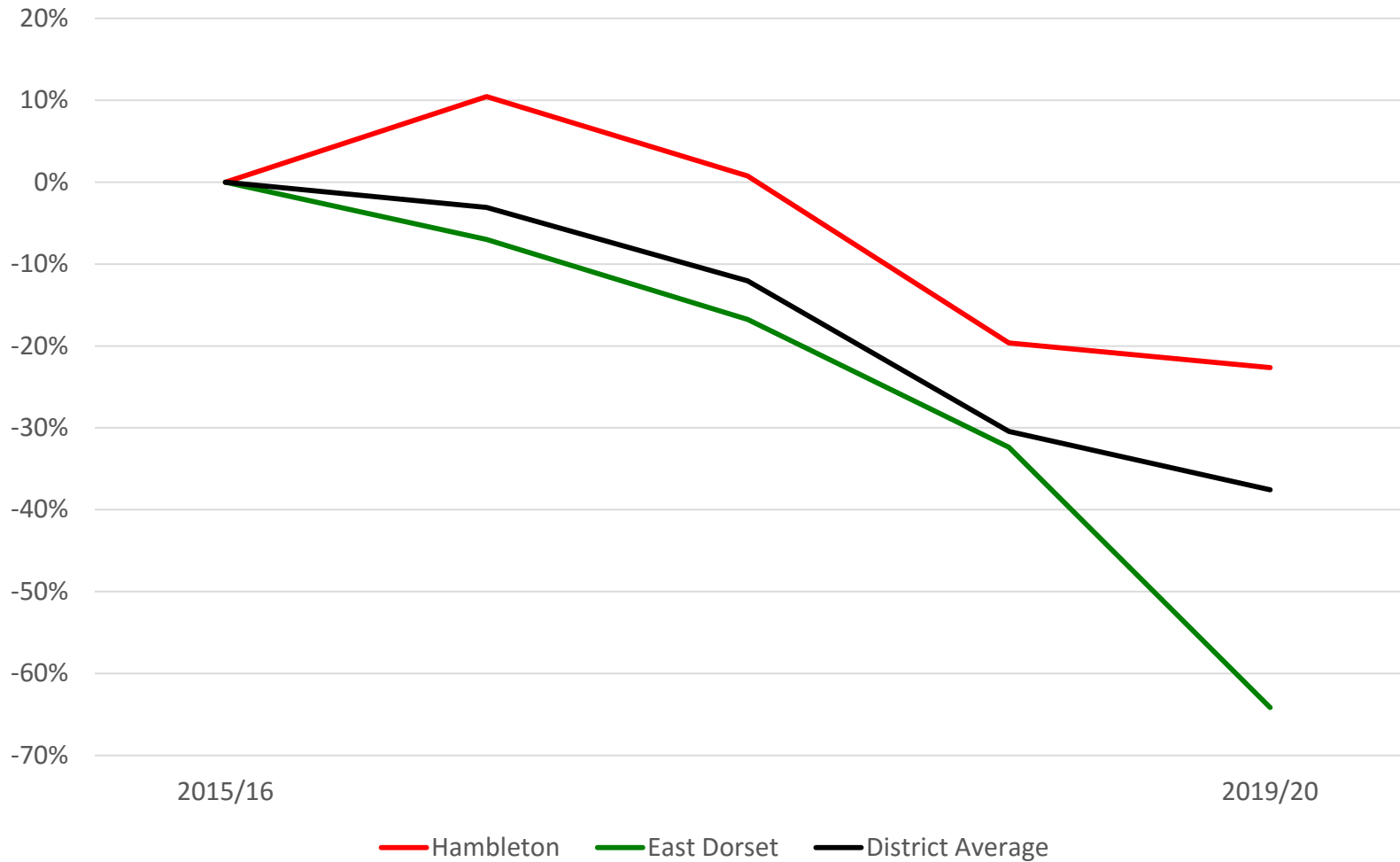
# Reduction in GFSP – Unitaries



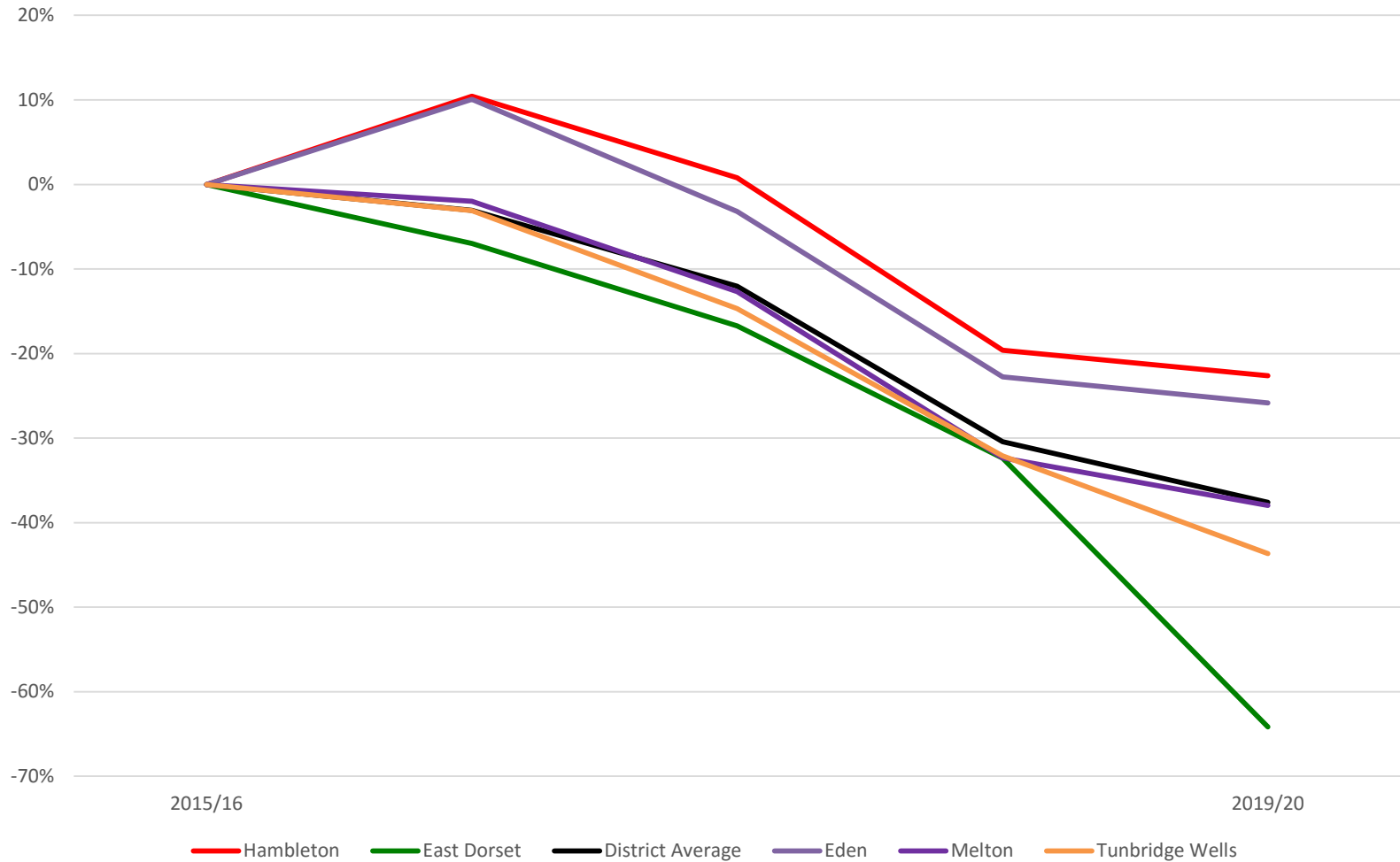
# Reduction in GFSP – Counties



# Reduction in GFSP – Districts



# Reduction in GFSP – Districts



# Rural Services Delivery Grant

- Allocation process is complicated (calculations not released):
  - Take the percentage of population in super sparse SOAs for all 326 billing authorities
  - Work out the 75th percentile, i.e. the super sparsity percentage of the 82nd most sparse authority
  - Work out the population in each authority that is in excess of this level of super sparsity
  - Weight this population 74% upper tier, 20% lower tier, 6% fire
  - Divide the pot of funding among the recipients accordingly

# RSN Finance Seminar

*Budget 2016/17- what are the implications for Local Government?*

Dan Bates





# Budget 2016

- No material changes to Local Government funding
- Modest (less than expected cuts) not expected to impact on Local Government
- Yet more changes to Business Rates
- More devolution with surprise announcement on County Mayors

# Economic Indicators

- Growth forecasts cut but steady and consistent growth at just over 2%
- Mainly due to external factors and low UK productivity
- Continued 'noflation' with predictions of inflation rising to BoE 2% target pushed back

# Fiscal Forecasts

- Fiscal mandate – transparent but inflexible – budget surplus by 2019/20
- Needs to be achieved prior to May 2020 General Election!
- Under pressure from reduced forecast in tax receipts
- So hidden away in Policy Costing Annex is £6bn of corporation tax receipts in 16/17 and 17/18 which are being deferred until 19/20

# Fiscal Forecasts

- Although debt falling in cash terms, but due to weakening GDP figures it is going up as a proportion of GDP
- Spending cuts limited to a further £3.5bn in 2019/20
- Unlikely to be change to four year settlement but possible technical changes such as asset sales/ reserves balances
- Welfare cap breached – small changes to disability benefits (since reversed!!)

# LG DEL

- Some unexplained changes between AS2015 and budget for 2015/16
- Increase from 2017/18 is the extended small business rates relief

£bn	Budget 2016	AS 2015
2015-16	10.8	11.5
2016-17	9.6	9.6
2017-18	8.2	7.4
2018-19	6.9	6.1
2019-20	6.2	5.4

# Business Rates

- Ostensibly the same system but with desire to reduce the burden on businesses especially small businesses
- Widening small business rates relief (increasing qualification threshold so more businesses qualify)
- RPI to CPI – CPI tends to be lower therefore lower yields in the localised business rates

# Business Rates

- Full localisation of BR in London to start from April 2017, 3 years ahead of rest of country
- Extra responsibilities likely in exchange for 100% retention – assume tariff payments from London continue to national scheme
- Revaluations every 3 years
- Link to HMRC
- Nothing materially changed in terms of funding but lots of technical changes in already complex system

# Devolution

- Deals with Counties announced – East Anglia, West of England and Lincolnshire
- Additional devolution in Greater Manchester and Merseyside including 100% BR retention pilot
- Additional funding made available to existing devolution deals on meeting objectives
- Incentives for elected mayors



# Other announcements

- Increased cash for infrastructure projects – HS3, widened M62, Crossrail 2
- Increased expenditure on flood defences to be funded by 0.5% increase in insurance premium tax
- Various social housing measures and first right by buy pilots with Has
- Extra homelessness support
- All schools to become academies by 2020 and fairer funding formula for schools

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