



## ***Keynote***

# ***The financial challenges facing local government, financial reform, and the funding of infrastructure by local authorities***

Bevis Ingram, Senior Adviser, Finance, Local Government Association

Chair Andy Pike, Newcastle University

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Bevis Ingram

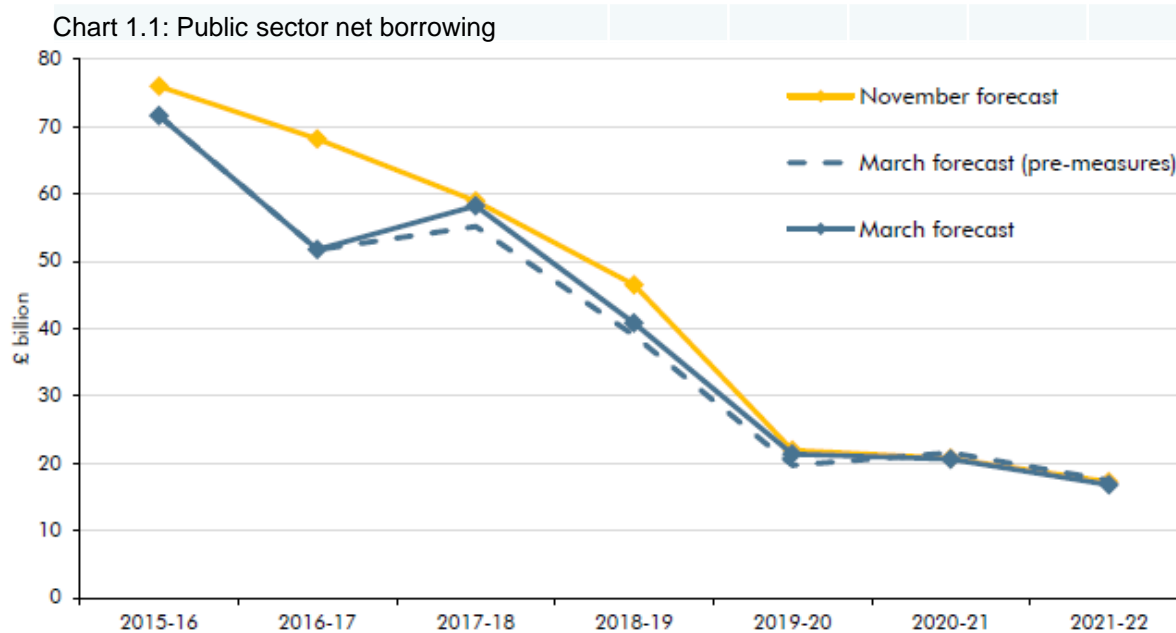
## Outline

- About the LGA
- Budget 2017 and outlook for Local Government
- Trends in capital and revenue in Local Government
- Business rates reform and impact on infrastructure

## Local Government Association

- National voice of local government, England and Wales
- 349 (of 353) English councils
- All Welsh Councils via WLGA, plus others (eg Fire)
  
- Politically led but cross party
- To ensure “local government has a strong, credible voice with national government”
- We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems

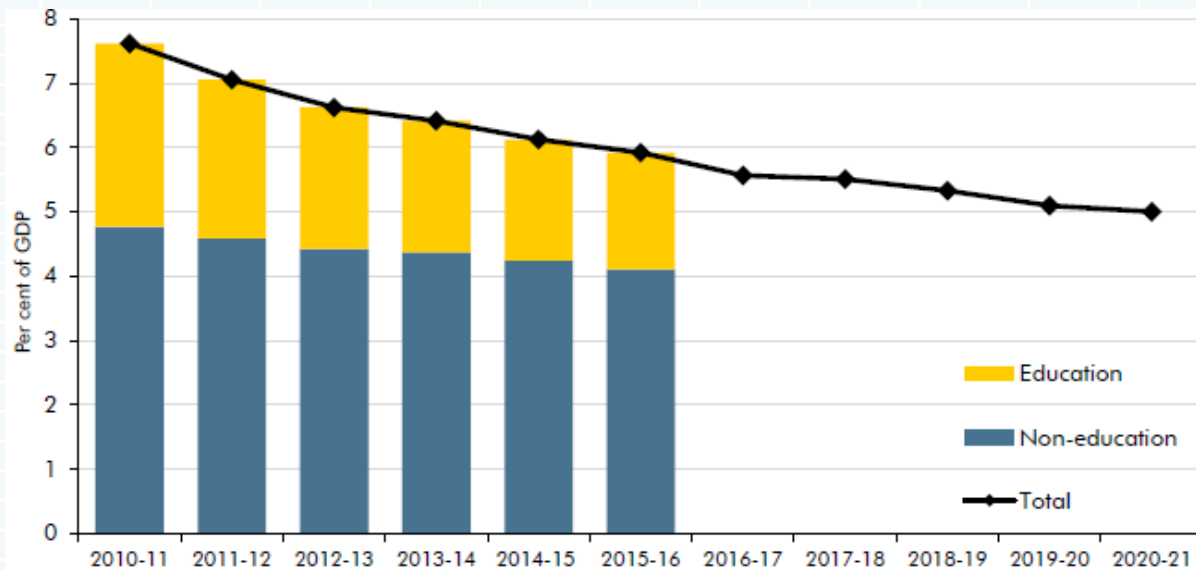
# Budget 2017 Fiscal message



Source: ONS, OBR

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
November forecast	76.0	68.2	59.0	46.5	21.9	20.7	17.2
March forecast (pre-measures)	71.7	51.7	55.2	39.0	19.7	21.6	17.4
March forecast	71.7	51.7	58.3	40.8	21.4	20.6	16.8

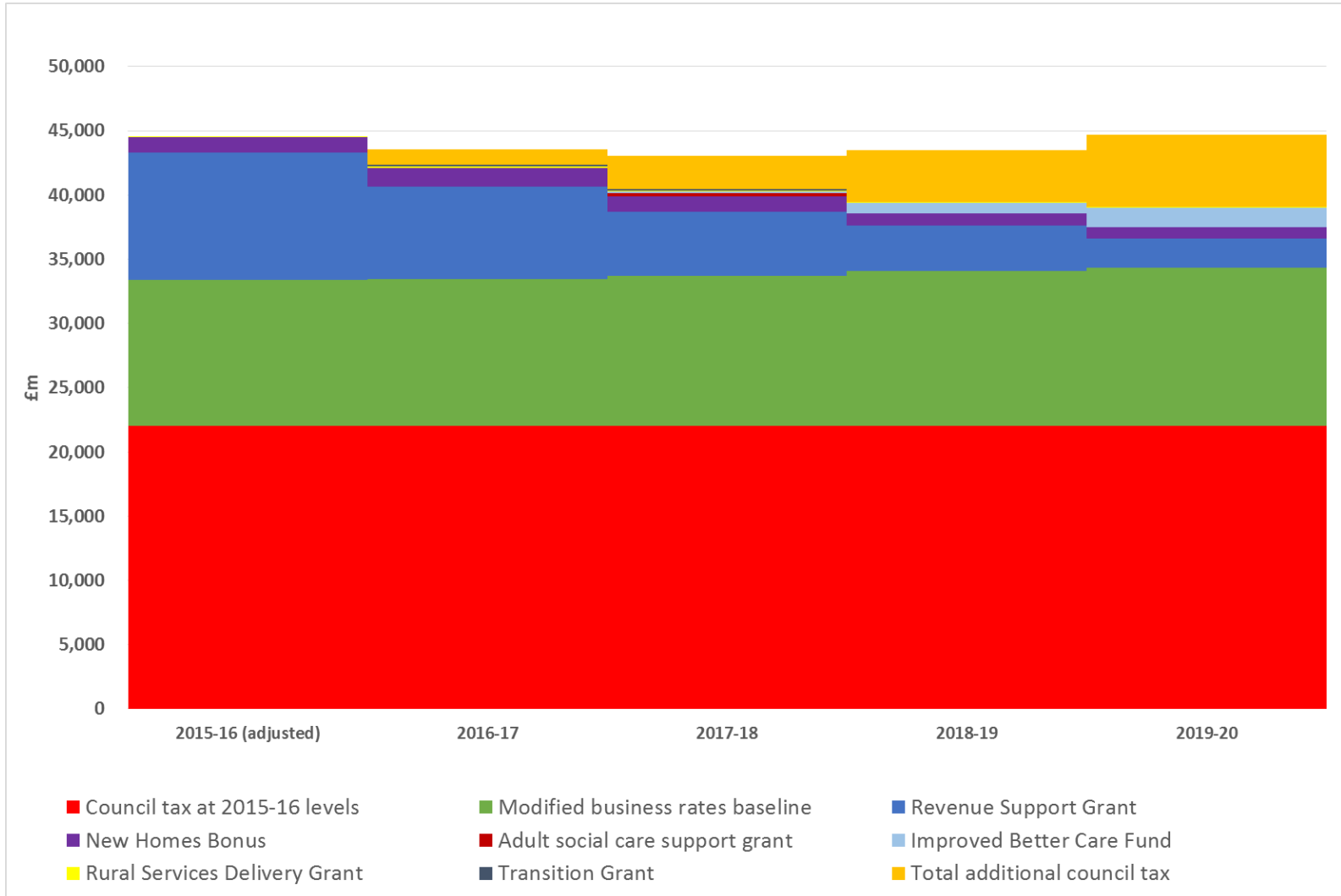
Chart 4.10: Local authority net current expenditure (England) as % of GDP



Note: Responsibility for spending on public health was transferred to local authorities from 2013-14, so numbers in previous years are not directly comparable.  
Source: DCLG, OBR

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Non-education	4.8	4.6	4.4	4.4	4.2	4.1	-	-	-	-	-
Education	2.8	2.5	2.2	2.0	1.9	1.8	-	-	-	-	-
Total	7.6	7.1	6.6	6.4	6.1	5.9	5.6	5.5	5.3	5.1	5.0

# LG Settlement: Core Spending Power (cash)

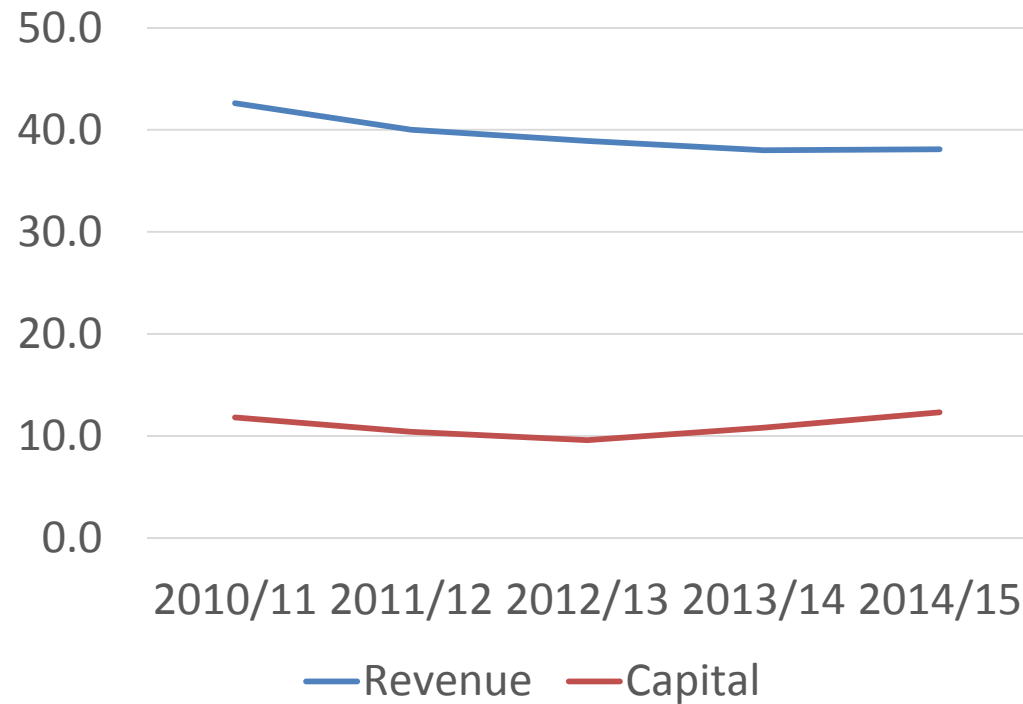


## Existing Pressures 2020

- Estimated funding shortfall across the sector by 2020 **£5.8 billion**
- Includes specific new policy pressures (apprenticeship levy, national living wage) as well as general demographic growth

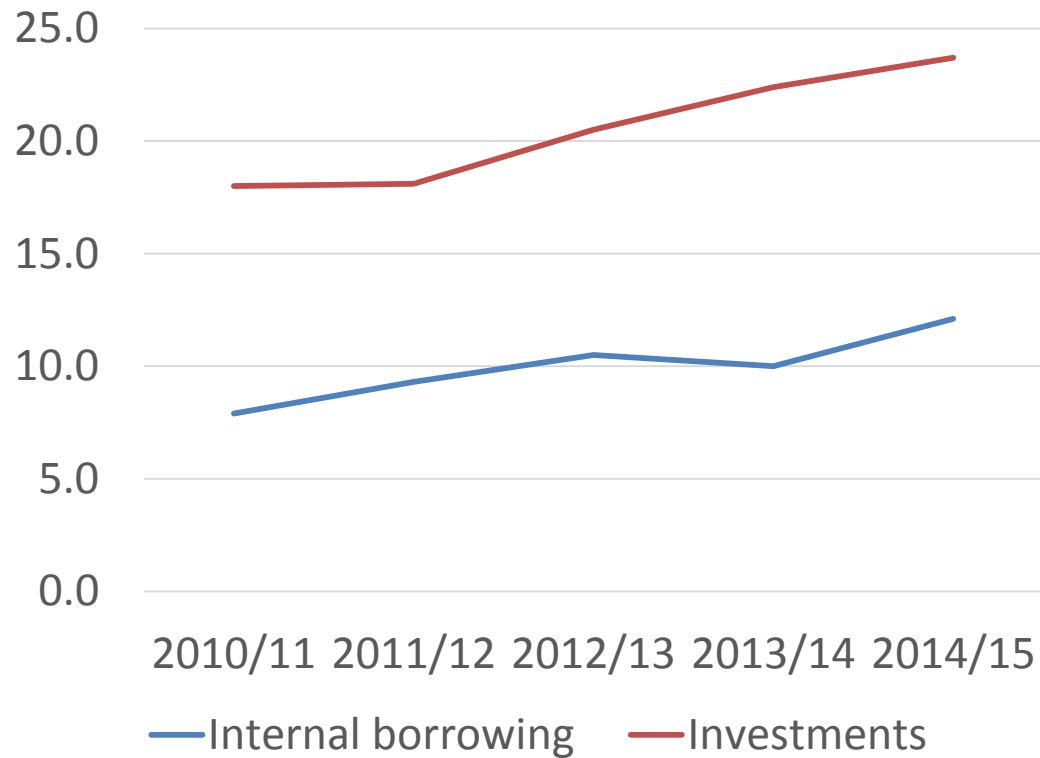


## Trends in LA Revenue and Capital spend (£ billions)



Source: taken from NAO and DCLG figures at constant prices

## Investments and Internal Borrowing (£ billion)



Source: taken from NAO and DCLG figures at constant prices

## Financial reform: Business rates retention – main points

- Full local tax retention “*by the end of the Parliament*” \*\*\*
  - Cost neutral – phase out grants, add in new responsibilities
    - LGA arguing for cost pressures to be covered first
  - Protection against volatility and continue redistribution within the system (top ups / tariffs)
  - Councils can reduce business rates
  - Mayoral Combined Authority and GLA powers to raise infrastructure supplement
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# What do the proposed business rates reforms mean for councils?



## Self sufficient local government?

- Potential new responsibilities
  - Some control over reducing business rates
  - Rebasing overall funding with fair funding review
  - Potential to grow funding with business growth
  - Less potential for year-on-year central government core funding reductions to sector as whole
  - But significantly increased financial risks
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## What does BRR mean for Councils and for infrastructure?

- Full retention – but equalised nationally
  - Locally – top ups and tariffs / Fair Funding review
  - Local – Growth / shrinkage
  - Incentives / risks?
    - System design issues (resets / etc)
  - Does it make infrastructure investment more attractive?
    - LAs retain additional business rates paid on investment
    - Ditto any consequent local growth
    - Is this significant enough to impact on decision making?
    - And how long between resets?
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## Impact of general election?

- Immediate : Local Government finance Bill will fall
  - After : Manifestos?
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