ADDENDA

CABINET – 18 OCTOBER 2011

LOCAL GOVERNMENT RESOURCE REVIEW

Report by Leader of the Council and Cabinet Member for Finance & Property

1. Oxfordshire County Council supports the overarching principles of the Local Government Resource Review, which will give local authorities incentives to increase local development and develop our national economy. In particular, we support the general principle of re-localising business rates.

2. While we welcome this move to localise local government revenues, it is a miniscule step; the changes still involve massive central control – more than most European countries. We urge the Secretary of State to see this as just a first step along a road of liberalisation of local government finance that we hope, in the medium to long term will lead to much greater autonomy for local government.

3. There are however a number of concerns around the finer detail which will continue to be discussed whilst primary legislation is developing next year. Oxfordshire County Council believes that, "the devil is in the detail" and that ministers may be rushing through this complex change in the way that local government is funded.

4. Concerns remain over:

   - The short timescale for the review;
   - The use of 2012/13 damped formula grant allocations as the baseline for future allocations;
   - Funding for the increasing pressures on social care
   - The retention of the business rate link to RPI - resulting in any gains being at the expense of other authorities.
   - The way spending review cuts and the costs of the New Homes Bonus are shared out;
   - The different incentives for district councils
   - The need to incorporate systems to protect authorities from economic shocks and to share windfall gains

5. In particular, we are concerned that the 2012/13 formula grant figures do not represent a fair starting point for Oxfordshire. As just one example, we consider that the existing formula grant system does not make sufficient allowances for the extra costs of operating in sparsely populated areas. Given this and other failings of the four block model, it is most important that if our 2012/13 formula grant figures are used, they must include the 'damping grant'. See our response to question 2.
6. We strongly support the Society of County Treasurers suggestion for determining a county council's share of a billing authority business rate

baseline being based on the split between county and districts using the share of formula grant approach. This approach would be the fairest basis for allocation. We do not support either of the proposals in the consultation.

7. Another very serious concern is that we may end up with too high a share of the Spending Review cuts and the costs of the New Homes Bonus (NHB). Tariffs, RPI inflation added to the Tariffs and possibly Levies – will neutralise the benefits of collecting large amounts of business rates in Oxfordshire. In these circumstances it would be quite wrong to allocate cuts and the NHB costs according to the amount of business rates collected in Oxfordshire. Cuts and the NHB costs should be related to the level of the existing formula grant.

8. Thus, using the jargon from the technical consultation papers, we think that the proposed 'Set aside' and 'Adjustments' should not be allocated using the proposed 'proportionate shares' but they should be allocated using the 'baseline funding'. As the proposals stand, larger cuts and more of the costs of the NHB will have to be found in areas that collect more business rates. This would not be reasonable or fair. See our response to question 4.

9. We consider that tariffs should not increase in line with inflation as this removes all the benefit of having a large local business rate base. See our response to question 4.

10. We are also concerned that the incentives will encourage housing development rather than business rate growth in areas with counties and district councils. Districts will have a large incentive to build new housing (they receive 80% of the New Homes bonus) but a comparatively small incentive to allow industrial developments (perhaps only just over 20% of the resulting business rate growth). Counties will have less development levers and will need industrial development to fund social care and the other pressures on their budgets. As noted earlier, much of the funding for the New Homes Bonus at the national level could be removed from Counties such as Oxfordshire. Thus we consider that incentives should be balanced, by reducing district councils share of the New Homes Bonus from the current 80%. See our response to question 26.

11. There should be a system of 'levies' and 'safety nets' to protect authorities from large economic shocks – such as the expected closure of Didcot A power station and to share out windfall gains.

12. Pooling should be encouraged by applying a lower levy rate in areas that join pools. Pooling should be focused on county or possibly LEP areas in shire areas. See our responses to questions 21 to 24 and 32.

RECOMMENDATIONS

13. The Cabinet is RECOMMENDED to:

a) Agree to this overarching response to consultation about the Local Government Resource.

Cllr Keith Mitchell
Leader of the Council

Cllr Jim Couchman
Cabinet Member for Finance and Property

October 2011