Briefing Paper

Local Government Income and Revenues

August 2014

Introduction

The purpose of this briefing paper is to provide a summary and overview of the income and revenues that are currently received by local authorities in England. It includes sections on:

- Council Tax
- Council Tax Freeze Grants
- Council Tax 2014
- Council Tax Support
- Council Tax Review
- Business Rates
- Localisation of Business Rates
- Formula Grant
- Sales, Fees & Charges

Northampton Borough Council is based at the Northampton Guildhall. In 2013/14 the Council has a gross income of £148million.

Until 1990 local authorities levied and collected rates from domestic and business premises. The rental value of each property was registered and the council set a rate expressed as a rate in the £ of the property's rental value. In 1990 the government introduced the Community Charge for domestic taxpayers and the National Business rate for business taxpayers. The national business rate operates in the same way as the business rate used to operate except that the government sets the rate rather than the local authority and the proceeds are pooled. The Community Charge was based on each resident in a local authority area paying the same amount. It proved unpopular and difficult to collect and was abandoned in 1993.

The Council Tax was introduced to replace the Community Charge. It is now the only local tax. It is essentially a property tax based broadly on the capital value of domestic properties although it does have some elements of personal taxation.

Council Tax

Local authorities set the level of Council Tax, but in practice their ability to do so is greatly constrained by central government.

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Universal capping of Council Tax was ended in 1999, but the Local Government Act of 1999 included reserve powers for Secretary of State. The current government has introduced Council Tax Freeze Grant as a way of encouraging local authorities not to increase their Council Tax and their Localism Act 2011 has introduced a requirement for councils to hold a referendum if they wish to increase Council Tax above a limit set by the Secretary of State (currently 2%).

The Valuation Office Agency is responsible for valuing the 23.2million domestic properties in England. The valuation is at 1993 values. Having valued the properties, each is then placed in a Council Tax 'band' as shown below:

Band	Value	Weighting
A	up to £40,000	6
B	£40,001 to £52,000	7
C	£52,001 to £68,000	8
D	£68,001 to £88,000	9
E	£88,001 to £120,000	11
F	£120,001 to £160,000	13
G	£160,001 to £320,000	15
H	over £320,000	18

Nationally, two thirds of properties are in bands A to C and only 9% are in bands F to H. The total number of dwellings on the Valuation Office valuation list in England as at 10th September 2012 was 23.2million, an increase of 142,000 or 1% compared with 2011.

The Council sets a level of Council Tax for a Band D property and the Council Tax payable on properties in other bands is then calculated with reference to the weighting. A Band A property therefore pays two thirds of the Band D Council Tax while a Band H property pays twice the Band D Council Tax.

The person liable to pay the Council Tax is usually the resident, but where the property is empty the liability falls on the owner. Where more than one person is resident the Council Tax regulations either identify who is responsible for payment, or make all the residents jointly and severally liable. In the case of a care home the owner is liable for the Council Tax.

The following properties are exempt from Council Tax:
- Properties occupied only by students
- Properties that require major works to make them habitable
- Properties that have been vacant for less than six months
- Crown properties
- Properties that are unoccupied because the residents are in prison, hospital or receiving care

Council Tax bills are discounted by 25% if there is a single person household, or if all but one of the residents is:
- Detained in prison or under the mental health acts
- Severely mentally impaired
- Students
- Young people who have reached the age of eighteen, but in respect of whom child benefit is payable
- Patients in hospitals and homes
- Care workers in some instances

These discounts mean that Council Tax has a 'personal' element despite being essentially a property tax. If a property has been adapted for use by a disabled person the council tax valuation is reduced by one band. Local authorities have discretion to reduce council tax liabilities in some instances. People on low incomes are entitled to Council Tax benefit for up to 100% of the liability although benefit is not paid at a level greater than the band E council tax. Since 2013 this scheme has been 'localised' and 100% discounts are no longer always available (see below).

Since April 2004 the Local Government Act 2003 has given Councils in England discretion to apply Council tax discounts of between 10% and 50% for second homes, to reduce or end discounts for long-term empty property and to grant discretionary discounts and exemptions.

Council Tax is set by all classes of local authority (Unitary, County, District, Parish, National Park, Police and Fire). However, the responsibility for collection rests with the Unitary Council in unitary areas and the District Council in two tier areas. Other authorities 'precept' on the collection authority. This means that the collection authority keeps a collection account into which it pays all Council Tax received and from which it pays the proceeds to its own general fund and to the precepting authorities.

In 2012/13 Council tax varied between different authorities as follows:

	Band D	Average
Inner London	£1,112	£1,024
Outer London	£1,425	£1,334
Metropolitan Areas	£1,401	£1,002
Shire Unitary authorities	£1,472	£1,174
Shire District areas	£1,502	£1,317
Predominately urban areas	£1,407	£1,130
Significantly rural	£1,476	£1,293
Predominantly rural	£1,511	£1,326

In-year Council Tax collection rates have tended to increase recently reaching 97.3% in 2011/12. Rates tend to be highest in shire districts (98.2%) and lower in unitary authorities (97.2%), outer London Boroughs (96.6%), Metropolitan authorities (96.1%) and Inner London Boroughs (95.4%). Total arrears stood at £2.4billion at March 2012 and during 2011/12 £171million was written off.

Council Tax Freeze Grants

The current government has provided Council Tax freeze funding of up to £5.2billion from 2011/12 to 2015/16 that is an unprecedented five years of Council Tax freezes worth potentially up to £1,100 for an average Band D taxpayer over the lifetime of the Parliament.

Local authorities that freeze or reduce their relevant amount of Council Tax in 2014/15 will receive a grant equivalent to a 1% increase on 2013/14 band D Council Tax levels. This will amount to £550million of grant in both financial years 2014/15 and 2015/16.

Councils Tax levels remain a local decision. Government previously had the power to restrict Council Tax rises through a centrally dictated cap. This government has discontinued that through the Localism Act that also created a new power for local residents to veto what the government regards as excessive Council Tax rises instead through a local referendum. A report on Council Tax referendums published in March 2014 proposed a referendum principle of 2.0%, with a slightly modified principle for the City of London element of the Greater London Authority precept. This threshold is lower than in 2013/14 striking what the government regards as an appropriate balance between direct democracy and representative democracy. The government expected that most councils would wish to freeze Council Tax, but any that set an increase of 2.0% or more would need to arrange for a binding referendum to be held. Local referendums could be held on the same day as the European elections on 22nd May at minimal extra cost or inconvenience. Following Royal Assent of the Local Audit and Accountability Act 2014, the referendum principles will include levies and will therefore be based on the level of Band D Council Tax. This will mean the principle will relate to the actual increase which appears on people's bills – again reducing costs for taxpayers and preventing increases being imposed by what the government regards as local 'quangos' with no democratic mandate.

From April 2014, funding for the 2011/12 to 2013/14 freezes is now in the main local government settlement total for future years. Funding for the next two freeze years will also be built into the spending review baseline. This gives certainty for councils that the extra funding for freezing Council Tax will remain available, and there will not be a 'cliff edge' effect from the freeze grant disappearing in due course.

Council Tax in 2014

In the run-up to setting budgets for 2014/15, Local Government Secretary, Eric Pickles, called on councils to take up the offer of additional central government funding to help freeze Council Tax.

To further local accountability, from this year the government has decided that every vote cast by councillors on Council Tax and budgets should be made a matter of public record to allow residents to see where elected officials have voted with their best interests at heart. Mr Pickles also encouraged the public to take to Twitter and express their views to their local council.

Mr Pickles said:

"Council Tax bills more than doubled (during the years to 2010), pushing the typical bill to a £120 a month from hard-working people and pensioners. Council Tax became a big worry for those trying to balance family budgets. This government has been working to give families greater financial security, taking action to keep Council Tax down. We have given extra funding to town halls to help freeze Council Tax and handed local residents new rights to veto big local tax hikes, so local people have the final say on the amount they pay. Since 2010, Council Tax bills have been cut by 10 per cent in real terms across England and people haven't been facing the threat of soaring bills. I would urge councils to take up the offer of additional funding to help freeze Council Tax this year to help their residents with the cost of living."

Residents are also now able to pay their Council Tax bills over twelve months rather than ten to spread the cost of bills and help with the cost of living while the government has also announced plans to remove what the government regards as an unfair Council Tax surcharge on family annexes and home improvements, worth £5.3million of additional support to extended families.

The Local Government Association has pointed out that government grants to councils are being cut by 40% between 2010 and 2015, at a time when demographic pressure is growing on authorities which have a statutory obligation to provide services including adult social care. Sharon Taylor, the chair of the Local Government Association's finance panel, said:

"It should be for councils and their residents to decide how local services are paid for, not Whitehall. The ballot box on local election day allows for people to pass judgement on their councils."

However, across England over a third of councils increased their charges, many to the maximum level allowed without triggering a local referendum. Many of those councils that say they can no longer balance the books without increasing charges are Conservative controlled. More than half of those councils increased bills by the maximum of 1.99% – just below the threshold that triggers a local referendum on bills. Eric Pickles, the Communities Secretary, has called such a tactic 'democracy dodging'. In total, 34% of councils raising bills have a Tory majority; 44% are Labour run and 22% are under no overall control or independent. For the average Band D household, a 2% council tax increase would cost £29 per year.

In contrast with the national picture, London is reducing council tax, with an average 0.4% cut announced by the capital's boroughs for the 2014/15 financial year. The annual council tax survey from the Chartered Institute of Public Finance & Accountancy shows a 0.4% reduction for both inner and outer London – equivalent to £5.39 off the average annual Band D bill in the capital. In contrast, authorities across the rest of England are planning increases of 0.8% or £11.35.

Research shows that 25 of the capital's 33 local authorities will keep the tax at the same rate as in 2013/14. It comes just months before the London local elections leading to speculation that many councils had made a political, rather than financial, decision.

Residents of London's richest borough - Kensington & Chelsea - are to receive a one-off £100 council tax rebate after the Council exceeded its efficiency targets. Two more councils are going further and cutting council tax with Barnet's falling by 1% and Hammersmith & Fulham's by 3%. However, all bar the City and Hounslow were among those which increased council tax in 2013 despite the Government offering local authorities a financial incentive not to.

Outside of London, the largest increases in council tax are in the South East where the average is 1.1% (£15.68). In contrast, the East of England has effectively frozen council tax with a drop of 10p across the region. The survey also shows a small increase in the number of councils refusing the 1% council tax freeze grant. 43% of councils in England will be forgoing the offer from the Department for Communities and Local Government and raising their tax. This compares with a figure of 41% that did not take up the grant in 2013/14 and 15% that turned it down in 2012/13.

Local government minister Brandon Lewis said:

"It's great to see. We already know that the majority of councils, particularly in London, are going to be freezing council tax or even cutting it this year. It shows that well-run councils can deliver more for less."

Essex County Council has decided to freeze the tax. The authority had been planning to propose an increase, but said that it was now able to hold rates down due to higher than expected council tax collection rates. Council leader David Finch said:

"A growing economy puts more people in work and so the Essex take of council tax has increased. It's great news for Essex residents now able to enjoy a fourth consecutive year of council tax freezes. Next week's budget will invest in our people and our infrastructure because growth brings prosperity and I'm delighted that we can put more money in the pockets of hardworking people as well as delivering excellent services."

Councillor Susan Hall, leader of Harrow Council said:

"The public now expect a zero per cent council tax rise, it is the industry standard. Residents expect us to cut costs first before landing them with bigger bills."

The Chartered Institute of Public Finance & Accountancy said that the average increase for England as a whole (including London) would be 0.6% (£8.47) for a Band D property. This is down from the 0.8% increase introduced across England in 2013/14. Rob Whiteman, the Chief Executive, pointed out that some London boroughs had repeatedly reduced their council tax demands in recent years and added:

"The clear divide between the whole of London and the rest of the country this year does seem to reflect the priorities of London authorities, perhaps not surprising in the run up to local elections."

Local government journalist Tony Travers told the London Standard:

"Local elections concentrate the mind wonderfully. There are borough elections this year and given the… debate about the cost of living, I suspect most boroughs feel that any increase would be dangerous in a tightly fought election."

The government's approach to council tax is causing widespread concern in the sector. Despite protesting its support for 'localism' the government is preventing democratically elected local authorities from using their judgement about levels of council tax while not applying the same constraints to centrally determined taxation or to the charges set by public or private corporations. It would be interesting to see what would happen if energy companies were prevented from raising their prices unless they could gain the approval of the public in a referendum!

It appears inconsistent for the government to allow councils to increase council tax by 2% without holding a referendum and then to criticise those that increase council tax by slightly under 2%.

As Council Tax is now effectively determined by central government but remains set at different levels in different local authority areas, and as it is based on outdated valuations the logic for continuing with the tax in its present form may be called into question. However, as Adam Smith pointed out as early as the eighteenth century, property taxes are easy to collect, difficult to avoid and are paid by people who obviously have assets; so the continuation of some form of council tax would appear likely.

Council Tax Support

Council tax benefit was abolished with effect from 1st April 2013. Councils are now expected to provide their own council tax reduction schemes with the government initially providing funding at a level of 90% of their previous expenditure. Previous levels of benefit for people of retirement age have been protected and councils have therefore had to make significant reductions in support for people of working age or else fund council tax support from within their own resources.

Ministers cut funding for the means-tested benefit by £500million, around 10% of the total, in April 2013 and instructed local authorities to decide how the reduced benefit should be distributed. However, to cushion the blow ministers offered £100million in subsidies to councils that designed schemes that would offer some protection to the poor.

In response to Central Government's direction local authorities have had to develop their own Council Tax Reduction Schemes to replace Council Tax Benefit. The direction from Central Government stipulated that pensioners could not be affected by this. If a local authority failed to develop an appropriate Council Tax Reduction Scheme and adopt it by 31st January 2013, then a default scheme would come into effect that would mirror the national scheme already in place within the authority.

On 12th October 2012, Central Government announced that a central fund would be made available to which local authorities could apply for transitional grant as long as certain criteria were met. The key stipulations were that:

- A Council Tax Reduction Scheme had been formulated;
- The reduction in support to those previously eligible for Council Tax Benefit was less than or equal to 8.5%.

Of the 326 new schemes that have been introduced, 82% are based on reduced levels of support for council tax benefit recipients and 18% are based on making no change with the entire funding cut absorbed into the council's budget. In practice the new charge is usually between 6% and 30% of a full council tax bill. However, disabled residents, carers and war veterans will pay no more than £4.99 per week.

The new schemes mean that local authorities in England will have to collect council tax from an additional 2.4million household of which about two million are non-working households. Most of these households are classed as being in poverty because more than 60% of their income is required to meet housing costs. Furthermore, the amounts of Council Tax that they are required to pay, while often being significant for individuals, is not a large amount from the point of view of council revenues departments. This causes concerns that the new schemes will result in high costs of administration, high levels of arrears and minimal revenue being collected.

In March 2013 the New Policy Institute published research into the reform of council tax benefit. Sabrina Bushe, a researcher at the Institute told the 'Local Government Chronicle' that:

"Some schemes are hitting non-working groups much harder… Quite a few councils are expecting to find some issue with collecting council tax payments from people."

Councillor Theo Blackwell of Camden Borough Council told the 'Housing News' in May 2013 that:

"It's going to be harder for us to keep our collection rates up because the government is pushing 16,000 low-income families into the council tax regime, which means more people being unable to afford to pay their council tax bill.

"The changes to council tax benefits sound good on paper, but it becomes very admin heavy and costly for us in the end… We've gone closer to imposing a poll tax system."

Citizens Advice Bureau Chief Executive Gillian Guy told 'Public Finance' in May 2013 that:

"We're concerned that changes to council tax benefit will mean more people will end up in debt because they can't pay their bill and have the bailiff knocking at their door… The number of people worried about council tax is up by 87% since the changes came in, and this will climb even higher as more people find it difficult to cope with costs."

In January 2014 it was revealed that more than 270,000 poorest households in England faced a £80 council tax rise with dozens more local authorities reducing protection for vulnerable residents. This is because 2014/15 is the first that the government will not provide dedicated cash to local authorities to take the poorest out of council tax.

Using freedom of information requests, research for the Joseph Rowntree Foundation found that from April another 48 local authorities are reducing protection for vulnerable residents.

The government scheme of 2013/14 has not been renewed, with the result that in 2014/15 will be the first that the government will no longer provide a dedicated stream of cash to take the poorest out of council tax. The additional reduction has left councils with an unpalatable choice between charging council tax to the working-age poor, who in many cases may not have paid council tax before, and finding additional savings to spending on local services on top of the cuts of 40% being made to council budgets by the government.

The result of this – and further cuts to local authority budgets – is that more than a quarter of a million working-age households will see bills rise by an average of £78 a year, taking the amount of yearly council tax that they will have to pay to £176. Some councils have simply decided they can no longer afford to protect the poor. In Chiltern council this means 2,500 of the poorest households, which had been spared the council tax, will now face an average bill of £261.

With council tax collection a legal requirement, many of the poorest had already fallen into arrears. Data obtained by the 'Guardian' in 2013 showed that government cuts to council tax benefits had left 670,000 facing bailiffs in the first six months of 2013. Peter Kenway of the New Policy Institute, which conducted the research, said:

"The data published today suggests that around a quarter of local authorities are amending their council tax support schemes for 2014/15. In almost all cases these changes will adversely affect working-age council tax support recipients. Those recipients affected will see their support further reduced by £78 on average per annum, more than doubling the average amount of council tax payable.

"Most of those amending their schemes were in receipt of the transitional grant funding. As this grant was available for one year only, many local authorities have decided to pass on more of the cut to vulnerable residents in order to make up the funding shortfall."

The Local Government Association has warned of worse to come. It points out that if council tax support funding is reduced in line with cuts to overall funding, then the total cut to council tax support funding between 2013/14 and 2015/16 would amount to 28%, or £1billion.

Brandon Lewis, the minister in charge of the policy, said:

"Welfare reform is vital to tackle (the) budget deficit… Our reforms to localise council tax support now give councils stronger incentives to support local firms, cut fraud, promote local enterprise and get people into work. We are ending (the) something-for-nothing culture and making work pay."

Council Tax Review

Councils must give a 25% discount for all homes with only one adult liable to pay council tax, but the Local Government Association has asked for a review so that wealthy people living alone in large homes would lose their council tax discount to fund more help for poorer families. The Local Government Association said councils should receive the £200million they currently lose from homes in England rated at band E or above where only one person pays the tax. Peter Fleming, Chair of the Local Government Association improvement board, said removing the discount would 'protect discounts for struggling families and those who need it most'.

The Local Government Association argues that as the shift in responsibility for council tax reduction schemes from national to local government was accompanied by a 10% reduction - equivalent to £410million - in government funding for council tax support there should be compensating reform of Council Tax. Mr Fleming said:

"It is difficult to justify why discounts for wealthy professionals living in large homes are protected while nearby there are low-income families struggling to make ends meet who are having their discounts cut. This 'wealthy bachelor' discount currently costs councils £200million per year in lost council tax revenue and is subsidising individuals occupying large homes at a time when there is a dire shortage of housing."

But Local Government Minister Brandon Lewis said ending the discount would amount to 'a Bridget Jones Tax' - that would unfairly hit those who live alone. The government points out that at present, it is not just adults living alone who qualify for the 25% discount. Because there are many groups of people who do not qualify as council tax payers - including children under 18, people on apprentice schemes, full-time students, people with a severe mental disability and live-in carers among others - any household that includes one paying adult among them would be subject to a discount.

Business Rates

The government sets the level of business rates but it is the responsibility of local authorities to collect them. The yield from business rates is pooled at national level and then redistributed to local authorities primarily on the basis of their resident populations and the services for which the authority is responsible.

The main features of the business rate system are:
- Central government sets the rate of business rates and in practice links increases to increases in the retail price index.
- The rate liability is the rateable value of the property multiplied by the national rate poundage
- Billing authorities (Unitary and District Councils) send out the rate demands and are responsible for collecting business rates

- Some properties are exempt from business rates including agricultural premises, places of religious worship and properties in enterprise zones
- Rate relief is available for small businesses and charitable bodies

Liable properties include public buildings, pipelines and advertising hoardings as well as businesses. However, there are exemptions for some properties such as agricultural land and buildings and churches. Each liable property is known as a hereditament and is included on a rating list maintained by the Valuation Office Agency. The rateable value of each hereditament is based on the annual rent that the property could have been let for on the open market at a particular date – currently 1st April 2008 using a list complied in 2010.

Rate reliefs can be granted. Mandatory reliefs and automatic entitlements in any local authority area and discretionary reliefs are granted by the local authority that also meet the costs (in part). Charities, for example, have a mandatory relief of 80% that can be topped up to 100% at the discretion of the local authority. In 2011/12 the measure of a small property was reduced to those hereditaments with a rateable value of £2,600 or less. Such small properties receive 100% relief.

The Local Government Act 2003 provided for the introduction of Business Improvement Districts. In these areas additional services or benefits to the local community can be funded by a levy on business ratepayers as long as a majority of business ratepayers vote in favour.

In March 2012 arrears of non-domestic rates totalled £1.1billion. Non-domestic rates written off totalled £974million in 2010/11 and £249million in 2011/12.

Localisation of Business Rates

From 2012/13 business rates have been 'localised'. This means that 50% of business rates are now retained locally. Authorities are designated either to pay a tariff or to receive a top-up. This is to buffer any difference in income between this system and the previous one of distribution of all non-domestic rates from a central 'pot'.

In January 2014, the Local Government Association published 'Business Rates retention: The Story so far'. This argued that reforms to local government finance to allow councils to retain half of business rate growth have increased the level of financial risk faced by local authorities.

Examining the impact of the part-localisation since it was introduced in April 2013, the Local Government Association said the impact had been 'varied' across councils in England. However, there were common concerns among authorities that the level of financial risk they face had increased, with town halls now exposed to both the impact of appeals against rate valuations and avoidance of the tax. There is also little scope for these risks to be managed under the current arrangements.

This means that the intention of the reform – to increase development and boost local growth so councils can have extra funding for local services – may not be realised. According to the Local Government Association, only 29% of authorities said the system provided enough of an incentive to promote economic growth. More than one-third of those responding said the amount of rates they expect to receive in 2013/14 was down more than 5% compared to government projections. This was mainly due to business rate appeals reducing the total revenue, according to the councils.

In addition, almost two-thirds of respondents said their revenue plans were at risk due to a backlog of appeals that was still being processed. One authority told the Local Government Association that it could lose as much as 45% of their total business rate income if all outstanding appeals went against it.

The report stated:

"While it is true that some of these appeals will go in the councils' favour, the uncertainty of outcome and lack of knowledge about the timing of the decision mean that councils are forced to accept a significant, unpredictable financial risk, impacting on the availability of funding for services to local people."

Also in the poll, two-thirds of authorities said business rate avoidance now represented a risk to their finances. Around 20% of all authorities have already budgeted for losses due to business rate avoidance, the report revealed.

A large majority (81%) of authorities said the locally retained share of rate increases should be increased from the current level of 50% once the system is re-examined by government in 2020. However, less than one-third (29%) said that they expected ministers to do so.

Formula Grant

Formula Grant is distributed to local authorities on the basis of need and includes the Revenue Support Grant, redistributed non-domestic rates and Police Grant. Non-domestic rates are distributed on a per capita basis and are taken account of in the formula that is used to calculate Revenue Support Grant. Formula grant peaked at £79.2billion in 2010/11 and then fell to £75.3billion in 2011/12 and £71.6billion in 2012/13.

The only reason that three separate components continue to exist is to comply with the underlying legislation: when the national non-domestic rating system was introduced in 1990, the enabling legislation made it a requirement that the subsequent re-allocation to local authorities be identifiable. Similarly, the Principal Formula Police Grant has to be disclosed separately because it is allocated under powers that refer to both England and Wales, rather than to England alone. For all practical purposes, these three components form of single source of finance for English local government.

Formula grants is provided to local authorities on un-ring-fenced basis and so can be spent on any service. Since 2006/07 formula grant has been distributed to local authorities by means of a system that concentrates on the actual cash grant for local authorities rather than notional figures for spending and local taxation.

From 2006-07 onwards, Formula Grant has distributed using a system commonly referred to as the 'four-block model'. The four blocks are the:

- Relative Needs Amount (intended to compensate for differences in needs of each local authority area)
- Relative Resources Amount (intend to compensate for differences in the relative strength of the Council Tax tax-base in different areas)
- Central Allocation (in effect, a common allocation per head to all authorities with the same responsibilities)
- Grant Floor Adjustment (a net nil re-allocation of grant between local authorities to ensure that every local authority receives a minimum annual increase in funding, regardless of the outcome of the preceding three blocks).

Under the current system, formula grant is largely allocated on the socio-economic and demographic characteristics of authorities, together with a measure of the authority's ability to raise council tax locally (based on the number of band D equivalent properties). The same formulas are applied to all authorities that provide the same services and the best data is used that is available on a consistent basis across all authorities. Every authority is guaranteed to receive at least a minimum percentage increase year-on-year (the 'floor') on a like-for-like basis, after adjusting for changes in funding and function. To pay for the cost of the floor, the increase above the floor for all other authorities is scaled back.

In 2013 the system was revised to allow for the localisation of business rates and re-named 'baseline funding'. However, the two systems are not markedly different.

The 2014/15 Revenue Support Grant settlement is described in a future briefing paper that can be downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/local%20government%20finance%20settlement%20-%20briefing%20paper.pdf

Sales, Fees and Charges

Local authorities have a significant income from sales, fees and charges. These totalled £11.7billion in 2010/11 and £11.1billion in 2011/12. The main sources of sales, fees and charges were as follows:

	2010/11 £million	2011/12 £million
Adult Social Care (elderly) – fees and charges	2,033	2,060
On-street car parking	662	714
Primary schools	790	702
Management and support services	751	643
Secondary schools	807	588
Off-street parking	586	580
Police services	447	446
Sports and recreation facilities	368	370
Adult Social Care (under 65) – fees and charges	304	289
Congestion charging	323	265
Development control	288	230
Cemetery, cremation & mortuary services	212	229
Other	4,183	3,957
Total	11,694	11,074

Conclusions

When local government income is considered attention tends to focus on the Council Tax and the declining Revenue Support Grant. However, councils also receive considerable income from business rates and various sales, fees and charges. The current government is making significant reductions in Revenue Support Grant and has obliged local authorities to reduce Council tax in real terms for all but the poorest in society. This is obliging local authorities to reduce expenditure and to take a more commercial approach to income generation.

Adrian Waite
August 2014

Seminar & Workshop: All You Want To Know About Local Authority Finance 2014

October 2014

Local Government is going through a period of significant change following the 2010 Comprehensive Spending Review. There has been a significant reduction in funding for local authorities and this is requiring a fundamental redesign of how authorities are organised and services are delivered. There are now far fewer ring-fenced grants giving local authorities more discretion over how they spend their money. The Localism Act also promotes local decision making. An understanding of the finances of local government is now of critical importance.

In the current climate, a working knowledge of local authority finance will put you and your colleagues in a position of advantage.

Whether you are in a London Borough, Metropolitan, Unitary, County or District Council or otherwise involved in local government; whether you are an Elected Member, Non-Financial Manager, or even a member of the Finance Team, you could benefit from our seminar and workshop at which you will learn: **"All You Want To Know About Local Authority Finance"**

What the Session Covers:

The session will answer the following questions:

- How do Local Government Finances work?
- How does Local Government fund its Capital Programmes?
- What are the Implications of Localism and Austerity?
- What are the Financial Opportunities for Local Authorities?

The session includes a participatory case study and is accompanied by a very useful 100 page book that is designed for reference after the session entitled:

"All You Want To Know About Local Authority Finance 2014"

Venue and Date

London: Novotel Hotel, Waterloo – 7th October 2014

For further information or to make a booking please visit: http://www.awics.co.uk/lafin.asp

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About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:
- Management Consultancy – http://www.awics.co.uk/ManagementConsultancy.asp
- Interim Management – http://www.awics.co.uk/interimmanagement.asp
- Regional Seminars - http://www.awics.co.uk/regionalSeminars.asp
- In-House Training - http://www.awics.co.uk/inHouseCourses.asp
- Independent Residents' Advice – http://www.awics.co.uk/IndependentTenantAdvice.asp
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