

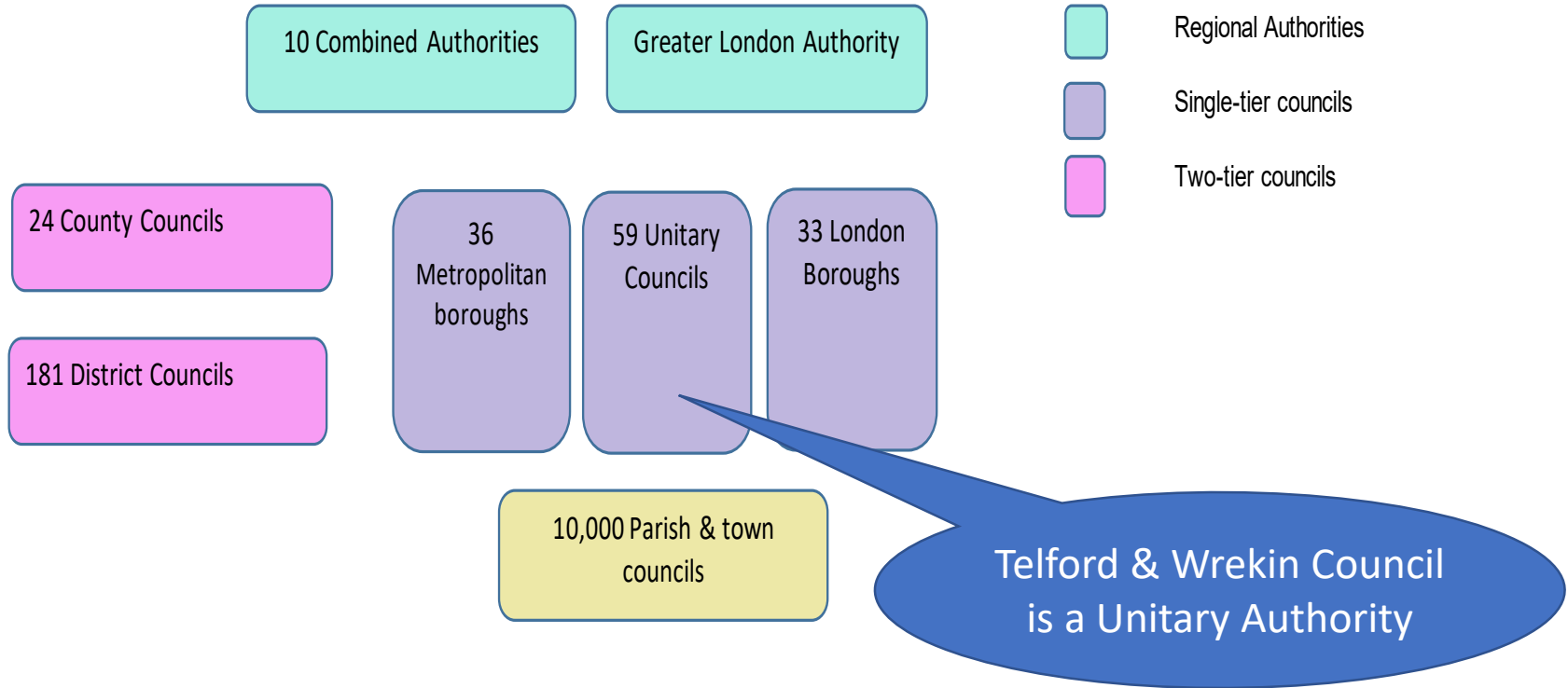


Telford & Wrekin
Co-operative Council

Protect, care and invest
to create a better borough

An Overview of How Local Government Finance Works

Local government structure in England



What We Deliver

Councils provide more than 800 services to their communities.

Unitary Authorities are responsible for the provision of all local government services for their area. In Telford & Wrekin Council this includes:

Adult Social Care	Burials	Council Tax and Business Rates collection	Elections & Electoral Registration	Housing	Local Planning
Arts & Recreation	Children's Services	Consumer Protection	Emergency Planning	Leisure Centres & Parks	Strategic Planning
Building Regulations	Community Safety	Economic Development	Environmental Health	Libraries	Parking
Birth, death and marriages	Concessionary Travel	Education & Related Services	Highways & Roads	Licensing	Public Health
Street Cleansing, Waste Collection & Recycling	Waste Disposal	Trading Standards	Tourism	Markets	 Telford & Wrekin Cooperative Council

Protect, care and invest
to create a better borough

Useful Links:

The [Council Plans and Priorities](#)

Local Government Funding

Councils need money to provide services to their community

Nationally, Local Government Expenditure represents around one fifth of all public expenditure.

Government Spending Reviews – the Government outlines its spending plans and sets overall budgets for each Central Government Department, usually for a 3 year period. This includes funding for Local Government at a national level. The last Spending Review was in 2021 (SR21) and covered the period 2022/23 to 2024/25.

Local Government Finance Settlement - each year detailed funding allocations for the forthcoming year(s) are announced by the Government for individual local authorities. Provisional settlement figures are usually announced in December and final settlement figures usually in February. This includes Revenue Support Grant and other specific grants which Council's receive.

Local Government Funding

Revenue spend is the council's day-to-day expenditure relating to the delivery of services, including salaries, wages, transport costs, maintenance costs and utility costs.

Overall, local government revenue spending is paid for by 3 main sources:

Main Sources of Revenue Funding	Telford & Wrekin 2022/23 Revenue Funding
Central Government Core Funding (also known as Revenue Support Grant)	£10.3m
Retained Business Rates	£43.3m
Council Tax	£81.4m
	<u>£135m</u>

Funding received by individual authorities varies significantly and depends on a number of factors, including the number of dwellings, the number of businesses and the service needs of the area.

Funding

Central Government Core Funding – Grant Funding

- The main grant Council's receive is **Revenue Support Grant** (RSG)
- The total available to allocate to local authorities is determined by Government.
- Since 2010, the amount of RSG allocated has reduced significantly as part of Government austerity
- RSG is allocated based on the Government's assessment of the spending needs of individual authorities
- Council's also receive other **specific grants**, for example **Public Health Grant** which must be spent on providing local public health services (defined in regulation) and **Dedicated Schools Grant** which must be spent on providing schools.

Funding

Business Rates (also known as Non-Domestic Rates)

- A business rate tax on every business premises **set by Central Government**; collected by local authorities
- The charge is based on: the **rateable value** of the premises (set nationally by the Valuation Office) and a **Business Rates Multiplier** (x pence in the £) set nationally.
- Income collected is **broadly shared 50:50** between national and local government; however the system is based on a highly complex formula, which includes:
 - a mechanism which re-distributes some funds to different authorities based on need (top-ups and tariffs)
 - a safety net to protect authorities against big fluctuations in income
 - allows some business rate growth to be retained locally

Useful Links:

[Business rates - Telford & Wrekin Council](#)

Funding

Council Tax

- Council Tax applies to **domestic properties** and is **paid by residents**
- To ensure residents only receive one council tax bill, every local area has one council which acts as the **billing authority**. This authority collects council tax for all the local organisations in an area (Police, Fire, Parishes)
- Council tax is **collected** and **retained locally**
- There are controls set by Central Government
 - Certain exemptions and discounts are mandated
 - Increases are capped each year by Government (if a council wishes to increase council tax beyond this set level, they must hold a referendum for local residents to decide)
 - Since 2016, authorities with social care responsibilities have been able to set an additional 'social care precept' to respond to social care pressures

Useful Links:

[Council tax - Telford & Wrekin Council](#)

Funding

Capital spend is money the council spends on purchasing and improving assets, such as land and buildings.

Overall, local government capital spending is paid for by 3 main sources

- Borrowing
- Capital Receipts from sale of assets
- Capital Grants

Planned capital spend and funding is included in the Medium Term Financial Strategy.

Where spend is funded by borrowing there are ongoing costs to the Revenue budget to cover repayment (including interest).

Annual Budget & Financial Planning

A local authority cannot finalise its budget plans until it knows:

- How much it needs to **spend** on delivering its services to an acceptable level
- Additional **spending pressures** it has for services developments, price increases and pay awards
- The level of **savings/additional income** it can achieve
- How much **funding** it will receive from central government

When a local council knows these sums, it can then calculate the amount it needs to collect from council tax.

Our process for setting the budget typically starts at least 12 months beforehand and budgets are considered over a medium term planning period. Where information is unknown medium term figures only provide an indication.

Annual Budget & Financial Planning

How Telford & Wrekin Council Reviews and Approves its Budget

Time Period	Process
April to August	<p>The Medium Term Financial Strategy (MTFS) Budget Model is rolled forward</p> <p>Income and Expenditure projections are refined and updated light of the previous years actuals/known changes</p> <p>Unavoidable budget pressures are identified</p> <p>The budget gap is identified i.e. the shortfall between what the council needs to spend and the funding it expects to receive</p>
September to November	<p>Detailed service budgets are updated</p> <p>The Budget Model continues to be updated</p> <p>New Savings and Efficiencies are identified</p>

Annual Budget & Financial Planning

Time Period	Process
December	The Budget Model is reviewed in light of the provisional Local Government Finance Settlement
January	<p>The Council Tax Base is set which determines the number of and bandings of properties in the Borough</p> <p>Cabinet publishes a draft Medium Term Financial Strategy for consultation (Scrutiny, Key Stakeholders, Public) . This includes the proposed budget, savings and council tax recommended for the forthcoming year.</p>
February-March	<p>Cabinet publishes the final Medium Term Financial Strategy</p> <p>Full Council debate and approval the Medium Term Financial Strategy and Council Tax for the forthcoming year</p>

Useful Links:

[Introduction - Council budget - 2022 - Telford & Wrekin Council](#)

Setting a Balanced Budget

Roles and Responsibilities of the Chief Financial Officer (Section 151 Officer)

The Chief Financial Officer has a duty to taxpayers to ensure that:

- the Council sets a balanced budget each year
- there are sufficient resources during the year to maintain a balanced budget
- the estimates are robust
- the Council has an adequate level of reserves and balances

Telford & Wrekin Council's budget complies with these requirements

The CFO must also report

- a failure to set or keep a balanced budget (by issuing a Section 114 notice)
- any unlawful financial activities

Telford & Wrekin Council's CFO has issued no reports