I reviewed the request and the topics you would like to be covered and advised the Chief Executive that we would only be able to provide a superficial response and that it would be better for the committee to seek input from another council. Given your recent email I provide below some limited comments, which I hope are of some use to the committee. I have used the bullet points in the letter from the committee convener as headings for the response.

The extent to which the current funding formula and method of distribution to local authorities is fit for purpose.
The first thought that comes to mind is transparency. At one level the arrangements are completely transparent as all the formulae used are set out in the 112 page green book published on the Scottish Government’s website. However, getting to grips with 112 pages is clearly challenging for anyone wishing to understand how government funding is distributed to the 32 councils in Scotland. For those of us involved in the process the need for a system of primary and secondary indicators to reflect differences in the needs arising from issues such as rural, urban, deprivation and remoteness is necessary and on balance I would say that it is fit for purpose.

The main issues of concern with the present distribution formula.
The main issue isn’t with any aspect of the distribution formula, rather the time and energy that is spent by local authorities, cosla and the government squabbling over the distribution. This is one of many areas of government that I find disheartening. It is good that we have a system that recognises the differing needs referred to in the previous bullet point, but we could probably provide earlier hospital treatment for a few people each year if we redirected the resource spent on debating distribution to the provision of care. There are many, many more such examples within the current system of civil servants and other public sector officers being required to negotiate with each other, and given this opportunity I would suggest that parliamentary committees might focus on how government could be simplified. Simplification doesn’t necessarily equate to fewer tiers of government and, could include devolving more power to communities. Simplification would mean keeping the transparency of the local government grant distribution system, but removing the layers of negotiation between the respective parties by placing trust in the government to distribute funding as equitably as possible. I appreciate that this may appear naive, but if looked at as part of a much wider approach to reducing the amount of interactions between a vast number of publicly funded bureaucrats it would release substantial funding to help improve schools, fund care services and improve our roads.

The current and historic balance between central government funding and locally-generated funding and the implications of this for local authorities.
Much is made of the relatively low levels of funding for which local government is responsible. The proponents of this point of view tend to ignore the income local authorities raise from charges for services as our annual budgets are always set net of those charges. In accounting terms this is a nonsense. For my own council the net budget is £200M of which 19% is funded from Council Tax. However the gross budget would be around £250M, so Council Tax and charges amount to around 35% of the income set and collected locally.
Politicians need to decide on the balance between progressive and regressive taxation methods and consult the public on these approaches as part of national election campaigns. Thereafter, the focus should be on the most efficient methods of collection. Local accountability can, and should, be centred on how the money is applied to meet local priorities.
The level of Non-Domestic Rates collected by your local authority, and how this impacts on your funding.
Moray council collected 97% of the Non-Domestic Rates for 2013/14 by 31.3.14. (Our collection rate increases to 99% following the pursuit of debts in subsequent years.) Under current arrangements our collection rate has no direct impact on our funding as the money goes to the national pool arrangement. My council would not support any move away from this arrangement.

Any ways in which the current system for collection and distribution of Non-Domestic Rates might be improved.
Legislation currently allows for no payment to be made until after September each year. This results in councils being unable to undertake debt collection activities for the first half of the year. This is not the case for Council Tax and if people choose not to pay their first instalment in April we can commence debt recovery immediately. It makes no sense for Non-Domestic Rates recovery to be delayed for 6 months, this is inconsistent with Council Tax arrangements and results in inefficiencies. Uncertainty is introduced in relation to delays in revaluations. It was agreed that revaluations would be undertaken once every 5 years. It would appear that political pressure resulted in the 2015 revaluation being deferred to 2017. The process should not allow erratic amendments to previously agreed timescales for revaluations. It would also be worthwhile to review the ‘tone date’ that is used to determine the point for calculation of the following revaluation. For example, the 2010 revaluation was calculated on the basis of a ‘tone date’ in 2008 – this was problematic as there was a recession later in 2008/09 which drove down property rentals and resulted in the values being set in the 2010 revaluation being higher than the post-recession market would support. NDR deferment scheme – Scottish Government has twice introduced a deferment scheme (the last scheme was introduced in 2012-13) which permitted businesses to defer payment of an increase in their NDR bills over a two-year period. This scheme has been very difficult to administer and has had minimal pick-up. It would be useful if SG could conduct a detailed cost-benefit analysis of any such scheme, ensuring that it is simple for LA’s software suppliers to implement.

The anticipated impact of the 2015/16 settlement on your services.
Reductions in government funding over the past 5 years have resulted in the council reducing its annual costs by around £25M. This has been delivered through a variety of measures, some of which have reduced service provision, but the vast majority has come from efficiency savings. Whilst we continue to work actively to use technology and simplify and standardise systems to generate further efficiencies, it is apparent in a number of areas that some of the staff reductions we have made have resulted in service provision being reliant on the goodwill of staff, which is not sustainable in the longer term. Some of the savings we have categorised as efficiencies will therefore need to be reviewed. The hard work and tough decisions taken to date, and the impact of an increase in population that has fed through the distribution formulae will result in a relatively light touch for the 2015/16 budget. We are not complacent and have started work with councillors on the next phase of large scale budget reductions we anticipate from 2016/17 onwards.
I trust the above comments are of some assistance and if the committee gives my council the opportunity to provide evidence again in the future, I can assure you that we will do our utmost to attend.

Yours sincerely,

Mark

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