

Local Government Association briefing Debate on local government funding

House of Commons

Tuesday 15 January 2019



KEY MESSAGES

- Councils are uniquely placed to build communities that are inclusive, cohesive and promote people's life chances. They do this by tailoring more than 800 local services to the needs of their residents, creating solutions to specific, local challenges.
- Between 2010 and 2020, councils will have lost almost 60p in every £1 of central government funding. This has created an unsustainable gap in council funding that is having a significant impact on the services which local authorities deliver in their communities.
- Councils will face an overall funding gap of £3.1 billion in 2019/20, which we estimate will rise to £8 billion by 2024/25. The pressures are particularly acute in adult social care, children's services and homelessness support.
- The extra funding in the 2018 Budget showed that the Government is listening to our call for investment to ease some of the pressure facing local services next year. This included an additional one-off £650 million for children's and adults social care, and £420 million for roads funding.¹
- There was new money from central government included in the provisional local government finance settlement for 2019/20, including £20 million to ensure no changes to the New Homes Bonus threshold. The Government also made an extra £16 million available through the Rural Services Delivery Grant.²
- We are pleased that the Government has listened to our concerns and is providing an emergency injection of £350 million for Special Educational Needs and Disabilities capital investment, and high needs budgets, over the next two years³. However, it will only partially address the pressures councils face in providing SEND support this year.
- Councils have responded to the financial challenge by streamlining services and finding new ways of operating. There are 550 shared services arrangements among councils, which have achieved £805 million of cumulative efficiency savings.⁴
- It is vital that the Government uses the 2019 Spending Review to deliver truly sustainable funding for local government. Investing in local services is good for the nation's prosperity, economic growth and overall health and wellbeing.

Briefing

FURTHER INFORMATION

The local government funding gap

Between 2010 and 2020, councils will have lost almost 60p in every £1 of central government funding. This has created an unsustainable gap in council funding that is having a significant impact on the services which local authorities deliver in their communities.

Councils will face an overall funding gap of over £3.1 billion in 2019/20, which we estimate will rise to £8 billion by 2024/25. This gap reflects the minimum funding needed to sustain services at current levels and does not assume the reinstatement of services that have been cut, or significant service improvements. The pressures are particularly acute in adult social care, children's services and homelessness support, as outlined below (and in table 1).

Our latest analysis demonstrates the pressures facing some of the most in-demand services:

- adult social care faces a funding gap of £1.03 billion in 2019/20 and £3.6 billion in 2024/25;
- children's services face a funding gap of £949 million in 2019/20, and £3.1 billion in 2024/25;
- homelessness support (including temporary accommodation) faces a gap of £110 million in 2019/20, and £421 million in 2024/25;
- Public health faces a gap of £473 million in 2019/20, and £655 million in 2024/25.

These pressures facing life-changing local services are likely to grow, mainly due to rising demand and the escalating costs of delivery. Rising demand for key statutory services such as social care and public health will continue to threaten other services our communities rely on, including libraries, cleaning streets and maintaining green spaces.

The extra funding in the 2018 Budget showed that the Government is listening to our call for investment to ease some of the pressure facing local services next year. This included an additional one-off £650 million for children and adults, and £420 million for roads funding.⁵ This money is welcome but is not sufficient to bridge the gap in 2019/20, and as one-off funding, does not address the long-term pressures facing local services.

There was some further one-off funding from central government included in the provisional local government finance settlement for 2019/20. This includes up to £20 million to ensure no changes to the New Homes Bonus threshold, and £152.9 million to cancel negative Revenue Support Grant. The Government also made some money available through the Rural Services Delivery Grant, and returned £180 million of top-sliced funding to councils from the business rates retention levy.⁶

We are pleased that the Government has listened to our concerns and is providing an emergency injection of £350 million for SEND over the next two years.⁷ This is made up of £100 million for SEND capital investment, and £250 million for high needs budgets. However, it will only partially address the pressures councils face in providing SEND support this year.

It is absolutely vital that the 2019/20 final local government finance settlement and the 2019 Spending Review delivers additional funding for local government. This will go some way to enabling councils to play a full part in the prosperity of the nation, support the delivery of the ambitions set out in the NHS Plan and through preventative work, reduce the wider costs on public services.

Raising revenue

Business rates

Business rates is a local tax, raised from local businesses, which is spent on local services across the country. Alongside Council Tax, business rates represent the largest source of income for councils.⁸ In 2018/19 business rates are forecast to raise a total of £24.8 billion, of which about £12 billion is expected to be retained by councils under the current 50 per cent business rates retention scheme. Councils want to see a reformed business rates retention system that commands confidence across the public and private sectors. In particular, it is crucial that the business rates system is responsive to local needs, fair, and incentivises local growth.

We have long called for further business rates retention. The provisional local government finance settlement for 2019/20 announced new further business rates retention pilots in 15 areas. These will enable aspects of further business rates retention system to continue to be tested prior to implementation by all areas in 2020/21.

Consultations on further business rates retention and the Fair Funding Review were published alongside the 2019/20 provisional finance settlement. We welcome the opportunity to contribute towards reform of the business rates retention system and will be submitting a response in due course.

We remain clear that extra business rates income should go towards meeting the funding gap facing local government and to ensuring that no council sees its funding reduce as a result of a new distribution system.

Council tax

Continued flexibility for local authorities in setting council tax levels will give some councils the option of raising extra money to offset some of the financial pressures they face next year. For shire districts with the lowest council tax levels the new limit does not provide any more spending power, as they can already increase council tax by 3 per cent or more due to the £5 flexibility. For many other district councils, the positive impact is minimal for the same reason. We call on the Government to offer further flexibility to these councils.

No national tax is subject to a referendum. The council tax referendum limit needs to be abolished so councils and their communities can decide how local services are paid for, through the ballot box. On its own, council tax flexibility is not a sustainable solution to the funding crisis. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on households.

Improving efficiency in local government

Councils have responded to the financial challenge by streamlining services and finding new ways of operating. For example there are 550 shared services arrangements, with councils sharing the cost of a number of different services. These changes have achieved £805 million of cumulative efficiency savings – money which is being used to protect the delivery of valued public services to local communities.⁹

Local government services have also become more efficient. For example, since 2010 council planning departments have cut spending by half. In spite of this, councils are currently approving nine in every 10 planning applications.

Councils are also sharing best practice to drive down costs. While various factors influence the cost of delivering services in different areas, there has been a convergence. For example, on the basis of spending per adult, individual local authority adult social care spending was almost 15 per cent closer to the average in 2016/17 than in 2010/11.

Table 1: the local government funding gap

The table below sets out the LGA analysis of the funding gap facing local government:

Totals - figures in £000s								
	2017/18 baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Total funding	47,870,147	48,367,298	49,736,023	49,720,264	51,276,487	52,522,746	53,759,646	55,028,112
Service-by-service								
	2017/18 baseline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Adult social care	-1,449,211	-1,225,593	-1,026,299	-2,216,589	-2,405,610	-2,751,293	-3,157,955	-3,589,012
Children's services	0	-708,150	-948,695	-1,390,047	-1,647,425	-2,045,187	-2,519,788	-3,067,064
Homelessness	0	-58,991	-109,549	-159,467	-211,682	-274,139	-343,937	-421,089
Public health	0	-296,422	-473,493	-507,737	-543,422	-580,042	-617,236	-655,320
All other services funded from core spending power	0	-523,185	-535,554	-698,280	-497,460	-429,337	-366,942	-294,993
Funding gap (17/18 corresponds to pre-existing adult social care provider market pressure)	-1,449,211	-2,812,342	-3,093,589	-4,972,120	-5,305,600	-6,079,998	-7,005,858	-8,027,478

¹ <https://www.gov.uk/government/publications/budget-2018-documents>

² <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020>

³ LGA response to additional SEND funding; <https://local.gov.uk/about/news/lga-responds-special-needs-funding-announcement>

⁴ https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf

⁵ <https://www.gov.uk/government/publications/budget-2018-documents>

⁶ <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020>

⁷ LGA response to additional SEND funding; <https://local.gov.uk/about/news/lga-responds-special-needs-funding-announcement>

⁸ Further information available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684793/NNDR1_2018-19_Stats_release_-_revised.pdf

⁹ https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf