

# Moving the conversation on: LGA Autumn Budget Submission to HM Treasury

September 2018

## About the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

This submission to HM Treasury Autumn Budget has been approved by the LGA's Chairman and the leaders of all four political groups after consideration by the LGA's Leadership Board, Executive and Resources Board.

## Overview

During the current unprecedented times the country is facing, local government is providing local stability and the leadership needed to support national government as it seeks to negotiate the best deal for our nation in exiting the European Union.

It is councils who make our local areas greener, cleaner and safer, and support and safeguard vulnerable children, older and disabled people and those who are homeless or in need. People rightly look to their council to support them and their family, and to be at the heart of their community. When asked who was most trusted to make decisions about how services are provided in their local area, 72 per cent said their local council.<sup>1</sup>

But unprecedented funding pressures and demand for key services is pushing councils to the limit. Councils have strained every sinew to play a vital role in supporting local economies and communities through a difficult few years. Local government has sustained disproportionately large reductions in Government funding over this decade, in comparison to the rest of the public sector. Between 2010 and 2020, councils will have lost 60p out of every £1 the Government had provided for services.<sup>2</sup> In 2019/20 Councils' Revenue Support Grant is due to be cut by £1.3 billion.<sup>3</sup>



# Submission

If the Government fails to adequately fund local government there is a real risk to the future financial viability of services and councils. Many local authorities will reach the point where they only have the funds to provide statutory responsibilities. The AnyCouncil narrative appended to this submission shows the very real decisions on reducing services that councils have had to make and how they are increasingly unable to provide dignified care for our elderly and disabled, protect children, boost economic growth, fill potholes, build homes, and much more.

Our analysis shows that local services face a funding gap of £7.8 billion by 2024/25.<sup>4</sup> This funding gap will already stand at £3.9 billion by 2019/20.<sup>5</sup> The funding pressures facing adults and children's social care, as well as homelessness and public health, are particularly severe.

The growing demand for these services has meant that less money is being spent on the other services that keep our communities running such as libraries, local roads, early intervention and local welfare support. This is also a false economy, and leads to increased cost pressures in other parts of the public sector.

In his Spring Statement in March, the Chancellor Philip Hammond indicated a willingness to invest in public services if finances improve. If public finances have improved, as forecasts have suggested, then it is vital that the Government addresses the growing funding gaps facing councils in 2019/20 in the Autumn Budget. The Government should close the £3.9 billion funding gap in 2019/20 and commit to a full assessment of the overall funding needs of local Government in the 2019 Spending Review and guarantee to fully fund them.

Investing in local government is good for the nation's prosperity, economic growth and for the health and wellbeing of our nation. It will boost economic growth, reduce demand for services and save money for the taxpayer and other parts of the public sector, such as the NHS. Councils have already proved this by successfully using extra social care funding to reduce delayed days attributable to social care, keeping people out of hospital so they can lead fulfilling and independent lives in their communities and close to their loved ones.

Boosting funding for early intervention support will mean fewer children will need to be taken into care, be excluded from school or develop mental health problems and more will be able to fulfil their potential leading to reduced costs to the wider public sector.

Freeing councils to resume their historic role as a major builder of affordable homes would boost home ownership, reduce homelessness and shift spending from benefits to bricks driving down the Government's housing benefit bill.

Councils are also not standing back for others to innovate and come up with solutions. Our widely lauded Social Care Green Paper – The Lives We Want to Lead – which at the time of writing has received more than 500 submissions, sets out a range of options to tackle the national social care crisis. This is just one example where local government is doing all it can to

support national government to tackle some of the most difficult issues our country has faced in generations.

The Autumn Budget now provides a crucial opportunity for the Government to take urgent action to tackle the immediate funding crisis for local government, as well as setting the scene for the 2019 Spending Review. We want to work with the Government to ensure it delivers a sustainable funding settlement for local government, and unlocks investment into prevention and early intervention alongside additional financial freedoms and flexibilities for councils.

In the LGA's submission to the Chancellor's 2018 Autumn Budget, we are calling on the Government to **close the £3.9 billion funding gap in 2019/20, and commit to a full assessment of the overall funding needs of local government in the 2019 Spending Review and guarantee to fully fund them.**

We are also calling on the Government to:

- **Accelerate work on further Business Rates Retention and the Fair Funding Review to help local authorities with financial planning beyond 2019/20.**
- **Abolish council tax referendum thresholds.**
- **Recommit to the new burdens doctrine and ensure it covers the implications of the actions of all Government departments in all circumstances.**
- **Fully fund the existing gap in adult social care in 2019/20 of £1.5 billion<sup>6</sup>, part of the £3.9 billion overall gap, and commit to proper funding in the future based on the LGA's green paper consultation.**
- **Commit to fully funding the £1.1 billion funding gap in children's services in 2019/20<sup>7</sup> so that councils can manage the rising demand for help.**
- **Provide councils with certainty and flexibilities such as removing the Housing Revenue Account borrowing cap to allow them to build the good quality homes needed locally alongside the resources to provide the associated infrastructure .**
- **Allow councils to reinvest 100 per cent of the sales receipts into building new homes, and have the powers to set Right to Buy discounts locally.**
- **Raise planning fees by the further 20 per cent as previously outlined. Beyond that, the Government must pilot local fee setting enabling councils to recover the costs of processing applications.**
- **Work with councils to attract the next generation of planners and place makers into planning departments.**
- **Reduce homelessness by enabling councils to prevent it happening in the first place, by unfreezing the local housing**

**allowance and rolling up all other funding to reduce homelessness and devolving it to councils.**

- **Fully resource councils to implement welfare reform.**
- **Give councils the funding to protect struggling bus routes by fully funding the national concessionary bus fares scheme and devolving the Bus Services Operators' Grant to councils.**
- **Commit to providing long term (at least five year) settlements for local transport infrastructure budgets, which are stable, devolved and sufficient.**
- **Give councils the ability to make apprenticeships work for the local economy by extending the two year limit to spend the Apprenticeship Levy, allowing pooling of Levy contributions, recognising the full costs of apprenticeship programmes, and allowing local areas to retain the Apprenticeship Levy underspend rather than handing it over to Whitehall.**
- **Join up funding pots and small scale initiatives across Government to minimise bidding waste and improve the effectiveness of Government activity.**
- **Set a clear direction for the UK Shared Prosperity Fund.**
- **Give councils the resources and funding to revitalise town centres and high streets.**
- **Provide financial support for any councils adversely impacted by the planned Extended Producer Responsibility reform over the next two years.**
- **Carry out a full review of the publication of statutory notices and publish the results of recent pilots for using other, modern and financially viable communication channels.**
- **Confirm it will reduce the maximum stakes on category B2 Fixed Odds Betting Terminals to £2 by April 2019 at the latest.**

## Introduction

### Local government – Efficient public services

Investing in local government is good for the nation's prosperity, economic growth and for the health and wellbeing of our nation. During the current unprecedented times the country is facing, local government is providing local stability and the leadership needed to support the national government as it seeks to negotiate the best deal for our nation in exiting the European Union.

Councils change lives for the better by growing places where people of all ages can fulfil their potential. Councils make our local areas greener, cleaner and safer, and support and safeguard vulnerable children, older and disabled people and those who are homeless or in need. People rightly look to their council to support them and their family, and to be at the heart of their community and they trust them to make decisions about how services are provided in their local area.

In addition, councils have delivered significant savings to the public purse whilst ensuring this has little impact on the quality of services provided to their residents. Councils have demonstrated that not only are they at the forefront of innovations, as these reforms are not being replicated elsewhere in the public sector, they are helping to reduce demand, and save money for other parts of the public sector.

Examples of efficiencies include:

- More than 550 examples of councils sharing services, with an estimated saving of nearly £1 billion.<sup>8</sup>
- Between 2010 and 2017 the headline rate of nationally negotiated pay awards reduced local government salaries by 13.6 per cent in real terms.<sup>9</sup>
- The number of people directly employed by local government has fallen by 878,000 over the last 10 years (30 per cent of the council workforce) whilst central government staffing has increased by 15 per cent.<sup>10</sup>
- Councils have made more efficient use of their office accommodation by rationalising their accommodation and introducing smarter working practices.
- The One Public Estate programme is an established national programme delivered in partnership by the LGA and the Office of Government Property within the Cabinet Office. By 2020, projects are expected to deliver £615 million in capital receipts and £158 million in running cost savings, create 44,000 jobs and release land for 25,000 homes.<sup>11</sup>
- Since 2009/10 councils have reduced expenditure on planning by around 50 per cent, yet are granting at least 20,000 more applications a year. Councils have also increased the proportion of applications processed in a timely manner by over 10 percentage points, to more than 80 per cent.<sup>12</sup>

- Since 2009/10 councils have driven down the cost of waste collection from £39 a tonne to £33 a tonne – an efficiency saving of 15 per cent.<sup>13</sup>
- Since 2013/14, attendances at councils' sexual health services have increased by 380,000<sup>14</sup>, whilst at the same time reducing the costs of testing and treatment by £36 million.<sup>15</sup>
- Council maintained schools outperform academies in every area of the country.
- Between July 2017 and July 2018, delayed transfers attributed to social care fell by 37 per cent. This compares to a fall in delays attributable to the NHS of 15 per cent. Delays due to NHS are about 50 per cent higher than delays attributable to social care.<sup>16</sup>

Councils are also not standing back for others to innovate and come up with solutions. Our widely lauded Social Care Green Paper, which at the time of writing has received more than 500 submissions, sets out a range of options to tackle the national social care crisis.

This is just one example where local government is doing all it can to support national government to tackle some of the most difficult issues our country has faced in generations.

## Local government funding pressures

Between 2010 and 2020, councils will have lost £16 billion of core central government funding.<sup>17</sup> Councils have gone to great lengths to ensure the savings they have been making have as little impact as possible on the quality of services provided to their residents. They have embraced efficiency and innovation in a way that is not being replicated anywhere else in the public sector. For example, nearly £1 billion of taxpayers' money has been saved by councils sharing services, in more than 550 shared service arrangements across the country.<sup>18</sup> Councils' commitment to improvement remains strong but the reality of funding reductions, rising demand and increasing inflation are having a negative impact. In response, councils have had to reduce access to some services, close facilities and raise charges for services.

Attached to this submission is our publication AnyCouncil which shows the impacts of past funding reductions and the future funding gap on the residents of a fictional but typical council. Although AnyCouncil itself is fictional, all the analysis, figures, and situations have been taken from real life situations in, randomly selected and anonymised, real life councils.

More and more councils are struggling to balance their books, facing overspends and having to make in-year budget cuts. This is damaging the financial viability of some councils and the ability of many others to provide dignified care for our elderly and disabled, protect children, boost economic growth, fill potholes, build homes, and much more. Our quarterly survey of the public shows that satisfaction with well-regarded council services has now dropped to its lowest level since tracking started in 2012. When councils are forced to reduce spending on services, it can have potentially negative longer term consequences on other areas such as prevention. This will increase the burden for the future both for councils and other organisations such as the NHS and the Police

Just to stand still and deliver the same services currently being provided – which have already been significantly cut in the last decade – councils would need an additional £7.8 billion more than they are expected to have in 2024/25. This funding gap will already stand at £3.9 billion by 2019/20.<sup>19</sup> This already assumes increases in business rates and council tax income of 2 to 3 per cent in each year between 2020 and 2025 in line with Office for Budget Responsibility assumptions, on top of full use of council tax flexibilities in 2019/20.<sup>20</sup>

**Table 1. Funding gap facing local services in 2019/20 and 2024/25**

	2019/20	2024/25
Service	£000s	£000s
Adult social care	-1,530,885	-3,556,035
Children's services	-1,108,194	-3,003,857
Homelessness	-112,774	-426,192
Public health	-460,479	-638,806
All other services funded from core spending power	-642,030	-188,682
<b>Total</b> (includes pre-existing adult social care provider market pressure)	<b>-3,854,361</b>	<b>-7,813,572</b>

The majority of councils signed up to the Government's offer of a four-year funding settlement from 2016/17 to 2019/20. The Revenue Support Grant (RSG) to councils will be almost phased out completely by the end of the decade with a cut of £1.3 billion and almost half of all councils – 168 councils – will no longer receive any RSG funding by 2019/20.<sup>21</sup> There is currently no clarity over funding levels for councils after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.

Rising demand for services and unfunded cost pressures have moved the goalposts.

In his Spring Statement in March, the Chancellor Philip Hammond said “If, in the Autumn, the public finances continue to reflect the improvements that today's report hints at, then, in accordance with our balanced approach, and using the flexibility provided by the fiscal rules I would have capacity to enable further increases in public spending and investment in the years ahead.” Latest monthly public sector borrowing figures published by the Office for National Statistics show borrowing at the end of August 2018 is at the level of £17.8 billion compared to the OBR's full year forecast of £37.1 billion.<sup>22</sup> It is vital that the Government uses this flexibility to address the growing funding gaps facing councils in 2019/20 in the Autumn Budget by:

- **Closing the £3.9 billion funding gap in 2019/20, and commit to a full assessment of the overall funding needs of local government in the 2019 Spending Review and guarantee to fully fund them.**
- **Accelerating work on further Business Rates Retention and the Fair Funding Review to help local authorities with financial planning** – councils must have as much time as possible to prepare for the implications of further Business Rates Retention and the outcome of the Fair Funding Review. At the moment it is unclear how much 'funding' there will be from April 2020, how it will be distributed, and the means of delivery. As a result, local authorities will have to make difficult decisions to manage this risk, and in some cases this will result in completely unnecessary cutbacks to services which could be avoided with more certainty. This means the

Government must announce the results of the reforms and local authority-level figures in spring 2019, rather than the summer or autumn of next year as currently planned.

- **Abolishing council tax referendum thresholds** – such referendums are a waste of public resources given the comparably small impact of the decisions. Local residents already have an effective and meaningful way to evaluate the council tax policies of local authorities, and that is through the local election ballot box.
- **Recommitting to the new burdens doctrine and ensure it covers the implications of the actions of all Government departments in all circumstances** – the direct and indirect implications of Government policies and changes in other Government departments continue to result in additional costs and demand for local authorities. There have been many recent examples such as changes to Special Educational Needs and Disability (SEND), schools transport arrangements, national insurance, and many others. Where adequate funding for such implications is not received, councils have to make difficult choices on how to make financial room by cutting back on other services, which would otherwise be unnecessary.

The following are examples of such burdens:

- The NHS pay offer is having a significant impact on public health contracts, as more than half of public health spending commissioned by local authorities is delivered by NHS staff.
- The Court of Appeal has ruled that commissioners do not have to pay the minimum wage for care workers carrying out a sleep-in shift. While this potentially removes the £400 million back pay liability that further threatened the already fragile provider market<sup>23</sup>, we still need a sustainable funding solution so that care workers are paid fairly for the valuable work they do. Any change in the law on sleep-in payments, should trigger the New Burdens process because local government as commissioners will be disproportionately affected.
- The independent review of the Mental Health Act is due in December and will include recommendations that will have resource implications for councils.
- The Chief Secretary to the Treasury's recent announcement on public service pensions made reference to increases to employer contributions. It is important that with regard to the Teachers and Fire schemes necessary funding arrangements are clarified as soon as possible. The same announcement could mean that employer contributions in the Local Government Pension scheme will have to increase after the next fund valuations in 2019 as a result of the cost management exercise. In this respect it is important that the Scheme Advisory process is given time for agreement prior to the finalisation of that exercise.

This will be the last budget before we leave the EU. At the moment, the details of the exit deal are not certain. Through our analysis of the impact of Brexit on councils, we have identified opportunities to do things differently and where cost can be saved (for example, on procurement) and the risks to local communities. We have identified a number of risks of

unfunded added responsibilities for councils (such as increased checks under our port health responsibilities, new tariffs on goods and ensuring that staff are prepared for new UK systems). Any new responsibilities or added financial pressures for councils must be fully funded.

## **Care and support**

We are all growing older and living longer which is good news. However it does mean that we require more care and over a longer period of time. This has put a strain on the adult social care system which is now at breaking point. This fact cannot be overstated. Sadly the issue has been ignored by successive governments and with people living longer, increases in costs and decreases in funding, the situation will only deteriorate.

Since 2010 councils have had to bridge a £6 billion funding shortfall just to keep the adult social care system going.<sup>24</sup>

Councils receive almost 5,000 requests for social care every day. But care home and home care companies are struggling to stay afloat. Over the last six months, more than 8,000 people have been affected by care homes or home care providers either pulling out of contracts or closing completely.<sup>25</sup>

Over recent years, councils have protected adult social care relative to other services. But the scale of the overall funding picture for local government as a whole means adult social care services still face a £1.5 billion funding gap by 2019/20<sup>26</sup>, just to maintain existing standards of care and stabilise the provider market without any additional support for people whose social care needs are currently unmet. The likely consequence of a failure to bridge this gap is more and more people being unable to get good quality and reliable care and support, which preventing them from living more fulfilling lives.

The adult social care provider market continues to be squeezed because reductions to council funding mean that some councils have been forced to keep the prices of care they commission below a sustainable level in order to protect their most vulnerable residents. The Competition and Markets Authority has come to a similar conclusion.

The sustainability of the current social care model is threatened by the shortage of a qualified workforce willing to work in the sector. With ongoing vacancy levels persisting at in excess of 90,000, Government needs to invest with renewed urgency in a strategy to equip social care with the workforce it requires.<sup>27</sup> The LGA is working on a programme of support for local authorities to encourage workers with key skills who have left the sector to return. However, significantly more investment is required to meet the existing vacancies and build the necessary future capacity.

Increased spend on adult social care – which now accounts for nearly 40 per cent of total council budgets<sup>28</sup> – is threatening the future of other vital council services, such as parks, leisure centres and libraries, which help to keep people well and from needing care and support and hospital treatment.

Action is needed following the Government's decision to delay its green paper on adult social care, which is why the LGA decided to launch its own consultation. The aim of the LGA's green paper was to kick-start a desperately-needed debate on how to pay for adult social care and to rescue the services caring for older and disabled people from collapse.

The response we have had so far has been phenomenal and highlights the importance of starting a national conversation on the difficult issue of the long-term funding of adult social care. In the immediate-term, the Autumn Budget needs to:

- **Fully fund the existing gap in adult social care in 2019/20 of £1.5 billion, as part of the £3.9 billion overall gap, and commit to proper funding in the future based on the LGA's green paper consultation.**

### **Children's services and education**

The LGA's Bright Futures campaign has warned for some time that the current situation facing children's services is unsustainable. Children's services are being pushed to the brink by growing demand for support and face a funding gap of over £1.1 billion in 2019/20 just to maintain current service levels.<sup>29</sup>

Last year saw the biggest annual increase in children in care since 2010, and councils are now starting more than 500 child protection investigations every day, on average.<sup>30</sup> Councils spent £8.8 billion on children's social care in 2017/18, an increase of 4.3 per cent (nearly £370 million) on the previous year<sup>31</sup>. This is a higher increase proportionally than any other area of council spending. Looked-after children is the single biggest pressure on children's social care, and accounts for 47 per cent (£4 billion) of overall spending on children's services.<sup>32</sup>

Vital care and support for vulnerable children is fast approaching a tipping point, after latest figures showed councils overspent by more than £800 million (10 per cent) on children's social care in the last year.<sup>33</sup>

This shows councils across the country are working incredibly hard to protect services for the most vulnerable in our communities despite significant and ongoing government funding cuts, and they continue to provide essential help and support for thousands of children and families every day. The reality is that councils cannot keep providing this standard of support without being forced to take difficult decisions and cut back on early intervention services which help to prevent children entering the care system in the first place.

The Children and Families Act 2014 introduced significant reforms to the support provided by councils and other agencies to children and young people with Special Educational Needs and Disability (SEND). The LGA was clear at the time that reforms set out in the Act were significantly underfunded. The Government has acknowledged that despite the financial challenges, councils have performed strongly in implementing the changes and we are concerned that the progress that has been made could be put

at risk as funding levels have not kept pace with rising demand. Additional funding is needed to help councils and schools respond to the significant increase in requests for support from the families of children with SEND. In the three-year period 2014-17 the number of children and young people with statements or Education Health Care Plans increased by 21.1 per cent from 237,111 to 287,290. This compares with a 3.5 per cent increase in the previous three-year period 2011-14. The increase between 2016 and 2017 was 12.1 per cent.<sup>34</sup>

The Government urgently needs to:

- **Commit to fully funding the £1.1 billion funding gap in children's services in 2019/20 so that councils can manage the rising demand for help**, while also providing the additional resources they need to support families before problems escalate to the point where a child might need to come into care.

### **Building the homes we need**

Everyone needs a decent home they can afford. A shortage of homes is one of the biggest issues we face and the impacts of too few houses in some areas are far-reaching. It damages our communities, holding back growth and the creation of jobs. The impact of poor housing on health is similar to that of smoking or alcohol and costs the NHS at least £1.4 billion a year, as well as creating housing worries that result in homelessness for too many families.<sup>35</sup>

Councils are currently providing temporary housing to over 200,000 homeless people, over half of whom are children. Last year there were 4,751 rough sleepers living on our streets, more than double the number recorded in 2010.<sup>36</sup>

With an ageing population, older people in the UK now live in a third of all homes and the vast majority of over 65s currently live in the mainstream housing market with just 0.6 per cent in housing with care.<sup>37</sup> The suitability of the housing stock for our ageing population is of critical importance to the health and wellbeing of individuals, and the capacity of public services to sustainably support healthy ageing.

While there are a number of explanations for our housing crisis, the reality is that the housing market is a complex system that is interconnected with other parts of our economy and society, and varies significantly around the country.

It is clear that councils need to be at the heart of solutions, and must be freed and empowered to play their full role in ensuring the provision of housing that supports health, jobs and community.

Instead, councils are restricted from building the homes that would meet diverse local need, increase growth, create jobs and generate tax returns and welfare savings.

More than a million households are stuck on social housing waiting lists in England. Government rules mean that councils have only been able to replace a fifth of the homes sold under the Right to Buy Scheme since 2011/12 – a loss of 46,000 affordable homes.<sup>38</sup>

Borrowing to invest in revenue generating assets would return huge financial gains, building 100,000 social homes a year would generate net savings equalling up to 0.5 per cent of GDP over 50 years.<sup>39</sup>

Instead the country is losing social rented homes, creating a range of costs across other services that will never generate a surplus – the greatest being Housing Benefit at around £24 billion each year.<sup>40</sup> Councils can only replace one in five homes sold via Right to Buy, and without major reform of the scheme their ability to replace homes will be all but eliminated within five years.<sup>41</sup> All councils must be enabled to build more homes our communities desperately need. This will ensure the long term sustainability of Right to Buy as a scheme, and ensure the provision of new homes meeting the diverse needs of older, working age, young and vulnerable people in the community.

Everyone in the business of building homes and places also wants to see an effective and well-resourced planning system to enable delivery – it will be critical to the success of the new National Planning Policy Framework and its objectives for delivery and viability. However while the number of planning applications has increased since 2010, the funding available for this service has been cut in half.

Councils have used the initial 20 per cent planning fees increase to invest in new planners to help developers build the home communities need, however they will still be in deficit by £700 million between 2017/18 to 2021/22.<sup>42</sup> It is therefore critical that the Government:

- **Provides councils with the certainty and flexibilities, such as removing the Housing Revenue Account borrowing cap, to allow them to build the good quality homes needed locally, alongside the resources to provide the associated infrastructure.**
- **Allows councils to reinvest 100 per cent of the sales receipts into building new homes, and having powers to set Right to Buy discounts locally.**
- **Raises planning fees by the further 20 per cent as previously outlined. Beyond that, the Government must pilot local fee setting enabling councils to recover the costs of processing applications.**
- **Works with councils to attract the next generation of planners and place makers into planning departments. This will be critical for creating the mix of planning, development, and design skills that will create sustainable and attractive places where people want to live.**
- **Reduces homelessness by enabling councils to prevent it happening in the first place, by unfreezing the local housing allowance and rolling up all other funding to reduce homelessness and devolving it to councils.**

## Welfare reform

Councils have a vital role in the welfare system, both in administering benefits and in the provision of support to claimants, including those on Universal Credit. Councils' revenues and benefits services are crucial to the effective functioning of the wider welfare system, and to supporting financial inclusion and resilience. Councils are also uniquely well-placed to integrate welfare and financial inclusion with housing, employment and health. However these services are increasingly under-resourced and face continued uncertainty in the context of Universal Credit and wider welfare reform.

It is now apparent that councils will retain responsibility for Housing Benefit for both Temporary Accommodation and Supported Accommodation, as well as pensioners, until at least 2023. The Housing Benefit Administration grant to councils only currently meets an estimated 36 per cent of the cost of delivering Housing Benefit, and councils are finding it increasingly challenging to fund and deliver the wider welfare safety net in the context of both increased pressures on low income households, and dwindling human and financial resources.<sup>43</sup> It is vital that the Autumn Budget:

- **Fully resources councils to implement welfare reform.**

## Transport

Over 2,000 bus services have had to be reduced, altered or withdrawn across the country since 2010.<sup>44</sup>

Nearly half of all bus routes in England currently receive partial or complete subsidies from councils and are under threat. Councils in England face an overall funding gap that is expected to reach almost £4 billion by 2019/20.<sup>45</sup> Faced with such ongoing and significant funding pressures, councils will struggle to maintain current subsidies for bus routes across the country.

This could leave our most vulnerable residents isolated and unsupported, as well as cause increased congestion and poorer air quality in local communities. The Autumn Budget needs to:

- **Give councils the funding to protect struggling bus routes by fully funding the national concessionary bus fares scheme and devolving the Bus Services Operators' Grant to councils.** We estimate that councils are spending at least £200 million a year to subsidise the scheme – which provides free, off-peak, travel for elderly and disabled residents.<sup>46</sup> This comes at the cost of other discretionary subsidised bus services, and other local services like collecting bins and filling potholes.

Councils support the National Infrastructure Commission's recommendation on giving local authorities long term funding certainty over transport spending. Their National Infrastructure Commission recommended that local transport authorities outside London should have stable, devolved infrastructure budgets, as Highways England and Network

Rail have. This devolved budget should comprise of five year settlements, with fixed annual budgets set at least two years before the start of the five year period. This budget should be sufficient to cover all maintenance, small to medium enhancement projects and programmes to deploy or pilot new smart infrastructure technologies. The Government needs to:

- **Commit to providing long term (at least five year) settlements for local transport infrastructure budgets, which are stable, devolved and sufficient.**

### **Apprenticeship Levy**

It is estimated that the Apprenticeship Levy costs local government as a whole £207 million a year<sup>47</sup>, plus an extra £400 million in associated costs such as procurement, salary and administration.<sup>48</sup> National policy requires that the levy is spent against 'apprenticeship standards' within two years, but some key standards are not currently in place or have limited providers approved to deliver them. It does not allow Levy contributions to be planned for and fully pooled locally, and has set out that any Levy funds unspent within 24 months must be returned to the Treasury rather than being retained and recommissioned locally.

More than £1.28 billion of funds collected through the Apprenticeship Levy are sitting unused in National Apprenticeship Service accounts, according to new data analysis commissioned by the Open University.<sup>49</sup> One year on from the introduction of the Apprenticeship Levy, organisations have paid in more than £1.39 billion but only withdrawn £108 million.<sup>50</sup> Employers are struggling to fully utilise the funding.

We welcome the Government's openness to explore how the Levy can be used more flexibly. Specifically we are calling for:

- **An extension on the two year limit (from April 2017) to spend the Levy against key standards for local authority workforces some of which have only just been approved or are still in development.**
- **The power for local areas to pool Levy contributions, with an immediate ability to transfer beyond the current 10 per cent limit.**
- **The power for local areas to use the Levy more flexibly to recognise the full costs of apprenticeship programmes including on pre-apprenticeship training so long as there is a final apprenticeship outcome.**
- **Local areas retaining the Levy underspend rather than handing it over to Whitehall.**

### **Economic growth**

Councils are uniquely placed in understanding the needs of their communities and local economies. Therefore, councils and local areas need public funding and investment to be flexible, with minimum central government prescription and rules, and with maximum certainty.

LGA research shows that more than £23 billion of public money is spent on growth, regeneration and skills which is spread across 70 different national funding streams and managed by 22 government departments and agencies.<sup>51</sup> Too much central government funding remains subject to competition.

This creates uncertainty, duplication, confusion, wastes public money and creates unnecessary delays in getting projects off the ground. It also inhibits councils' efforts to lever in private sector investment. The Government needs to consolidate and devolve funding and responsibility to local areas to enable councils and businesses to work together to help create sustainable, cohesive and successful communities in all parts of the country.

For instance, research by Essex County Council found that had European funding been devolved into a single pot, rather than centrally held, the yield for Essex could have been 10 per cent, or £33-50 million, higher by 2021.<sup>52</sup> This could have supported an extra 117 businesses to improve competitiveness, 60 business start-ups, 155 jobs and 560 people acquire skills for work or improve life chances.<sup>53</sup> Moreover, with a freer hand to target resources to local needs, reflecting the needs expressed in the European Structural and Investment Funds plan, an additional 2,100 jobs could have been created and 700 in-work progressions secured through apprenticeships, augmenting the economic impact to Essex by £20 million by 2021.<sup>54</sup> The Government therefore needs to:

- **Join up funding pots and small scale initiatives across Government to minimise bidding waste and improve the effectiveness of Government activity.** Without clarity on the UK replacement for EU funds, investment worth £5.6 billion to local communities in England (2014-20) is in doubt.<sup>55</sup> The Government's replacement of EU funding should be a localised, place-based, flexible fund that is outcomes driven and integrated with other inclusive growth strategies and funding. It needs to provide at least the same long term stability and quantum of funding that the 2014-20 EU funding programme provides. At the time of writing, the Government's planned consultation on UK Shared Prosperity Fund (UKSPF) had not yet been published. It is essential that this consultation commences immediately to ensure that there is adequate time for local areas to prepare for the UKSPF to be operational on 1 January 2021. The Government must:
- **Set a clear direction for the UK Shared Prosperity Fund** – this process should include details on the quantum and processes in the allocation of the government's replacement funding in the event of a 'no deal' Brexit to ensure that there is no gap in funding in this scenario.
- **Give councils the resources and funding to revitalise town centres and high streets.** High streets up and down the country are changing rapidly as retail habits evolve and major stores continue to fail or contract, resulting in empty stores, lost jobs and reduced footfall for remaining businesses. Councils are working hard to protect their town centres from long-term decline. They are

doing this through repurposing their places towards residential living, the night-time economy, and as social hubs. Improvements in the public realm, and investment in vital town centre infrastructure costs councils. Local economic growth is a discretionary service – to protect vital jobs and revitalise town centres councils need long term stable funding.

## **Waste and recycling**

Councils have an important role in achieving the ambitions set out in the Government's 25 year plan for the environment, including on flooding, air quality and minimising waste

The Government is due to launch a major consultation on Extended Producer Responsibility (EPR) reform. This could significantly impact on what council waste and recycling services look like in the future. New secondary legislation could be in place by spring 2021.

However, DEFRA have identified around 70 councils who will be re-letting their waste contracts over the next two years.<sup>56</sup> These councils will have to re-let their contracts at a disadvantage as they will not be able to commission against a future landscape. They may also incur additional costs if the contracts they let over the next two years need to be redesigned to meet the needs of any EPR reform.

All of these are unnecessary costs which councils will have to incur. Government should:

- **Provide financial support for any councils adversely impacted by the planned Extended Producer Responsibility reform over the next two years.**

## **Public Notices**

- **The Government must carry out a full review of the publication of statutory notices and publish the results of recent pilots for using other, modern and financially viable communication channels.** This will help widen the access to the notices and increase people's engagement with decision-making that affects their local communities. It will also save councils and businesses significant amounts of money

## **Fixed Odds Betting Terminals**

In May, the Government announced that it intends to reduce the maximum stakes on Fixed Odds Betting Terminal (B2 gaming) machines from £100 to £2. This is something that the LGA and others have been calling for several years, and we welcomed the news. It remains unclear when the Government will introduce the reduced stake. Delaying the introduction of a £2 stake would unnecessarily delay a measure which Government has recognised is necessary to protect vulnerable people and the communities where FOBTs are concentrated. We are therefore calling on the Government to:

- **Confirm it will reduce the maximum stakes on category B2 Fixed Odds Betting Terminals to £2 by April 2019 at the latest.**

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# Moving the conversation on: LGA Autumn Budget Submission to HM Treasury

September 2018

Appendix – Analysis of AnyCouncil

## Introduction

1. By 2020, local authorities will have faced a reduction to core funding from the Government of nearly £16 billion over the preceding decade. That means that councils will have lost 60p out of every £1 the Government had provided to spend on local services in the last eight years. In 2019/20, 168 councils will receive no Revenue Support Grant at all.
2. Councils have responded to the financial challenge by innovating, reimagining and changing the ways they work to deliver significant savings and efficiencies. But there is only so much that they can do in the face of such large reductions in Government funding, increasing demand for their services and without the local discretion to do things differently. In spite of all the best efforts of local government, the reality of £16 billion of funding reductions and increasing inflation are having a negative impact and residents are seeing and feeling the consequences of these cuts.
3. Although AnyCouncil itself is fictional, all the analysis, figures, and situations have been taken from real life situations in real life councils selected randomly using a statistical technique. This has then been anonymised by combining and averaging.
4. AnyCouncil represents a single tier all-purpose council to reflect the range of services local authorities provide.
5. Figures for the future funding gap have been calculated using published figures for 2017/18 as a starting point.

## The challenge facing AnyCouncil this decade

6. AnyCouncil, like other councils, has experienced reductions in core funding from central Government. Core funding is defined here as revenue support grant and retained business rates.

Table 1: AnyCouncil Annual Reduction in Core Funding<sup>1</sup>

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Core funding	116.7	109.4	96.1	85.0	80.5
Year-on-year reduction		7.3	13.3	11.1	4.5

7. This table shows that the council received reductions in core funding from central Government in each year. In 2017/18 core government funding was **£36.2 million lower than in 2013/14**.
8. The above figures are all cash reductions. At the same time the council will have had to deal with the effects of inflation which according to recently published ONS statistics on the consumer price index show a rise of 6.7 points from 2013 to 2018. AnyCouncil will have had to absorb inflation costs. If the inflation absorbed is equivalent to cost increases of 6.7 per cent over the period 2013 to 2018, which seems likely to be a reasonable estimate based on these figures, given a starting point of revenue spending of over £217 million in 2013/14 AnyCouncil will have had to make **further savings equivalent to approximately £14.5 million** just to stand still since 2013.
9. As well as inflation, AnyCouncil has faced increasing demand for its services. An ageing population means that demand for adult social care services has risen in line with national trends. AnyCouncil is having to deal with increasing numbers of children's social care cases. Nationally 270 children taken into care or placed on a child protection plan every single day to keep them safe from harm.
10. In addition to these, AnyCouncil has had further burdens placed upon it by having to absorb the impact of policy and legislative changes. These have either resulted in further funding reductions or have created burdens that have placed additional pressures on the council. Examples include the localisation of council tax support, the costs of funding the national living wage, increases in pension contributions, national insurance changes, costs from the Homeless Reduction Act, costs from Deprivation of Liberty Safeguarding (DOLS), Special Educational Needs and Disability changes, increases from insurance premium tax, increases in landfill tax, and the costs of the Apprenticeship Levy.

<sup>1</sup> Figures taken from annual statistics on Local Authority Revenue Expenditure and Financing published by MHCLG : <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

11. Based on the cash and inflation figures alone, AnyCouncil will have had to deal with funding reductions and inflationary pressures that combined are **over £50 million per year**, which is equivalent to about a quarter of its current spending. As outlined above, this sum represents only part of the pressures AnyCouncil has had to deal with

12. This £50.7 million is equivalent to £215 for each resident. Based on national averages, the services that AnyCouncil could fund each year with the £50.7 million it has lost would be **all of the following**

- a. Over 1 million hours of home care provision
- b. Over 12,500 weeks of care for the elderly
- c. At least three average-sized libraries kept open
- d. Over 130,000 pot holes filled

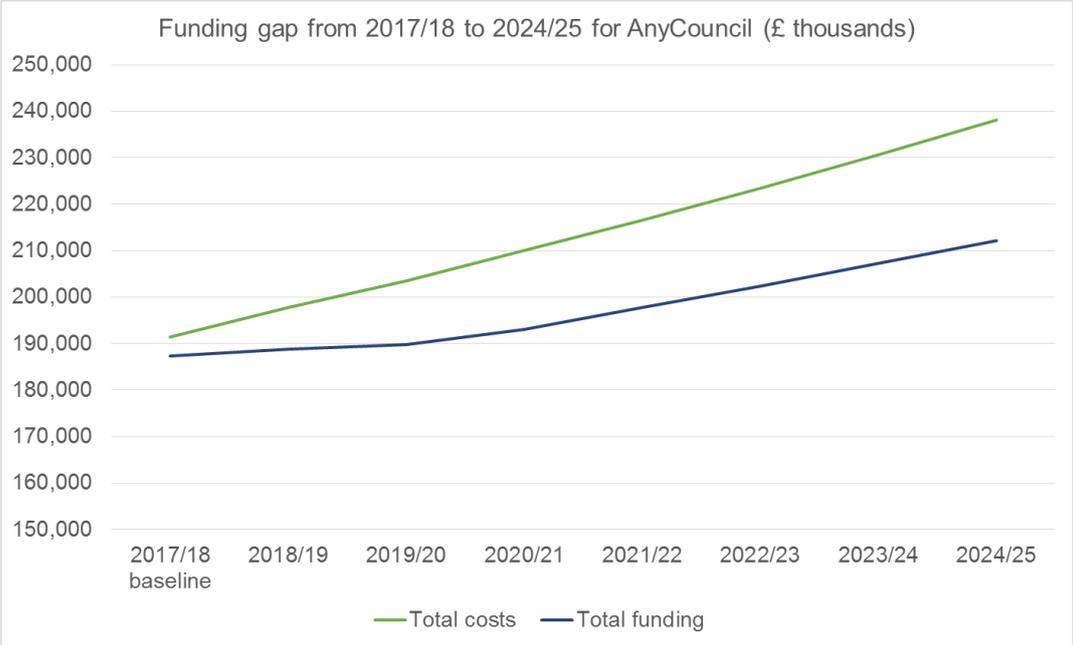
In addition it could also have employed the following additional staff to directly provide services to its residents

- e. 460 care workers
- f. 350 nursery assistants
- g. 180 social workers and
- h. 30 school crossing patrol assistants

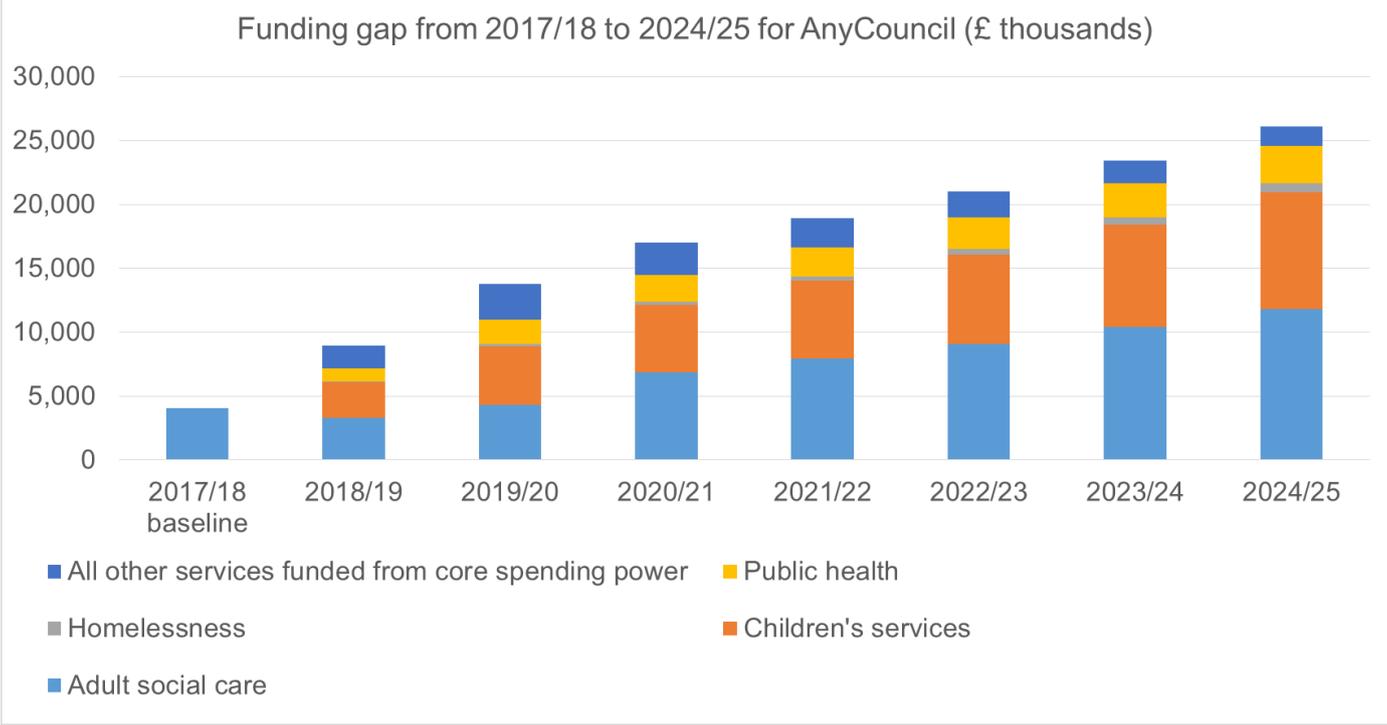
13. The above figures demonstrate how significantly different the services AnyCouncil could have provided in 2017/18 if its funding had not been cut in the period 2013 to 2018. The above mix does not represent the choices that AnyCouncil would necessarily have made – that would have been down to local decisions based on local priorities – but it shows the scale of the challenge and the kind of impact on services to residents.

**The Future - AnyCouncil Future Funding gap**

- 14. Looking to the future, the LGA has undertaken analysis of the likely funding projections for councils and of the cost pressure facing them. This analysis was published in our report [Local Government funding - Moving the Conversation On](#).
- 15. Our analysis shows that local services nationally face a funding gap of £7.8 billion by 2025. This funding gap is the difference between the estimated cost of providing services in 2024/25, and the estimated income available to fund local services in 2024/25. 2017/18 funding is taken as a starting point and assumptions applied to the future path of income thereafter. Costs are calculated in the assumption of the same level of access and quality in 2025 as in 2017/18. This gap corresponds to keeping local authority services 'standing still' and only having to meet additional demand and deal with inflation costs. It does not include any extra funding needed to improve services or to reverse any cuts made to date.
- 16. The chart below shows the projected funding gap for AnyCouncil of £9 million in 2018/19. In 2019/20 AnyCouncil faces a gap of £13.8 million. Although funding is projected to rise in line with inflation, costs will rise at a faster rate. As result, by 2024/25, AnyCouncil is forecast to face a funding gap of £26.1 million. This represents about 12.5 per cent of its current net revenue expenditure excluding schools and is £111 for each resident.

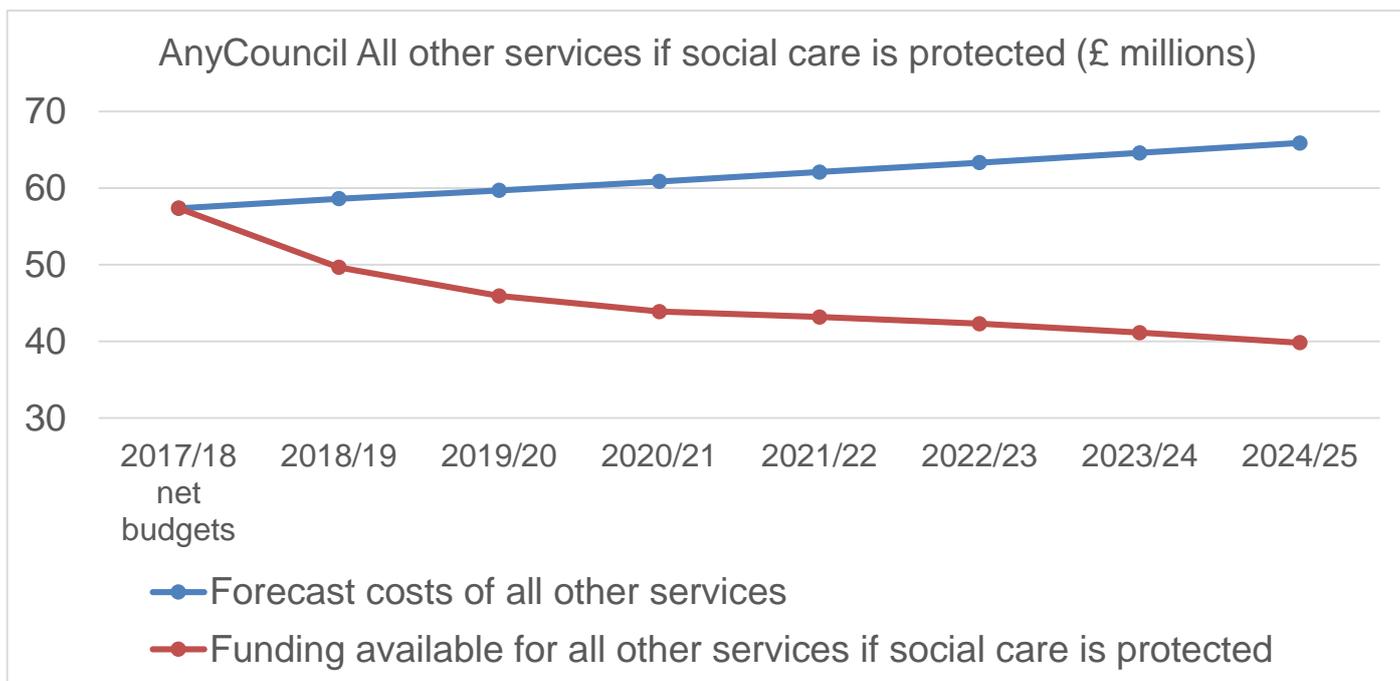


The funding gap can also be shown broken down over individual services as follows:



17. This chart shows that the increasing costs of adult social care and children’s social care contribute by far the majority of the funding gap. These are the areas that AnyCouncil has striven to protect in the past and which have a big impact on other public services (such as health).

18. Assuming AnyCouncil has to continue to protect adult social care and children’s social care then the impact on other services will be proportionately greater as shown in the chart below, which shows annual spending reducing from £53 million in 2017/18 to just under £40 million in 2024/25, while the estimated cost of these services standing still would be nearly £66 million, a shortfall of £26 million.



19. This level of reduction must have a big impact on the services AnyCouncil will be able to provide and this follows the very substantial reductions already made as illustrated above. £26 million, the total annual savings it needs to make by 2025, is equivalent to what it spent last year on all Environmental and Regulatory services, combined with all spending on Highways and Transport. Clearly it is not a realistic scenario to assume that all or the majority spending on these areas can cease; spending in Highways and Transport has already been cut in half this decade.

20. In the immediate term, the savings necessary for next year, 2019/20 are nearly £9 million. This is equivalent to annual spending on cultural and related services or spending on Housing that is not part of the HRA (such as costs of homelessness).

21. AnyCouncil holds usable reserves of £50 million, though these have reduced by £12 million over the past four years. Even if AnyCouncil were able to apply these reserves to cover the funding shortfall identified above, these reserves would only last until 2020/21. In reality it could not do this even if it wanted to. Many of these reserves have to be held to cover existing situations – such as insurance liabilities – or capital investments to enable services to continue. The reality is that without additional funding from 2019/20, AnyCouncil will be forced to make further significant reductions to the services that it provide for its residents.

### What the Government can do

22. The 2018 Autumn Budget and 2019 Spending Review provide the opportunity to solve local government funding problems. In the short term the Government must close the £3.9 billion funding gap for all councils; this would mean additional funding of £13.8 million for Any

Council. It should also commit to a full assessment of the overall funding needs of local Government in the 2019 Spending Review and guarantee to fully fund them.

### **AnyCouncil – background base information**

1. Based on a collection of different single tier councils selected at random and then averaged, the base information for AnyCouncil in 2017/18 is as follows:
  - a. Population: 235,263
  - b. Revenue spending 2017/18 £319 million (£1,358 per resident)
  - c. Revenue spending 2017/18 excluding schools £199 million (£846 per resident)
  - d. Total core government funding of £80.5 million (£342 per resident) – revenue support grant and retained business
  - e. Council tax 2017/18: £83 million (£351 per resident)
2. At the end of 2017/18 AnyCouncil held unringfenced usable reserves of £50 million, of which £38 million were earmarked and £12 million were unallocated. This is £12 million lower than the level of reserves it held four years ago, since when it has been slowly drawing on its reserves to support its budget.
3. As a single tier all-purpose council, AnyCouncil is responsible for providing the following services to its residents:
  - a. Education services
  - b. Highways and transport services
  - c. Children Social Care
  - d. Adult Social Care
  - e. Public Health
  - f. Housing services
  - g. Cultural and related services
  - h. Environmental and regulatory services
  - i. Planning and development services
4. AnyCouncil is not directly responsible for local Police and Fire services.