



Lifting the Fog: Council Funding and the Spending Review



GIVE ENGLISH COUNCILS CERTAINTY TO PLAN FOR THE FUTURE

Total Funding

Sustained cuts put council services at risk in 2019-20 and beyond

As we race towards an uncertain future, many funding assurances are being made by Government, on health, infrastructure and security.¹ No such assurances have been made for local government, yet analysis by the LGA² and accountancy firm PWC,³ confirm an increasing and unsustainable funding gap, with our members the worst affected group.

Estimated funding gap for English councils



Estimated funding gap per English household⁴



Government must heed the warnings of the LGA, the NAO and Select Committees.⁵



"A third of councils fear they will run out of funding to provide their statutory services – such as adult social care, protecting children and preventing homelessness – by the end of this Parliament."

LGA Survey Summary 2 July 2019



"As funding continues to tighten for local authorities and pressure from social care grows, there are risks to statutory services"

National Audit Office The financial sustainability of local authorities 2018



"[The Ministry's] monitoring is not focused on long term risks to council finance and therefore to services."

Public Accounts Committee 97th report of the session 2017-18

All analysis confirms that funding is still reducing and service demand increasing rapidly, creating an **ever widening funding gap**. This must be addressed at the Spending Review.



Child Protection Assessments since 2010⁶



Cut to local government since 2010⁷



Population aged 75+ since 2010⁸

Fair Distribution

Funding must be shared fairly between authorities according to need

A total cut to local government since 2010 of over £16 billion represents a 28% real terms cut to their spending power nationally. But this has not been born equally. Funding policies mean that council areas with a strong council tax base, high value housing and buoyant local businesses have lost less, whilst more vulnerable areas have borne a greater burden. The residents of the urban councils we represent have consistently lost out most.



The Government's official measure also fails to recognise all the income available to councils as a result of Government policies. The above reductions have been harsh for all authorities but the official record of cuts does not recognise the amount that some authorities have increased funding annually through retention of business rates growth.



County areas are often portrayed as facing the greatest pressures. Our analysis suggests that County and District councils, which together share equivalent responsibilities to single tier councils and so can only be fairly considered this way, have been relatively protected. So, it is the tier split of growth income between districts and counties and the latter's responsibility for care services that is the main cause of this pressure rather than under funding relative to other types of upper tier council.

Urban Metropolitan and Unitary authorities have suffered the greatest cuts in funding, have benefited least from growth and face greater pressures from the rising cost of care services. This must be recognised in future distributions of funding.

Our Asks

Key calls on Government as part of the Spending Review

We agree with the LGA who say that Councils can do so much more to transform their local communities if Government seizes the opportunity to give us the powers and funding we need to deliver the quality services residents expect and deserve.

This opportunity must be extended equally across all parts of the country, taking account of local circumstances and recognising local challenges as well as rewarding effort. Our ask of the new administration is to match our ambition to support the communities we serve and boost local investment with an equivalent commitment. Give local government the sustainable funding it needs to deliver that ambition. Invest to help us give our communities new opportunities to thrive and rebuild a sense of pride, optimism and hope for the future.



Time is running out for local government 2020 planning. Further delay puts service delivery plans at risk. Local government needs assurances now that funding in 2020 will be the same or better.



The total amount of funding needs to recognise the increased costs of services and match the £8 billion funding gap for existing services by 2025.



Equalisation of funding according to needs and recognising differences in council resources is essential. New formula should not be manipulated to address the problems of tier splits in some areas.



Balanced infrastructure investment is needed across the country to release the potential of the regions and realise the Government's aims for local self sufficiency.

2025



A long term vision and road-map is needed for local government services which removes the need for one-off reactive funding and gives a clear view that allows authorities to plan for the future

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End note references included herein are to the End Notes page, found in the PDF version of this document available on the SIGOMA website.

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End notes

- 1 PM Pledges £1.8bn for hospital upgrades - BBC 4/8/2019; Recruitment of 20,000 new police officers to begin within weeks - BBC 26/7/2019.
- 2 LGA "Councils Can" 25/7/2019 - www.local.gov.uk
- 3 Independent review of local government spending need and funding - PWC commissioned by the CCN April 2019.
- 4 Using data from table 4 of PWC report and numbers of households from 2019-20 Core Spending Power tables [MHCLG].
- 5 LGA-Local Government Association; NAO - National Audit Office; Committees include the Public Accounts Committee and the Housing Communities and Local Government Committee both of which have been critical of the Departments ability to assess the capacity of councils to deliver services under continuing funding reductions.
- 6 Extracted by SIGOMA from NAO table data on financial sustainability of local authorities 2018 data visualisation.
- 7 Department for Education 2019. Characteristics of Children in need 2017-18 and 2009-10. Number of s47 enquiries which started during the year ended 31 March. Government statistical collection children in need.
- 8 Extract of Office for National Statistics Mid 2015 population estimates. 75 is used as an approximation of disability free life expectancy. Other factors affect the cost of adult care to councils, such as working age disability and localised deprivation.
- 9 Extracted by SIGOMA from MHCLG tables on business rate growth and their 2018-19 tool for estimating business rates income retained by authorities. This includes additional growth retained by pilots against an adjusted baseline. Detail as follows.

Additional income from business rates growth 2018-19	Shire council areas	All unitary council areas	London council areas	SIGOMA councils in municipal areas
Funding need £million	3,346	2,653	2,901	4,440
Rates growth £million	777	434	675	444
Percentage above need	23%	16%	23%	10%