

Debate on MHCLG spending estimates

House of Commons

Tuesday 2 July 2019



KEY MESSAGES

- 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, public health and homelessness support. Overspends in these services have forced councils to make in-year budget cuts to balance their books.
- Residents' satisfaction with local services has remained relatively high in recent years, despite the funding reductions councils have dealt with. However, there are signs of this satisfaction decreasing.
- Councils have responded to the financial challenge by streamlining services and innovating. There are 550 shared services arrangements among councils, which have achieved £805 million of cumulative efficiency savings.¹ Local government has all but exhausted the potential for substantial savings, and new investment is now urgently needed.
- National political uncertainty and an unresolved Brexit means the chances of the Government carrying out a three-year Spending Review in 2019 look increasingly unlikely. Councils urgently need some certainty about how local services will be funded next year.
- It is vital that the Government uses the 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

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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.

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.

It is absolutely vital that the Government delivers additional funding for local government through the 2019 Spending Review. 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 reduce the wider costs on public services.

Future funding certainty

There is currently no certainty of funding for local government beyond this financial year. Questions remain over the following areas:

- The continuation of funding streams within core spending power such as the Better Care Fund and the New Homes Bonus;
- The impact of the Fair Funding Review on distribution of funding;
- The impact of the new business rates retention system and the associated 2020 reset;
- Proposals for funding adult social care; and
- The overall level of funding for the sector.

The Government should announce the results of the Fair Funding Review (which will take the form of funding shares), even if in indicative form, immediately. There is no need to wait for a Spending Review to publish the results of the Fair Funding Review as the Spending Review will not change how the funding is shared.

Income from business rates and council tax will not be sufficient to provide full and sustainable funding for council services. Any resources allocated to councils by central government should be sufficient to bridge the funding gap and meet current pressures, future pressures and new burdens. The LGA's Green paper on adult social care sets out the need for new sources of income to fund care services going forward.

The introduction of multi-year financial settlements for local government was a welcome step. To be relevant in the future where revenue support grant is rolled into retained business rates, multi-year settlements must include all funding allocated to councils by central government.

Whilst multi-year settlements are positive, they still have a 'cliff-edge' going into the final year of a settlement, like the one being experienced by councils in 2019/20 and

potentially next year if there is a one year Spending Review. The problem could potentially be overcome with rolling multi-year settlements in the future.

The impact on council services

Adult social care

Our latest analysis indicates that adult social care faces a funding gap of £1.03 billion in 2019/20 and £3.6 billion in 2024/25. The adult social care and support sector is at breaking point and this is having a series of negative impacts. It is impacting on the quality of life of people who have care needs. It is also creating a fragile provider market, putting the care workforce and unpaid family carers under further strain, and impacting on social care's ability to help mitigate demand pressures on the NHS.

The delayed publication of the Government's social care green paper is disappointing. In the absence of the Government's green paper, the LGA produced its own. *'The lives we want to lead: the LGA green paper for adult social care and wellbeing'* was published in July 2018 and posed a series of questions covering social care, public health and wider wellbeing.²

Children's services

Our latest analysis reveals that children's services face a funding gap of £949 million in 2019/20, and £3.1 billion in 2024/25. A recent assessment of children's services shows that a total of 133 out of 152 councils (88 per cent) were forced to spend more money than they had planned to on children's social care in 2017/18. This amounted to an overspend of £806 million. The number of councils spending more than they budgeted for indicates the immense pressure they are under to support vulnerable children and young people.

This increase in spend is primarily driven by large increases in the number of children and young people in receipt of services from children's social care, and particularly those in receipt of statutory child protection support.

SEND

Councils are concerned about the Government's proposed changes to high needs funding. These will reduce council and school flexibility to make additional funding available where there are rising demand pressures for special educational needs and disability (SEND) support. The proportion of pupils with SEND who attend special schools continues to increase. While it was good the Government announced money for SEND in December 2018, councils still face an estimated funding gap of up to £1.6 billion by 2021.³ We are concerned that unless sustainable funding is made available, councils will not be able to meet their statutory duties to support children with SEND.

Trading Standards

Trading standards, environmental health and licensing teams support local businesses by helping explain legislation around regulation and protecting them from rogue traders. Councils ensure that resource is focused on working with higher risk activities and non-compliant businesses.

Analysis by the Chartered Trading Standards Institute (CTSI) shows that since 2010/11, the average budget for trading standards services has nearly halved. In 2017/18, local authority trading standards had on average £785,000 to carry out vital enforcement work, down from over £1.34 million at the start of the decade.⁴

Homelessness

Our latest analysis demonstrates that homelessness support (including temporary accommodation) faces a funding gap of £110 million in 2019/20, which will rise to £421 million in 2024/25.

According to the latest official figures there are 82,310 households in need of temporary accommodation and other forms of support from local authorities. This number includes over 123,000 children, which represents the highest number of children without a permanent home since 2007.⁵ The rising number of people across the country needing support to secure temporary accommodation, or to remain in their homes, is putting a strain on council homelessness budgets which are already facing substantial financial pressures.

Widening the sources of funding

Local authorities should be less dependent on Government decisions for their funding. The potential increase in funding due to expanding business rate and council tax bases would be a welcome improvement on sustained reductions in Government grant.

Local authorities need to be given more freedom and flexibilities on both council tax discounts, and more discretion on business rates reliefs (over 90 per cent of business rates relief is mandatory). The council tax referendum limit needs to be abolished so councils and their communities can decide how services are paid for.

Governments continue to tinker with what are supposed to be local taxes, through introduction of various reliefs. Councils are normally compensated but that still leads to challenges. For example, the expansion of the small business rates relief means that councils will not see any direct financial benefit from new small businesses.

Demand and inflation pressures on councils' budgets mean that council tax and current plans for business rates retention alone will not be sufficient to sustainably fund the sector. Some form of additional funding, or further localisation of taxes, will be needed in future years. If local areas are given freedom and control over their own finances, and the responsibility for growing their local economies, they will be able to take a new approach to funding services in the future.

¹https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf

² [The lives we want to lead: the LGA green paper for adult social care and wellbeing](#)

³ <http://www.isospartnership.com/uploads/files/LGA%20HN%20report%20corrected%2020.12.18.pdf>

⁴ <https://www.tradingstandards.uk/media/documents/news--policy/surveys/ctsi-workforce-survey-2017.pdf>

⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764357/TA_Tables.xlsx