

Overview of the LGA's spending round submission



April 2013

1. Introduction

Prior to the 2013 Budget the LGA submitted [proposals](#) to the Treasury setting out our recommendations for the Spending Round. This submission builds on that foundation, is informed by work that we have been doing with our member councils and sets out specific proposals for change which would help councils play their part in delivering great public services.

Councils are already dealing with a 33 per cent cut in funding from central government. This has led to reductions in local services and we are currently facing a funding gap of around £15 billion in 2019/20. Unless there is the flexibility to change, across both central and local government, any new cuts next year and beyond will have a significant negative impact on local communities, particularly as the rising demand for and cost of services such as adult social care and the National Insurance costs of pension reform will soak up an increasing share of local government funds.

In the Budget the Chancellor announced further reductions of 1 per cent in departmental expenditure limits for 2013/14 and 2014/15 for non-protected budgets. Local government will be protected from the impact of these further cuts in 2013/14. The Government also confirmed that total spending in 2015/16, 2016/17 and 2017/18 will continue to fall in real terms at the same rate as during the Spending Review 2010. This submission reflects those announcements.

We consider that the only way of maintaining public services in the face of the proposed long-term cuts is by undertaking a radical transformation of the way they are provided and paid for. This has to be based on the idea of allowing local areas to design services around the needs of people and communities. Extending the adoption of the whole place Community Budgets model by other local areas would be a major step in that direction.

We believe that this year's Spending Round therefore needs to accelerate progress to update the financing regime for local government, create an ambitious single pot for local growth as proposed by Lord Heseltine, at least maintain NHS investment in social care, ensure schools work with councils to support early intervention, facilitate a joint place-based approach to public sector transformation through Community Budgets, and enable councils to build more affordable homes.

Local government has a vital role to play in securing future national prosperity, health and stability and our proposals are brought forward in a spirit of constructive dialogue. We want to work closely with the Government knowing that this Spending Round will provide the foundation for future settlements. This overview therefore focuses on our priorities for change. It is supplemented by a set of single subject documents which provide the detail of our response for relevant government departments and partners. Inevitably there is some duplication between these in order to retain their integrity. Our priorities are:

- Financial stability and sustainability
- Councils' contribution to economic growth

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- Integration of adult social care and health
 - Early intervention and growing need in children's services
 - Investment in housing
 - Managing the community impact of welfare reform
 - Maximising efficiency through Community Budgets

2. Financial stability and sustainability

Local government has had the steepest reductions over the current Spending Review with a reduction of 33 per cent in real terms. We believe that the current financial position of most councils is unsustainable in the medium to long term. Unless something changes councils will start to fail their communities and no longer provide the local services people care as much about as health and education solely because of financial instability.

Initial analysis suggests that for 86 councils (these councils are not confined to specific regions, tiers or political control) estimated income will account for less than 85 per cent of projected spend in 2015/16¹. All councils are experiencing reductions in funding² from central government over the 2010 Spending Review period. However, some councils are experiencing bigger reductions in funding³ than others. Those that were more dependent upon grant in 2010/11⁴ are experiencing bigger reductions in funding from central government over the period. There is a strong relationship between grant dependency and deprivation⁵ with more deprived authorities tending to be more reliant on central government grant. Whilst the New Homes Bonus and business rates retention offer opportunities, for some councils with limited ability to increase their income through these and other sources combined with increasing demand for services it will be more difficult to close the funding gap. The future funding regime needs to provide sufficient flexibility to deal with differing local circumstances.

The sector needs a stable funding outlook which supports effective financial planning, including a full and transparent evaluation of the impact of policy and funding changes. This Spending Round offers the opportunity to provide a firm foundation for future funding.

We want to see changes that enable:

- The cessation of council tax restrictions and an acknowledgement of the legitimacy of tax and income streams set by democratically accountable local representatives.
- The removal, or at least adjustment, of ring-fencing from health and schools' budgets to help councils provide better outcomes in areas of mutual benefit, such as early intervention and health.
- The ability to set all council tax discounts locally.

¹ Based on initial results from an updated LGA funding Outlook model.

² Includes local share from 2013/14.

³ Based on the government's revenue spending power excluding council tax.

⁴ For single tier and county councils.

⁵ Based on rank of average Index of Multiple Deprivation score.

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- Funding should be provided for the increased costs in council tax collection and enforcement. Councils should be fully compensated for the on-going effects of council tax freezes.
 - An increase in the local share of business rates, whilst retaining fair equalisation.
 - Growth in business rates retained by local government without a corresponding cut in Revenue Support Grant.
 - All fees and charges to be determined locally in order to provide councils with the ability to be more responsive to local needs and to remove inconsistent subsidy of commercial services.
 - Continuation of additional funding for New Homes Bonus from the Government whilst the scheme is reviewed to see whether it has met its aim of incentivising new housing growth.
 - The ability to capitalise one-off revenue expenditure in line with normal business practice.
 - New burdens funding for State Earnings Related Pensions impacts which does not increase councils' paybills with a consequent further instability in council finances.
 - Evaluation of the impact of funding and policy decisions on local authority finances and service levels, as recommended by the National Audit Office.
 - Single pot funding for energy efficiency.
 - Reform of the firefighter pension scheme.
 - Reflection of the need to consider risk in fire and rescue service and budget planning.
 - Bus funding to be pooled where it will help local areas to secure improved public transport networks.
 - Landfill tax to be frozen at 2014/15 levels because it would otherwise represent a further cut to already stretched council budgets.
 - Recycling of landfill tax levels back to councils to support waste infrastructure projects that will increase recycling and reduce the need for landfill.

3. Councils' contribution to economic growth

Local authorities hold the key locally to solving national problems and have a leading role to play as advocates for their local residents and businesses, but we think that councils cannot play a full part if we are not able to hold the proceeds of local growth. We therefore want to be able to make more local investment decisions. We also need to examine what more we can do to foster growth, promote inward investment and make a compelling and tangible offer to Government to help resolve issues.

The ability of local partners to drive growth and create new jobs has been recognised in recent government policy through City Deals, LEPs and its response to the Heseltine Review. The Spending Round offers the opportunity to drive local growth further by creating a single pot for local regeneration, rationalising expensive governance arrangements, extending the success of City Deals and increasing the value of skills and transport budgets.

We want to see changes that enable:

- Heseltine 'plus' – there is a strong case for further skills related funding to be added to the growth pot such as 16 – 19 skills.
- The alignment of EU funds to the single pot must include the localisation of the European Social Fund.
- Local places to retain a greater share of investment returns arising from growth.
- Local areas to decide how best to rationalise the call for growth and development plans in line with local economic realities.
- The devolution of the majority of 16 – 19 and post-19 skills and apprenticeship budgets to give local partners the levers to directly link skills training to employment support in their area.
- Changes to the regulation and licensing regime so that local authorities can respond to the unique business environment in each local area.
- Flexibility to set planning fees to reflect the full cost of delivering the service.
- Long term planning of highways investment budgets and councils to take a co-commissioning role on Strategic Road Network (SRN) to enable better investment decisions.
- The national broadband roll out to be accelerated by securing state aid clearance for the urban programme.
- New approaches to arts lottery funding that encourage philanthropy.

4. Adult social care and health integration

Councils have been working hard to ensure good integration with the National Health Service and welcome the transition of public health to local government. However, we know that a number of issues are testing the capacity of adult social care to deliver. Budgets have reduced, demographic change is creating pressure and options to offset shortfalls in resources are becoming increasingly limited. Alongside this the Government and the sector are embarking upon a major reform agenda that will add further pressures and costs. We believe that in order to minimise risk to the public the proposals must be taken forward from a foundation of a stable and adequately funded system.

We also believe that against this new integrated background, whilst it may be sensible to protect the funding of health and social care, it is illogical simply to protect the NHS. Local government has a vital role to play in helping people avoid expensive health care by deploying excellent and cheaper social care at an early stage. We therefore consider that money from the NHS to support social care (as set out in the 2010 Spending Review) must therefore be extended, given its benefit to both social care and health.

We want to see changes that enable:

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- Funding for public health to continue, and for the ring-fence to be removed over time in order to fully reap its potential benefits in supporting a joined up, integrated set of services.
 - The limits on further “efficiencies” in adult social care to be recognised: end the presumption that efficiency savings can be deducted from a settlement with no impact on services; any efficiencies made in social care to be reinvested in work which reduces health care costs.
 - Community Budgets to be implemented across the country to release the financial constraints which prevent the potential benefits of integration across health and social care from being realised.
 - Full funding for new burdens flowing from implementation of the Dilnot funding reforms.
 - Removal or at least initial amendment of the protection on NHS funding to provide funding of social care.
 - Health and Wellbeing Boards to be the place for local decision-making on a genuine whole systems approach that integrates health, public health and adult social care to provide the best possible local services.

5. Children’s services: early intervention, meeting need

Increasing demand for children’s services and reduced local discretion over early intervention spending present significant risks, exacerbated by the removal of funding for sector-led improvement in this area. Our objective is an efficient, joined-up system which provides help to children and families early, leading to improved outcomes and reduced demand and cost pressures on services across the public sector. Accordingly we believe that it is inconsistent to continue to protect schools’ budgets while reducing funding for services which contribute to the educational attainment and wellbeing of children outside of the Dedicated Schools Grant.

We would like the Government to reconsider recent changes to schools’ funding which prevent schools from working with councils and other local agencies to use Dedicated Schools Grant to support early intervention and help to reduce demand on local public services and improve educational and other outcomes for children and young people.

There is increasing demand for school places, with 256,000 new places needed by 2014/15. We believe significant capital resources should be devoted to meeting sharply increasing basic need and allocated through councils who have a statutory duty to secure sufficient school places. Councils should also be able to directly access free schools capital so they can open new free schools in the areas of greatest need.

To reduce costs, in areas where the majority of secondary schools are academies, the funding and oversight of academies should revert to the local council to eliminate unnecessary duplication and fragmentation.

We want to see changes that enable:

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- A Community Budgets approach to children and young people's funding with schools pooling funding with local government to invest in early intervention.
 - All available capital funding to focus on providing new places where they are most needed.
 - A reduction in the regulatory burdens imposed on children's services authorities by Ofsted to eliminate duplication of improvement activity and the diversion of resources from the front line provision of services.

6. Housing

The demand for affordable rented homes far outweighs supply. The housing waiting list has increased overall by 70 per cent over the last decade, while affordable housing delivery remains at very low levels. This results in significant costs to the public purse from increased homelessness and use of temporary accommodation. The scarcity of affordable housing is compounded by the profile of the existing housing stock which does not meet the needs of the increasing number of smaller households and is ill equipped to respond to the demand for smaller properties generated through the Government's social sector size criteria. We propose action to increase the stock overall and rebalance the stock profile of existing homes to better meet demand and help manage delivery of welfare reform.

Investing in housing also makes economic sense, generating activity in the construction industry and wider supply chain. Councils could play a key role in boosting investment in housing. They are already planning 15,000 new units over the next five years and there is appetite to do more. Councils understand housing needs and often have land available with planning permission. Increasing their ability to invest could bring forward shovel-ready projects that meet demand and unlock economic benefits.

We want to see changes that enable:

- Removal of the Housing Revenue Account borrowing cap to allow councils to increase investment in new homes and improving the social housing stock.
- An investment fund for councils and their partners to transform existing housing stock and invest in new build in order to accommodate housing pressures and manage the impacts of welfare reform.
- Simplification of the Right to Buy scheme to remove unnecessary restrictions on reinvestment and to better reflect local housing markets.

7. Welfare reform and the impact on our communities

At a local level councils have been dealing with the first of the welfare reforms and their impact on the local economy and added pressures on services such as local housing. Our shared objective with the Government is to ensure that the changes are managed in a way that minimises delivery risk. We also propose action to rebalance the existing housing stock to enable councils to invest in smaller properties that are desperately needed to implement the

welfare reforms.

However there are significant challenges and costs arising from this work and we therefore want to work with the Government to agree a sustainable way forward.

We want to see changes that enable:

- Universal Credit support services to be commissioned through local partnerships, with councils accountable for outcomes achieved with funding allocated by DWP centrally.
- Clarity about the definition of new burdens arising from welfare reform.
- A joint process between local government and DWP, in accordance with the new burdens doctrine, to agree the right amount of funding and to manage staffing implications.
- An investment fund for the transformation of existing housing stock and investment in new build in order to accommodate resulting housing pressures.
- Simplification of the Right to Buy scheme to remove unnecessary restrictions on reinvestment and to better reflect local housing markets.
- All councils to take advantage of the Energy Company Obligation brokerage scheme in order to help ensure that hard to reach households are assisted and the maximise value for money.
- Libraries to help in their role on the front line of welfare reform.

8. Community Budgets, maximising efficiency

The whole-place Community Budget pilots have shown the potential for a widespread adoption of the approach to transforming public services by integration and demand reduction, and delivering large savings to the taxpayer. The huge potential for delivering savings rests in the medium term but needs to begin now if it is to be realised. We therefore believe that the spending round should put the Community Budgets approach at the heart of the Government's strategy for spending and reform. That requires both direct support to places, for example through the new Transforming Public Services Network, and also mechanisms to incentivise government departments to encourage local integration and investment in prevention from the centre.

We want to see changes which:

- Enable Community Budgets to be extended nationally as the preferred local delivery mechanism for government departments, with appropriate support to local areas to ensure that the maximum benefits are felt from the change.
- Incentivise and encourage Whitehall departments to promote investment and uptake, in order to foster cultural and system change and break down inertia in the system.
- Enable clear investment agreements that set out which organisation will make what investment in early intervention, and how the subsequent savings will be shared.

Levers to help achieve this might include:

- The development of place based budgets structurally to entrench the Community Budget model and lock in savings for the Exchequer.
- A centrally-held cross-departmental investment fund, based on a top-slice of departmental budgets.
- The full consideration of devolved/localised delivery as part of the options appraisal for new policies.
- Integrated asset management and disposals approaches to local issues.
- The sharing of future revenue, including income tax where local efforts have helped benefit claimants return to the labour market and Corporation Tax and Stamp Duty resulting from local growth initiatives.

9. Other contributions to local growth, care and stability

In the preceding paragraphs we have set out the top priorities for local government. However there remain other important responsibilities where we believe change is needed. All of them contribute to safer, sustainable, resilient communities and most have an impact on the priorities outlined above. Where that impact is significant they have been included in both detailed papers. Further details are included in the relevant submission documents under the following topics:

- Culture, Sport and the Digital Economy
- Energy
- Fire
- Housing
- Transport
- Waste

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