

## **2019 Spending Round and 2020 Spending Review**

### **Purpose of report**

For direction.

### **Summary**

This report provides a summary of the key announcements in the 2019 Spending Round relevant to local government and gives an update on LGA activity carried out before the announcement.

### **Recommendations**

That the LGA Leadership Board note the report.

### **Action**

Officers to proceed with the LGA's work programme on the 2019 Spending Round and 2020 Spending Review in accordance with the steer from Leadership Board and Executive.

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## **2019 Spending Round and 2020 Spending Review**

### **Background**

1. This report provides a summary of the key announcements in the 2019 Spending Round relevant to local government and gives an update on LGA activity carried out before the announcement.
2. Members of Leadership Board and Executive have previously agreed the key objectives and key messages of the LGA's Spending Review work programme. Leadership Board and Executive also agreed the LGA's approach to a potential one year Spending Review during their July meetings. This involved calling for all current funding streams, including one-off funding, to continue with an overall funding increase to meet inflationary and demand pressures in line with the funding gap analysis to help sustain council services until a full Spending Review.

### **LGA work ahead of the 2019 Spending Round**

3. On 8 August [the Chancellor announced](#) that the 2019 multi-year Spending Review has been delayed to 2020. Instead, a [one-year Spending Round](#), setting out day-to-day spending budgets for departments, took place on 4 September 2019. The Government did not invite submissions from external organisations as part of the Spending Round process.
4. Following the announcement, the Chairman wrote to the Chancellor of the Exchequer, the Secretary of State for Housing, Communities and Local Government, the Secretary of State for Health and Social Care and the Secretary of State for Education on 20 August.
5. These letters reiterated:
  - 5.1. The funding gap facing local services in 2020/21. The cost pressures facing local services in 2020/21 amount to £2.6 billion. This covers forward inflation and demand pressures including a £400 million pressure to stop the high needs education deficit from rising. This is in addition to the previously unmet gap of £3.1 million which reflects current pressures on services and the adult social care market;
  - 5.2. The need for certainty over one-off funding streams, as well as wider local government finance reforms;
  - 5.3. The opportunities for investment in transformation; and

- 5.4. Other points specific to the remit of the departments (for example, the pressures related to providing education to children with special education needs and the fragility of the adult social care market).
6. The LGA also undertook further campaign activity during the second half of August, including activity to prepare for the announcement of the one year Spending Round. This included activity which highlighted a more intensive and short-term plan with slightly adjusted key messages which more closely reflected the certainty councils needed from the Spending Round.
7. This work does not replace the longer term proactive and comprehensive communications plan focussing on the [#CouncilsCan](#) narrative for the 2020 Spending Review.
8. The longer term campaign plan integrates media, public affairs, stakeholder communication, campaigns and digital work to emphasise the value of councils in improving people's lives and contributing to the national economy, highlighting the need for a multi-year, sustainable financial settlement that includes the need to find new sources of funding for adult social care.

### **The Spending Round announcements**

9. The full on-the-day briefing for the 2019 Spending Round, which provides a summary of the key announcement alongside our view on the proposals, can be found on the [LGA website](#). The LGA also issued [an on-the-day press reaction](#).
10. The key announcements of the Spending Round were:
  - 10.1. A funding package of more than £3.5 billion for council services. This is the biggest year on year real terms increase in spending power for local government in a decade. Our estimate of the additional pressures councils face in 2020/21, is £2.6 billion.
  - 10.2. £1 billion new money for social care and £700 million for children and young people with special educational needs and disabilities. The Chancellor confirmed that existing key grants to local government will also continue next year.
  - 10.3. A proposed council tax referendum limit of two per cent which could raise £1.1 billion including increases in the tax base. The ability to levy a 2 per cent adult social care giving councils the potential to raise a further £500 million.
  - 10.4. The intention to introduce 75 per cent business rates retention and the Fair Funding Review in April 2021, a delay of one year.

### **The implications of the Spending Round on the Autumn Budget and the settlement**

11. The Spending Round is not the same kind of fiscal announcement as an Autumn Budget, the date of which has not yet been announced. We will discuss with members, what our approach should be to the 2019 Autumn Budget, when there is more clarity over the Autumn Budget process.
12. The announcements in the 2019 Spending Round gave local authorities some certainty of the potential outcome of the 2020/21 Local Government Finance Settlement as it was confirmed that current funding streams will continue and no methodology changes will be made to business rates retention and revenue support grant. There is still some detail to be published such as the precise amount of some grants and how some of the new money will be distributed which may be consulted on in advance of the provisional settlement.
13. The LGA will push for the Government to provide local authority-level financial data for 2020/21 as soon as possible following the 2019 Spending Round. It should be noted that this unlikely to be before the Autumn Budget, in case of any new business rates reliefs, and is also dependent on when data used in the current settlement is available. There is also likely to be a technical consultation on the 2020/21 settlement.

### **Continuing LGA work on 2020 Spending Review**

14. In anticipation of a multi-year Spending Review in 2020, LGA officers are continuing the long-term Spending Review work and campaign programme. We have continued to deliver on our plan to release at least one Spending Review related item per week (either one of the products in the grid, a media release, or some other communications activity). Overall the campaign continues to be run as the Spending Review [#CouncilsCan](#) campaign which was launched earlier this year.
15. The paper approved by Leadership Board and Executive in March 2019 included a grid of policy and research work products with a connection to the Spending Review. Several of the products have already been delivered – and the timetable for many is driven externally (by consultations, government announcements and so on). This has been updated and is shown at **Appendix A**, and some highlights include:
  - 15.1. “[Councils Can](#)”, a paper launched at LGA’s annual conference to set the scene for our Spending Review submission;
  - 15.2. “[Profit with a purpose](#)”, a paper on the social impact of council commercial activity (Profit with a purpose);
  - 15.3. “[One year on](#)”, a paper to mark one year since the launch of the LGA’s own green paper on the Future of Adult Social Care; and

- 15.4. a survey of councils to gather information not published nationally on efficiencies and savings made as well the effects of funding cuts – the analysis of the results is currently being finalised.
16. In August, the Commons Select Committee for Housing, Communities and Local Government (HCLG) published the report of its [Inquiry](#) into Local Government Finance and the Spending Review, to which the LGA had contributed [written](#) and [oral](#) evidence.
17. The Committee's [report](#) "calls on the Government to provide a financial settlement that adequately supports local authorities to serve their communities and close the multi-billion gap in local authority funding." The report agreed with many of the LGA's lines and quoted our assessment of the funding gap facing councils, as did the [press release](#) accompanying the publication of the report.
18. We will continue to engage with Leadership Board and Executive on our work in advance of the 2020 Spending Review.

#### Engagement with Government and the sector

19. As reported previously to Leadership Board and Executive, the LGA and Government officials have been working together to deliver a series of themed Spending Review roundtables. The roundtables allowed senior local authority officers a chance to discuss with senior Government officials a series of topics that focus on individual service areas, in order to support and influence Government's decision making on funding for the sector.
20. All eight planned roundtables have now been held:
- 20.1. Special educational needs and disability (SEND) and schools' funding;
  - 20.2. Welfare reform and homelessness;
  - 20.3. Cross-cutting adult and children's social care issues;
  - 20.4. Prevention and early intervention;
  - 20.5. Place and Communities – two roundtables covering 'universal' services, such as cultural services, parks & leisure, as well as public transport, waste, road maintenance and business-related services;
  - 20.6. Adult social care – organised jointly with the Department for Health and Social Care; and
  - 20.7. Children's social care – organised jointly with the Department for Education.
21. These roundtables have helped build new links and closer working relationships between Government, the LGA and local authorities ahead of the 2020 Spending Review, as well

as allowing evidence to be gathered and shared with central government departments in the run up to the one year spending round.

### **Next steps**

22. Members are asked to note the report.
23. Officers to proceed with the LGA's work programme on the Autumn Budget and 2020 Spending Review in accordance with the steer from Leadership Board and Executive.

### **Implications for Wales**

24. The 2019 Spending Round, Autumn Budget and the 2020 Spending Review might include announcements that relate to Welsh local government, but the Welsh LGA takes the lead on this work. We have been, and will continue to explore, with the Welsh LGA, opportunities to work together on the Spending Review.

### **Financial Implications**

25. This is part of the LGA's core programme of work and as such has been budgeted for in 2019/20 core work programme budgets. Should the Spending Review work programme have additional budgetary implications, members of Leadership Board and Executive will be alerted and will be asked for approval where this arises.

**Appendix A - LGA's Spending Review work product grid**

<b>Product/event</b>	<b>Contents</b>	<b>Board</b>	<b>Progress</b>
<b>Products that are complete</b>			
2018 Autumn Budget submission	<p>The LGA Autumn Budget submission called for local government to be protected as part of the Spending Review process, in the similar way that NHS funding for the next Spending Review period has been pre-guaranteed.</p> <p>It included our Spending Review asks, but focussed on short-term measures and additional funding injections that cover 2019/20.</p>	Resources Board, Leadership board and Executive	<a href="#">Complete (September 2018)</a>
'AnyCouncil'	Analysis which illustrated the financial situation of a fictional typical local authority, both today and in terms of what the future funding outlook might mean, with a focus on the impact on residents.	Resources Board, Leadership board and Executive	<a href="#">Complete (September 2018)</a>
<b>Autumn Budget on-the-day briefing</b>		<b>Chairman and Political Group Offices</b>	<a href="#">Complete (October 2018)</a>
Social housing Green Paper response	The LGA's formal response to the Government's social housing Green Paper.	Environment, Economy, Housing and Transport	<a href="#">Complete (November 2018)</a>
Adult social care Green Paper	Campaign of its own, but with strong SR links. This set out potential options for a more sustainable adult social care system, with extensive engagement throughout autumn 2018 culminating at the National Children's and Adult Services conference.	Community Wellbeing	<a href="#">Complete (November 2018)</a>
<b>2019/20 Local Government Finance Settlement (LGFS) on-the-day briefing</b>		<b>Chairman and Political Group Offices</b>	<a href="#">Complete (December 2018)</a>

<b>Product/event</b>	<b>Contents</b>	<b>Board</b>	<b>Progress</b>
High needs pupils – funding gap	An LGA-commissioned project to identify the funding gap in terms of services provided to high needs pupils. Schools spending is not covered by the current LGA funding gap analysis so the identified shortfall is additional.	Children & Young People	<a href="#">Complete (December 2018)</a>
LGA response to 2019/20 LGFS consultation	The LGA's formal response to the local government finance settlement consultation.	Resources, Leadership Board and Executive	<a href="#">Complete (January 2019)</a>
Report on impact of additional investment in social housing	Research on economic impact that further investment in social housing would have had for renters and housing benefits bill.	Environment, Economy, Housing and Transport	<a href="#">Complete (February 2019)</a>
Concessionary fares	Research to show impact of funding reductions resulting in councils needing to subsidise the statutory concessionary fares scheme by over £600 million.	Environment, Economy, Housing and Transport	<a href="#">Complete (February 2019)</a>
Local Government delivers	Publication to show success of councils in delivering public health services.	Community Wellbeing	<a href="#">Complete (February 2019)</a>
Spring Statement letter to Chancellor	As the Government did not seek formal representations ahead of a Spring Statement, this letter offered to work jointly with HMT to build a case for local government as part of the Spending Review, and set out the most recent LGA funding gap analysis.	Chairman and Political Group Offices	Complete (February 2019)

<b>Product/event</b>	<b>Contents</b>	<b>Board</b>	<b>Progress</b>
Waste reforms	LGA response to the Government's plans to reform waste collection, disposal and recycling practices, as well as plans to charge producers for difficult-to-recycle plastic packaging.	Environment, Economy, Housing and Transport	<a href="#">Completed (May 2019)</a>
Waste reforms	LGA research on the cost implications to local authorities of the reforms	Environment, Economy, Housing and Transport	Completed (May 2019)
Education system efficiency review	An LGA-commissioned project to review the efficiency of the current multi-tier education system (DfE, council maintained schools and different types of independent schools) and compare it against other models.	Children & Young People	<a href="#">Completed (May 2019)</a>
Commercialisation publications	Evidence based paper to demonstrate the success of councils' commercial activity and investments to make the case that councils can be trusted to invest. Guidance paper for councils on social impact of commercial activity	Improvement Board	<a href="#">Paper published in time for Conference</a>
CouncilsCan Conference paper	Paper launched at LGA's annual conference setting the scene for our Spending Review submission, building on the 2019 Spending Review campaign.	Leadership Board and Executive	<a href="#">Complete</a>
Skills – Update Work Local Campaign	<a href="#">Paper</a> : Work Local - Making our vision a reality, launched at LGA's annual conference outlining a practical programme to improve employment and skills services in England through local public-private collaborations.	People and Places and City Regions	<a href="#">Complete</a>

<b>Product/event</b>	<b>Contents</b>	<b>Board</b>	<b>Progress</b>
Adult Social Care green paper	Paper launched at LGA conference “One year on”, to mark one year since the launch of the LGA’s own green paper on Adults Social Care on the <a href="#">Future of Adult Social Care</a> .	Community Wellbeing	<a href="#">Complete</a>
Post Brexit England Commission report	Final report of Post Brexit England Commission, “The future of non-metropolitan England: the freedom to lead local places”. Paper launched at LGA annual conference.	People and Places	<a href="#">Complete</a>
Prevention green paper	Initial response to Government’s green paper on Prevention.	Community Wellbeing	<a href="#">Complete</a>
Letters to Ministers ahead of 2019 Spending Round	Letters from the Chairman to the Chancellor of the Exchequer, the Secretary of State for Housing, Communities and Local Government, the Secretary of State for Health and Social Care and the Secretary of State for Education ahead of the 2019 Spending Round making the case for local government funding	Chairman and Political Group Offices	Complete
Variation in children’s social care spending levels by councils	Research to show explanation of variation in spending levels between different councils and how much is under councils control	Resources, Leadership Board and Executive	<a href="#">Complete</a>
<b>2019 Spending Round on the day briefing</b>		<b>Chairman and Political Group Offices</b>	<b><a href="#">Complete 4 September 2019</a></b>

Product/event	Contents	Board	Progress
<b>Other products that are planned or in progress</b>			
Survey of councils	Survey of councils to gather information not published nationally on efficiencies and savings made as well the effects of funding reductions.	Leadership Board and Executive	Survey complete, results being analysed
UK Shared Prosperity Fund consultation - LGA response	LGA's formal response to the Government's upcoming consultation on the future of the UK Shared Prosperity Fund, with a connection to the LGA's work on Local Industrial Strategies.	Resources	Consultation not yet issued
2020 Spending Review submission	The LGA Spending Review submission to put forward a detailed case for local government funding levels and reform, such as further fiscal freedoms.	All Boards	Representation timeline not yet clear
<b>2020 Spending Review on-the-day briefing</b>		<b>Chairman and Political Group Offices</b>	<b>Timings not yet clear</b>