

Urban Cost Pressures Update

Purpose of report

For direction.

Summary

This paper updates the City Regions Board on recently commissioned work to further explore the particular cost pressures facing urban areas. A representative from WPI Economics, the provider commissioned to support this project, will attend the Board meeting and give a presentation setting out the latest developments and findings from this work.

Recommendation

Members are asked to:

1. **Note** that a provider has been appointed to take forward work to further explore the issue of urban cost pressures and that this work is progressing well.
2. **Agree**, following a presentation at the Board meeting, the focus and direction for the next phase of this work.
3. **Note** that a meeting of Lead Members from the City Regions, People and Places and Resources Boards has been arranged for early February to discuss fiscal devolution.

Action

Officers will take forward the work described below and report back to the next Board.

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Urban Cost Pressures Update Update

Background

1. At the September 2019 meeting of the City Regions Board Members discussed commissioned research into the particular cost pressures facing urban areas and the scope fiscal devolution might play in meeting these pressures.
2. Subsequently, Members agreed that the Board should undertake further work to produce more quantitative evidence on urban cost pressures, with a view to influencing future funding arrangements for councils.
3. As reported to the meeting of City Regions Lead Members in December, LGA officers have commissioned an external provider to support this work. Following an open and competitive tendering process WPI Economics is the provider appointed.
4. At the same meeting Members also agreed to work with other LGA Boards to develop the 'building blocks' of a more detailed position on fiscal devolution. As a first step Lead Members from the City Regions Board, the Resources Board and the People and Places Board are due to meet in early February to consider the full range of recently commissioned work in this space, the emerging national context and any implications for the LGA's future lobbying and policy work on this issue.

Proposed Research Methodology

5. WPI Economics has proposed a five phase methodology for this project:
 - 5.1. **Identify the urban cost complexity to be examined:** either by looking at how an urban setting affects the cost of delivering a specific local government service, such as social care, or by looking at how a specific characteristic of urban environment, such as density or deprivation, affects a range of local government services.
 - 5.2. **Create a framework for understanding urban cost complexity:** once the urban cost complexity has been decided, in-depth analysis can begin. WPI Economics will create a framework to help understand and test the factors underpinning urban cost pressures: demand, supply and urban/rural differentiation.
 - 5.3. **Identify case studies to add to the narrative:** this will provide a more in-depth narrative description of the costs of urban complexity by producing a case study (or a small number of case studies) drawing from those who work on the front line of service delivery. This would will add to the narrative of the cost complexities that we are describing and could potentially be used in the LGA's wider work.
 - 5.4. **Use the framework to underpin a quantitative analysis.** The two principal components of the quantitative analysis will be calculating the cost of urban complexity and comparing the costs of urban complexity with the costs of rurality

5.5. **Produce and present a report setting out what the research findings mean:** including recommendations relating to public service reform, devolution and future advocacy messages the LGA might use to lobby national government.

Research Progress

6. The research is currently in phase one. As part of this initial scoping phase a workshop with representatives from Core Cities, Key Cities, SIGOMA and London Councils was held in early December. This workshop identified two potential candidates for more detailed modelling: housing and homelessness and looked after children.
7. These pressures, alongside a number of other potential areas for research are now being scrutinised by WPI Economics to support a final decision by the Board on which pressure to model in more detail. A presentation will be given at the Board meeting setting out the recommended area of research focus and Members will be asked to agree on the urban cost pressure to be examined as part of the next phase of this work.
8. In anticipation that the identified pressure will potentially touch on the policy responsibility of another LGA Board, such as the Economy, Environment, Housing and Transport Board, officers will take every step necessary to ensure that there is no duplication of effort and that the City Regions Board's work in this area adds to the body of knowledge already available to councils.
9. With regards to wider issue of the Government's Review of Relative Needs and Resources (commonly called the Fair Funding Review) due for implementation in April 2021 it is worth being clear that the LGA's agreed position on both rural and urban factors affecting the cost of service delivery is that they have to be reflected in the Area Cost Adjustment on the basis of robust evidence.
10. While the City Regions Board does not set LGA policy on these matters, as the Board representing the interests of urban authorities Members have decided to commission an independent report into this area. Recommendations arising from this piece of work that could be of relevance to the LGA's approach to the Fair Funding Review would have to first be discussed and any proposed changes agreed by the cross party political Task and Finish Group and then the full LGA Executive.
11. Finally, following the result of the General Election it is anticipated that the forthcoming English Devolution White Paper will provide greater clarity as to the context surrounding the focus of this work and the extent to which it relates to the Board's wider work to advance the case for fiscal devolution. The Board has previously expressed an interest in exploring innovation and fiscal reform and considered proposals such as those relating to a tourism levy, which is currently being taken forward by the LGA's Culture, Tourism and Sport Board and a levy on e-commerce, which has been developed by the LGA's Resources Board over the last year and resulted in the recent publication of a report.¹

¹ <https://www.local.gov.uk/councils-and-e-commerce-why-what-and-how-local-e-commerce-levy>

12. Notwithstanding the progress of the Fair Funding Review this is clearly a project that has the potential to contribute significantly to this Board and the LGA's future work in this area. In line with the recommendation to the September meeting of the City Regions Board, Lead Members from the People and Places Board, the City Regions Board and Resources Board are due to meet in early February to co-ordinate and agree further policy and lobbying work in this area.

Next Steps

13. Members are asked to:

13.1.1. **Note** that a provider has been appointed to take forward work to further explore the issue of urban cost pressures and this is progressing well.

13.1.2. **Agree**, following a presentation at the Board meeting, the focus and direction for the next phase of this work.

13.1.3. **Note** that a meeting of Lead Members from the City Regions, People and Places and Resources Boards has been arranged for early February to discuss fiscal devolution.