ADEPT Spring Conference

Local Government Funding

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UKSPF - The Challenge for Counties

- Last year a report by the County APPG found that:

  "There is often a perception amongst the public and some policy-makers that shire counties are wealthy areas, with few social or economic problems."

- In 2017 the Social Mobility Commission found that 52 of 65 social mobility coldspots are in county areas.

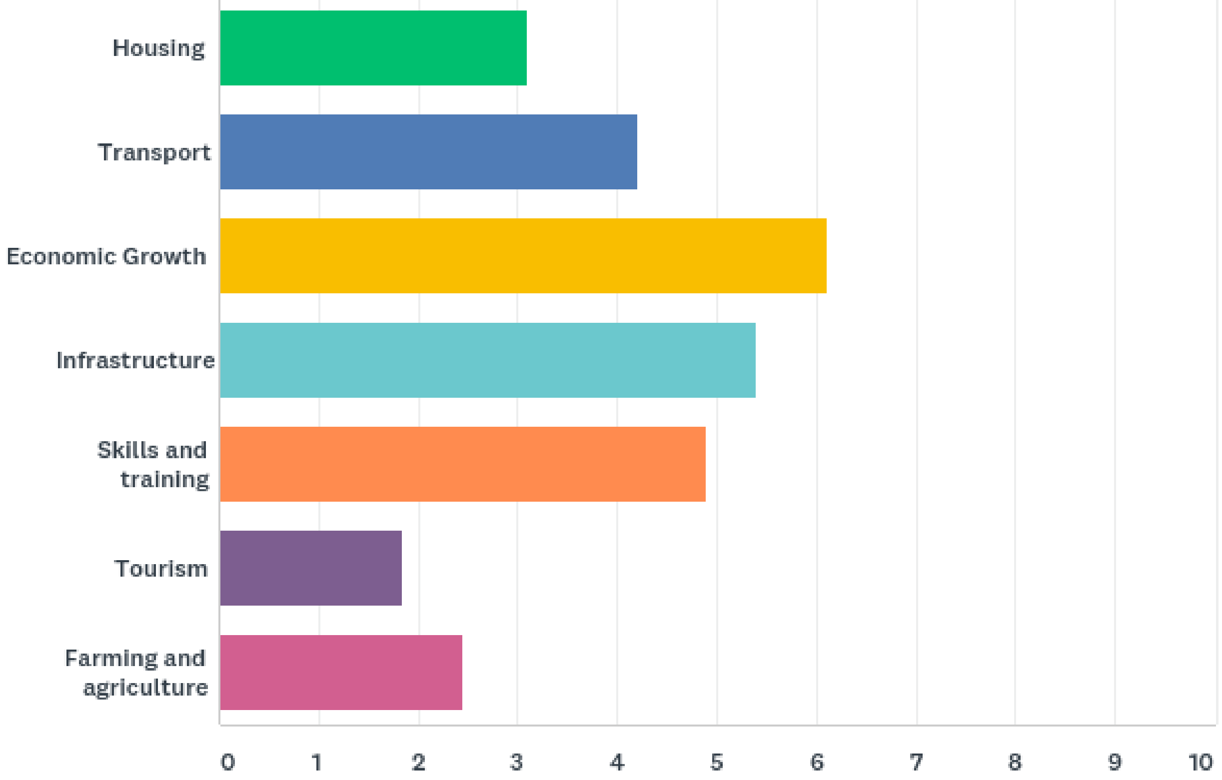
- Productivity is lower in county areas: over the past decade GVA growth in county areas has averaged 1.1 percent a year, compared to the English average of 1.3 percent a year.

- Counties face huge infrastructure funding gaps that are projected to get worse – some counties have projected infrastructure funding gaps amounting to billions of pounds.

What Should UKSPF Investment Focus On?

- UKSPF is being established to 'tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind.'

- CCN members' priorities for the UKSPF



New Powers To Support UKSPF Objectives

- County authorities should be given the same opportunities as combined authorities. This should include:
  - responsibility for skills;
  - strategic planning powers, helping to join up housing, employment and infrastructure;
  - the ability to set Strategic Infrastructure Tariffs which would fund strategic infrastructure to help unlock land for development.
- Infrastructure funding should focus on all areas of the country, not just cities and Mayoral CAs, if we are to rebalance the economy and work toward truly inclusive growth

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PwC Study Overview

- CCN commissioned PwC to conduct independent assessment of the financial pressures facing county authorities and all other types of councils between 2015/16 and 2024/25.

- The “funding gap” is the difference between ‘spending need’ and the actual and anticipated funding received by councils

- This study is different to other studies;

  - Doesn’t just focus on ‘austerity’ and cuts.

  - In-depth modelling on demand & costs for services

  - Spending need estimated on a ‘more consistent level of service’


Independent review of local government spending need and funding

Technical Report
May 2019

pwc

Strictly private and confidential

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PwC Study Overview - most comprehensive to date

10 Service Areas - 17 Cost Drivers

Adult social care	Adults 65+ in poor health	Adults 18+ with learning disabilities	Social care for other adults
Children social care	Looked after children	Children in need	Social care for other children
Education services	Children with SEN	Home to school transport	
Public health	Children 0-5	Population 5+	
Highways and transport	Road maintenance	Concessionary bus boarding	Rest of highways and transport spend
Environment and regulatory services	Waste collection and disposal	Recycling	Rest of environment and regulatory services spend

+ 'unavoidable' costs; including inflation, pension obligations, living wage

Spending need estimated on a ‘*more consistent level of service*’

- PwC adjust tier-specific unit costs for each type of council
- Historic funding means some councils have been able to provide more/higher quality services
- Low funded/spending councils have ‘unmet needs’ with services not provided due to funding, not ‘need’.
- PwC adjust for regional area costs & levels of demand
- Doesn’t mean every council should deliver the same services
- **BUT provides a much fairer way of assessing councils real spending need relative to other councils.**

PwC results – Headlines for Local Government

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£51.2bn
- The cumulative funding gap over the next six years

£30.2bn
- The remaining gap if councils put up council tax by 15%

35%
- Rise in spending need for councils between 2015/16 to 2024/25.

£13.2bn
- Of cuts & savings by 2019/20 to balance budgets

£4.8bn
- The funding gap this year

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PwC results – Headlines for Counties

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£21.5bn	The cumulative funding gap over the next six years – 41% of national total.
£11.6bn	The remaining gap if councils put up council tax by 15% - 38% of national total
£100m	Average county council funding gap by 2024/25
75%	Of county budgets spent on just 5 services
47%	Counties will account for almost half of all spending need on adult social care
7%	The percentage of the funding gap that can be meet through reserves.

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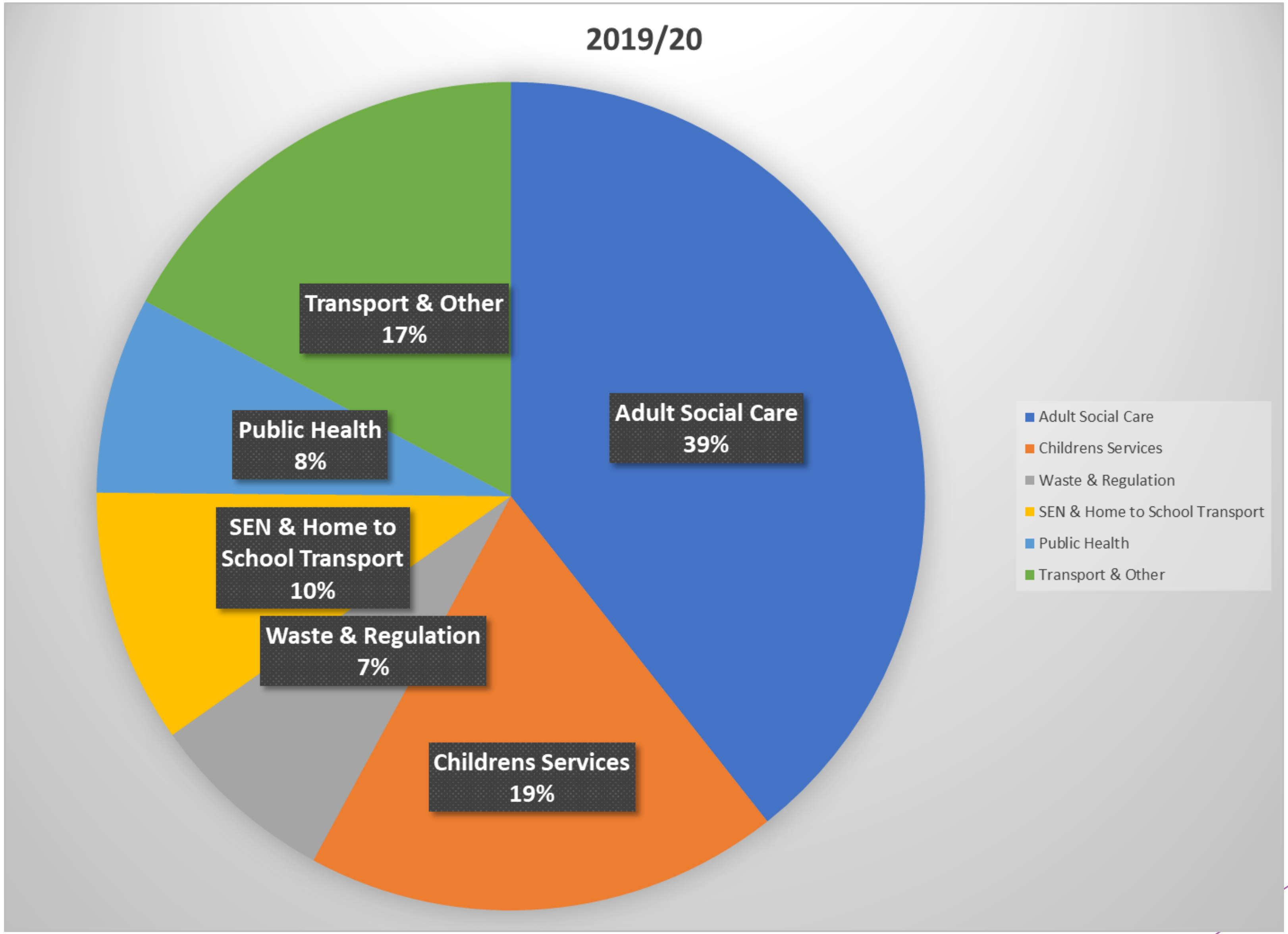
CCN Member councils spending need 2019/20



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PwC results – Headlines on fair funding review

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£1bn	The amount of 'unmet need' in shire counties – reflects historic under-funding.
£2.4bn	The 'surplus' over the past four years if London councils had been providing a more consistent level of service.
39%	County authority proportion of spending need in 2024/25.
70%	Of funding by 2024/25 will be sourced by council tax.
£2,000	The average shire county band D council tax rate following a 15% rise in council tax from 2020/21.

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How can councils fill the funding gap next year?

Council Tax	Putting council tax up by 3% would raise £1.5bn
Fees & Charges	An increase in fees & charges of 10% would raise £732m
Retained business rates	Retained business rates could contribute £1.1bn
Reserves	Using 50% of all reserves would reduce the gap by £1.2bn
£2.8bn	Would be the remaining national funding gap

County authorities least able to meet their gap & would face the biggest sustainability risk;

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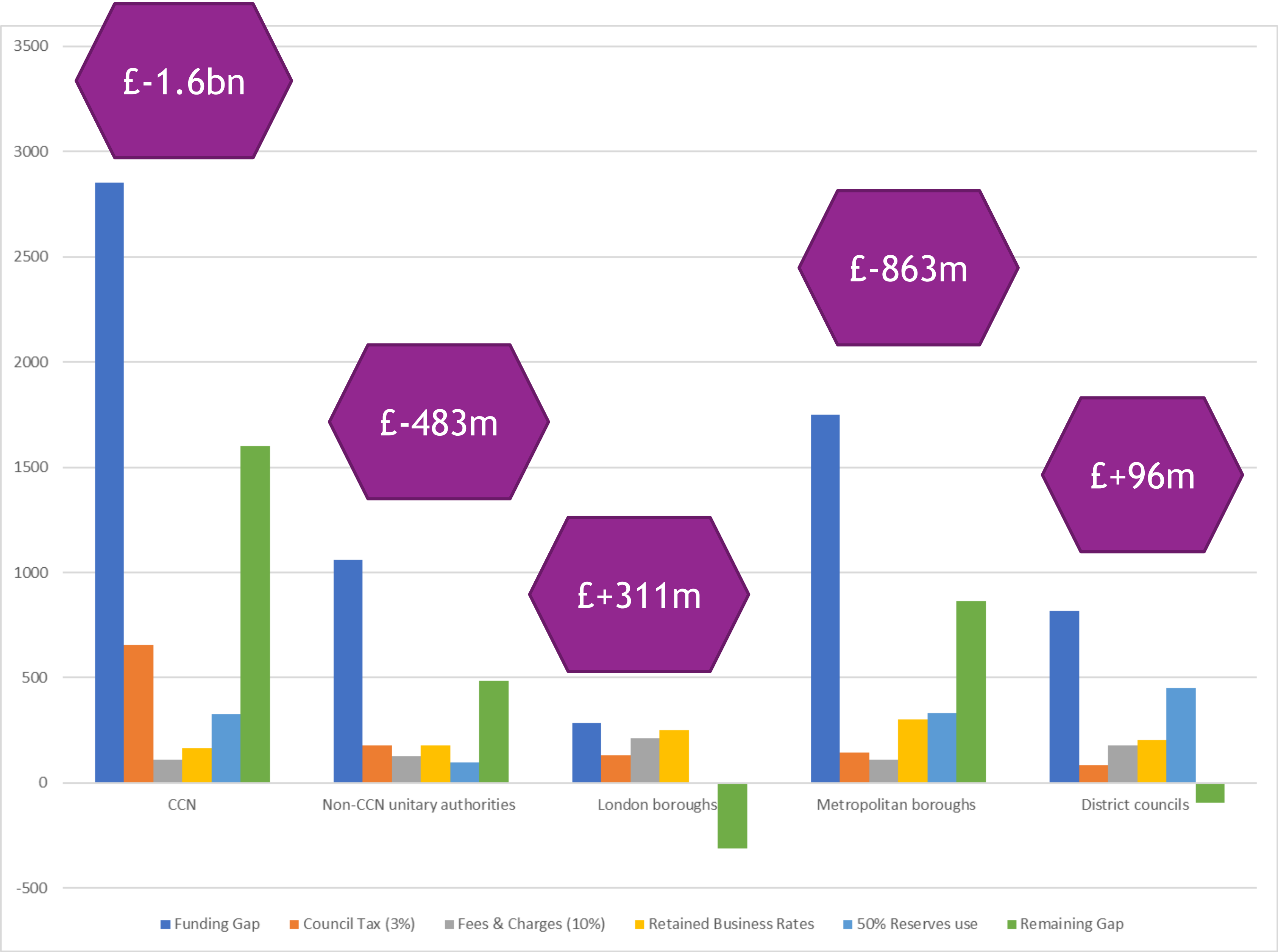

Remaining County Reserves

£325m (1.5% of spending need)

Remaining London Reserves

£979 (11% of spending need)

Remaining District Reserves

£545m (16.5% of spending need)

What does this mean for next year?

- No Spending Review - 'roll over' likely.

- Fair Funding Review delay – without a three year spending review government cannot implement proposals. *Danger that positive direction will be lost…..*

- 75% Business rates retention – unclear whether government will proceed without 'baseline reset'.

- No confirmation whether key funding streams such as Better Care Fund or new money for roads will carry on.

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What do counties want for next year?

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- **CCN accepts the political reality of delay.**

- **HOWEVER, need to secure additional in-year support and commitment to the fair funding review.**

- **One year cash injection** – 2019/20 social care and roads funding *must* be repeated and increased. All funding distributed based on *real* need shown in PwC study.

- **75% business rates retention** – IF rolled out, 60% share of locally retained rates for county councils.

- **Conclude & publish fair funding review -** ‘lock in’ positive direction with cast iron commitment to implement from 2021/22.

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Conclusion

- New Prime Minister – campaign promises
- New Ministers and Ministerial teams
  - Chancellor?
  - LG Secretary of State?
- Brexit uncertainty
- Will the cupboard be bare?
- One year Roll-over and then Spending Review in 2020/21
- LG needs to make strongest possible case for a sustainable funding solution or impact on essential services will be severe

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