SIGOMA Submission to the 2021 Comprehensive Spending Review

1. About SIGOMA

1.1 SIGOMA represents metropolitan and unitary authorities outside London, from the Southern Ports, the East Midlands, West Midlands, North West, North East and Yorkshire & Humberside. The 47 SIGOMA councils are home to 13.8 million people, a quarter of the English population.

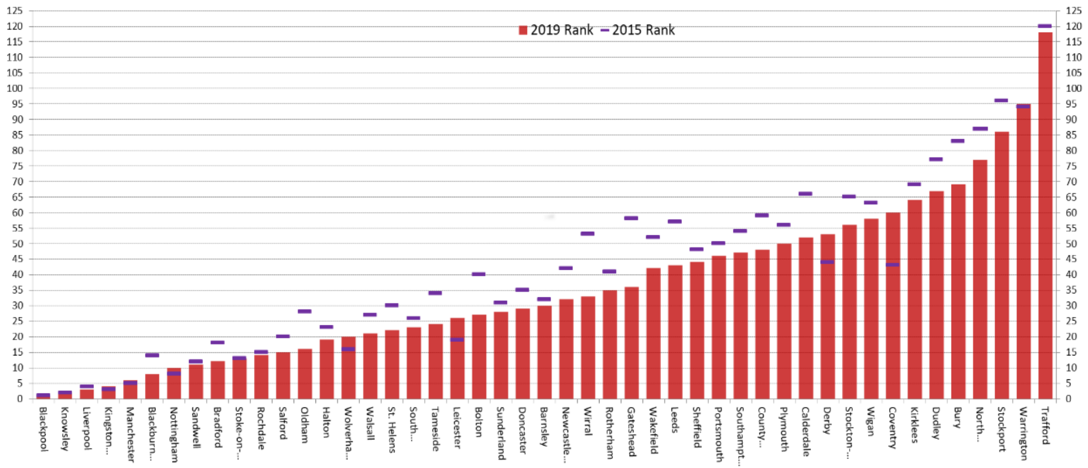
1.2 Our authorities typically represent areas that have suffered most during post-industrial decline and benefitted least from the policy of linking funding to local prosperity, whilst direct grants have been cut since 2010.

1.3 Our members have also been over-represented in areas that have struggled for longest with Covid and its aftermath. It is well documented that poorer parts of the country have suffered disproportionately. Our member represented 31% of all the Country's Covid related deaths in 2020 and still represent 28% of such deaths in all the documented weeks to date [1]

1.4 Deprivation continues to blight the prospects many of our authorities. 43 of our 47 authorities are in the lower half of Governments' 2019 Index of Multiple Deprivation (IMD) ranking[2], with 12 in the most deprived decile (15 authorities). SIGOMA members make up 75 % of the 2 most deprived deciles.

1.5 Most SIGOMA authorities have become relatively more deprived since the last IMD measure of 2015, as shown in chart 1.

Chart 1: SIGOMA Councils Deprivation Ranking 2019 and 2015 (1 is most deprived)



1.6 Whilst this worsening in deprivation ranking is due in part to worse IMD scores of SIGOMA councils, it is also partly due to the lower (improved) IMD scores in other English councils, adding to the "left behind" impact on our members.

[1] Extracted at week32 2021 using filters from https://www.ons.gov.uk/datasets/weekly-deaths-local-authority/editions
[2] 2019 Index of Multiple Deprivation produced by MHCLG, measured in Chart 1 at county level

1.7 Despite this deprivation and the inevitable increase in need, our councils have been amongst the worst affected by funding cuts over the last decade. The real-term spending power of local government fell by £15.8 billion (26.3%) between 2011 and 2021 but for SIGOMA authorities that cut is 35.0%, an additional £1,444 million cut, or a further £30 million per authority above the average[3].
G:\Sigoma\Data Warehouse\NAO Cuts_data_2021.xls

1.8 Yet, as funding for authority services has fallen over the last decade, reliance of residents on vital local services has increased due to austerity. There is a strong, pervasive and well documented link between deprivation and the demand for (and cost of delivering) services by local authorities.

1.9 SIGOMA councils, like all upper tier councils, have been held back from the brink of failure by successive one-off adult social care additional funding grants and the ability to raise an adult social care precept but are starting from a lower, weaker tax base and generally benefit less from funding which is earned relative to local taxes such as business rates and Council Tax, as is illustrated in later sections. Whilst additional funding is always welcome, a lack of entrenched long term funding leaves councils and care providers unable to plan service delivery over the medium/long term.

1.10 Government has made 'Levelling Up' a cornerstone policy of this parliament and has recently embedded it into the title of the Department responsible for local government. We therefore hope that our comments and suggestions will be given serious consideration in this Spending Review.

1.11 We see this as a genuine opportunity for Government to stand by its 'Levelling Up' manifesto pledge and show the areas we represent that, as they were foremost in funding cuts during austerity, they will be first to benefit from a national regeneration programme that will benefit the whole country going forward.

2. Executive Summary

2.1 The relative deprivation of SIGOMA councils has worsened and demand for services increased whilst at the same time funds have been cut at a higher rate than other councils.

2.2 Many of our members are amongst the worst hit by covid in health terms and economically.

2.3 It is essential that covid pressures are fully funded in order that we can sustain essential services. Our councils are set to experience another year of budget deficit due to covid, in addition to that experienced last year and with a Tax deficit of 20-21 to absorb.

2.4 The creeping impact of new administrative burdens also needs addressing.

[3] Prepared by SIGOMA using data underlying NAO financial sustainability tables 2020

2.5 The overall funding quantum is inadequate and has been supported by one-off social care grants and the social care precept in the last two years. We list in our response the various bodies that have predicted funding gaps above current funding of between £4 billion and £8 billion in the next few years.

2.6 A longer-term solution is needed, meaning an adequate funding quantum as recommended by the LGA, guaranteed over the medium term.

2.7 Although our members recognise the case for some incentives, the focus in funding allocations needs to be on fully funding service needs as the first priority. This should recognise that not all councils can raise the same contributions from local taxation and should ensure that funding will be adequate and proportionate to needs for all councils, as set out in our 2015 policy document.

2.8 Government needs to review the large number of small grants. Funding would be more effective in a single place-based budget to local bodies as recommended by the LGA.

2.9 The levelling up agenda needs long term substance behind it. This means equality in infrastructure investment but also investing in people by removing the poverty barriers to good health, employment, housing and improving social mobility.

2.10 Councils who have reserves should not be expected to fund the current crisis from those, they are part of the prudent planning process of councils.

2.11 A route map of governments plans for Adult and Children's Social Care is needed and an understanding of what is expected from local government; costed and funded.

3. COVID impacts in 2020-21 and 2021-22

2020-21

3.1 The reported Covid pressures and funding of our members is shown in Table 2 below[4]:

Table 2: SIGOMA Final Covid Return Pressures and Estimated Funding

	2020-21 Full year £m
Cost pressures	1,891
Sales fees & charges	511
Other non-tax income affected by covid	298
Pressure excluding taxation	**2,700**
Un-ringfenced Direct funding[5]	1,312
Expected funding from income support scheme	255
Shortfall before ringfenced funding *(see 3.2)*	**1,133**
Ringfenced funding (mainly COMF)[5]	998
Shortfall after ringfenced funding	135

[4] From 44 returns, extrapolated to represent our 47 members to compare to funding.
[5] Un-ringfenced are Shares of: Emergency funding £4.6 bn. Source. of Full Funding - table produced by MHCLG

3.2 The profile of pressures and ringfenced grant may not align. For example, £754 million of ringfenced funding can only be applied for costs related to Contain Outbreak Management or infection control purposes, so, for example, could not be used to cover lost income or loss of planned efficiency gains. Therefore, our councils will suffer **at least a £553m** loss based on the above table, carrying forward unutilised COMF funding.

3.3 The Sales Fees and Charges scheme starts with the intention of only funding a fraction of income losses, which will inevitably leave councils having to fund an income shortfall through service cuts.

3.4 The income scheme does not address some local losses that councils are having to support, albeit indirectly, for example market rents from traditional markets nor some true local investment schemes such as income from airports.

3.5 Bad though it is, the above data is only part of the story. Our members estimate further pressures from lost Council Tax and business rates of £478 million. The local Tax Income Guarantee will refund some, but by no means all this pressure. At best councils will need to bear around £120 million further pressure in 2021-22, though some have elected out of necessity to spread this using the capitalisation scheme.

2021-22

3.6 Covid pressures on councils have diminished but by no means disappeared in the new financial year.

3.7 Table 3, projected pressures for the full year 2021-22 shows clearly that there is going to be need for further covid support for SIGOMA authorities beyond that already announced in 2021-22. Government have yet to publish the national projection of full year pressures.

Table 3: SIGOMA Estimated Covid Return Pressures and Funding

	2021-22 Full year £m
Cost pressures	1,116
Sales fees & charges pressure	151
Other non-tax income affected by covid	87
Pressure excluding taxation	**1,354**
Un-ringfenced Direct funding[6]	610
Expected funding from income support scheme[7]	30
Shortfall before ringfenced funding	**714**
Ringfenced funding[6]	304
Shortfall after ringfenced funding	410

3.8 In addition to the above in-year pressures, councils will bear a proportion of their lost Council Tax and business rate income of 2020-21 referred to in 3.5 above

[6] Un-ringfenced are Shares of: Emergency funding £1.55 bn & LCTsupport. £611m; Ringfenced are COMF and infection control https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-governmen

[7] Reflecting the current proposal to end the scheme in June

3.9 We have referred to the ringfenced conditions attaching to COMF funding which forms a significant proportion of the overall direct funding tables above. Councils are concerned about the potential clawback of COMF funding before the final pressures relating to covid have fully materialised. Government needs to keep an open mind this as long as covid impact continues.

3.10 The scheme to support loss of sales fees and charges closed on 30 June 2021. Returns show that sales fees and charges pressures continue to arise well beyond June and therefore need to be compensated. Examples raised by members include parking revenues, sports and leisure services and income from cultural venues.

3.11 The Public Accounts Committee (PAC) has requested a report by the end of 2021 setting out how Government will use lessons learnt from covid and how they will be applied in setting out a framework for responding quickly to severe national emergencies and their implications for local Government. We look forward to seeing this report[8].

3.12 The PAC report also recommended that [Government] should ensure that their work for the next spending review includes full consideration of the longer-term effects of the pandemic on local government finance and the demands placed on local authorities. We have set out in the above paragraphs some of the key issues that we feel the Spending Review should address in relation to covid.

- **Treasury must recognise and fully compensate councils for their continuing covid pressures in 2021-22 so that all councils have resource proportionate to their needs, after the impact of covid**.

- **We urge government to give the widest possible latitude for the duration and applicable use of COMF in covid cost pressure funding.**

- **The Sales fees and charges support scheme should be extended for at least a further 3 months, to the end of September.**

- **New burdens must be monitored and funded**

4 2021 -22 and beyond - Meeting the Country's Needs with Adequate Funding for Services

4.1 Covid has served to highlight the services which underpin the fabric of society and which Government must sustain.

4.2 Ministers have repeatedly assured our members of the critical role they have played in providing central government with information, disseminating guidance to the public and delivering the services needed on the ground, even when reacting to rapidly changing circumstances.

4.3 In reacting to the covid crisis Government has narrowed its vision to focus on essential services and created a simplified funding stream for local government that matches those services. This is a good blueprint for the next planning horizon.

[8] Et al Fourth Report of Session 2021-22_Covid 19: Local Government Finance

4.4 Covid, and the previous local government settlements have also highlighted that the **existing** funding levels for local government overall are inadequate. This is particularly true of Adult and Children's Social Care. Public health is now also emerging as a demand led pressure that is set to remain at high levels in the medium term, especially given recent announcements in the "Building Back Better" paper.

4.5 Ahead of the 2020 Spending review the LGA predicted an overall funding gap of £6.4 billion by 2024-25. Emanating from growth in day-to-day spending of £13.2 billion[9].

4.6 Pre covid, the County Councils Network predicted an annual funding gap of £4 billion in 2020-21 rising to £8.2 billion by 2024-25[10]

4.7 In September 2020 the IFS estimated that, even if councils raised Council Tax by 2% per annum and existing funding streams grew by inflation, the spending needed to maintain services at pre covid levels would exceed revenues by £3.4 billion in 2024-25 and an average £2.4 billion per annum over 21/22 to 23/24[11]

4.8 The predicted quanta of funding will now of course need revising in the light of upward cost pressures due to the more complex service delivery environment in the medium term and the possibility of increased demand, due to likely increases in local deprivation and unemployment as the furlough scheme ends. These are the more likely if Government pursues its policy of ending the £20 uplift to universal credit in October.

4.9 Back in 2018, the National Audit Office[12] concluded that:

The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

4.10 The report went on to recommend that:

[The Department] must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability

4.11 The risks of failure cannot be said to have lessened since then and has been staved off by a series of short-term one-off grants and additional local taxation rises.

4.12 This NAO recommendation has been effectively endorsed by the PAC report of 2020 as Covid has highlighted the risk to our key services from lack of funding.

[9] AT 2019-20 values- https://www.local.gov.uk/about/campaigns/councilscan/council-funding-requirement-and-funding-gap-technical-document
[10] CCN Pixel local government funding forecast 2024/25 February 2020 https://www.countycouncilsnetwork.org.uk/advocacy/publications-and-research/
[11] Real terms, table 3.2 of report_ Institute for Fiscal Studies "Covid-19 and English Council Funding"https://www.ifs.org.uk/publications/15041
[12] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/

Therefore, the sector has high expectations of this Spending Review in relation to local government services

4.13 An early casualty of funding cuts has been preventative spend. As funding fell and demand for services grew, many councils have been forced to abandon spend on preventative measures in order to fulfil their statutory duties. The latest "Building Back" report has highlighted Government's desire to build preventative measures into a future adult social care model. Members support this but are clear that this policy needs to extend to other services, particularly Children's Social Services.

4.14 Specific examples provided by our members include: Sure start, early years services, youth services, improving school attendance, supporting adults with mental health difficulties, encouraging families to use local services, keeping children with their families, preventing crime involvement, benefits help, drug and alcohol support and addressing parenting issues.

4.15 Similarly, cuts to Public Health funding since its transfer to local authorities represent a direct reduction in one of the more obvious preventative services where reduced funding cannot help but contribute to increased demand for, and cost of, expensive reactive services in health and social care. Public Health funding pressure has of course increased due to covid.

4.16 The quantum will also need to take into account the additional resources which will be needed to support the recovery of local economies and support proposals for "levelling up". We hope to see this both in the levelling up fund and the UK shared prosperity fund.

- **Treasury and DLUC must ensure that an adequate total funding package for local government is made available in line with LGA recommendations.**

5 Meeting the Country's Needs - Sharing Resources Fairly

5.1 Covid has also highlighted the necessity to place scarce funds where they are most needed and the extent to which deprivation and population concentrations can exacerbate the demand for care services.

5.2 Government have acted quickly to do this with Covid emergency funding, but they must now address this issue in funding for 2021-22 and beyond.

5.3 **The landscape for local authority funding has changed and any illusion that the country can afford to fund some councils beyond their service needs whilst others fail to provide basic services must be abandoned.**

5.4 Over the last decade, incentivising authority growth has resulted in moving ever-larger amounts of funding away from councils who have the highest need to those who can grow the most resource locally.

5.5 The real term comparable value of core spending power 2010, was £60,343 million[13] and more than 60% of that funding was allocated on a needs basis, either formula based or by matching grant to specific services.

[13] SIGOMA analysis of NAO 2020 financial sustainability data

5.6 As can be seen in table 3 below, the needs proportion fell in 2013-14 but was still more than half of the reduced CSP of £47,850 million.

5.7 By 2017-18, Core Spending Power was down by 29% at £42,822 million (real terms)[14]. At that time, needs distribution made up just 40% of the total, with Council Tax and Incentives making up just under 60%, as shown in Table 3 below.

Table 3: Profile of Core Spending Power 2010-11 to 2017-18 (source as a percentage of the whole) England

Allocation basis	2010-11 %	2013-14 %	2017-18 %
Council Tax base[15]	35.1%	43.6%	55.0%
Needs basis	64.4%	54.9%	40.1%
Growth incentive	0.1%	1.4%	4.4%
Protection of funding [16]	0%	0.1%	0.5%
Other	0.4%	0%	0%

5.8 It is not difficult to appreciate that the change of emphasis in how funding has been allocated has benefited councils with low needs, a large and growing Council Tax base and a thriving business estate, by comparison to authorities with high needs and relatively low Council Tax and business rate base. This is illustrated by the following two examples.

5.9 Knowsley Council saw the following changes in income sources[17]

Allocation basis	2013-14 £m	2017-18 £m	2019-20 £m	Change %
Council Tax	43.5	49.7	54.4	25%
Business rates	63.2	99.0	108.4	72%
Gov't funding	136.3	50.0	35.6	-74%
Other sources	13.0	12.4	13.7	5%
Total Income	256.0	211.1	212.1	-17%

5.10 Whilst for Bournemouth, Christchurch & Poole, the change was as follows:

Allocation basis	2013-14 £m	2017-18 £m	2019-20 £m	Change %
Council Tax	178.8	196.1	210.2	17%
Business rates	53.5	59.0	56.9	6%
Gov't funding	100.2	48.2	38.2	-61%
Other sources	13.0	28.4	22.6	73%
Total income	345.5	331.7	327.9	-5%

[14] SIGOMA analysis of NOA financial sustainability visualisations 2020.
[15] 2010-11 CT data is adjusted to move CT benefit into "needs". Treatment of CTB changed n 2013-14 reducing tax base and creating a fixed grant for CT support.
[16] Contains increased rural services delivery grant and transition grant. Removal of negative RSG is not taken into account in this analysis though this is another protection
[17] From data supporting https://www.nao.org.uk/other/financial-sustainability-of-local-authorities-visualisation-update/

5.11 Despite having a greater percentage increase in Council Tax and a much higher business rate growth percentage Knowsley's income has fallen by a much greater percentage.

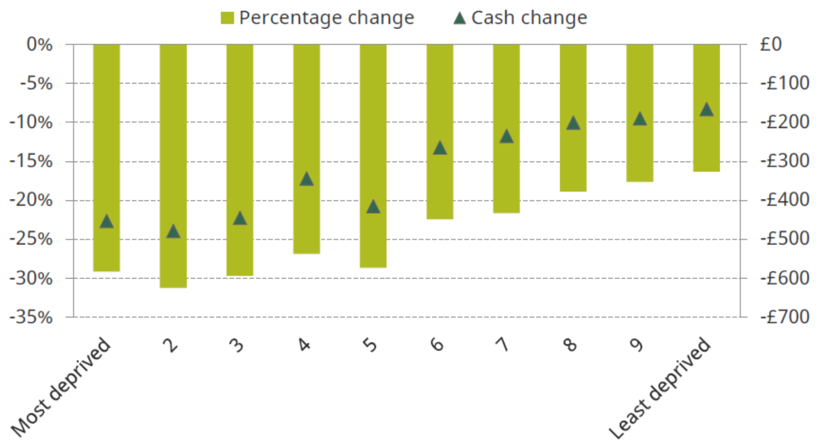
5.12 This is because Knowsley has a much greater dependency on needs funding, which is falling, and can only earn a smaller share of its overall needs from its housing and business rate growth than Bournemouth Christchurch & Poole.

5.13 The Government's unwillingness to recognise this is illustrated by the fact that Bournemouth, Christchurch and Poole, with a fall in real terms Core Spending Power of 25%, between 2010 and 2017 received transitional protection in 2017-18 whilst Knowsley with a comparable fall of 40% received nothing[18].

5.14 This impact is further evidenced by the 2019 IFS report[19] showing the cut in funding per head between 2010 and 2019 by deprivation decile. In chart 4 below the £ cut per head in the most deprived 10% is more than double that in the least deprived.

Chart 4 Extract from IFS Report on Cuts

Figure 2.8. Change in fiscal revenues per person between 2009–10 and 2019–20, by decile of deprivation (2019–20 £ and %)



English local government funding: trends and challenges in 2019 and beyond. IFS November 2019

5.15 This disparity in Core Spending Power cuts is not the only funding inequality.

5.16 The 2018-19 growth in business rates above baseline funding was estimated by MHCLG at £1.4 billion[20]. In 2019-20 the value was nearer £1.8 billion. Delaying the re-set of business rates has already negatively impacted the majority of our members who have become relatively more deprived and have lower tax revenues.

5.17 Based on 2018-19 retained growth, we estimate that by comparison to a needs-based allocation our councils lost £147 million of funding. Each year that re-set is delayed, poorer councils lose more.

5.18 Again, our view is independently supported by the IFS report. Table 4.2 of that report showed the relative gain or loss under BRR compared with allocating equivalent funding on the basis of councils assessed spending need.

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[18] https://www.nao.org.uk/other/financial-sustainability-of-local-authorities-visualisation-update/#viz

[19] *English local government funding: trends and challenges in 2019 and beyond. IFS November 2019*

[20] Assuming a 50% local share and taking into account related s31 grants, top ups and tariffs

5.19 Between 2013-14 and 2019-20 the results showed that Mets and Unitaries had lost out whilst Shire areas and London authorities had gained:

Table 5 Extract from IFS Report on Redistribution Impact of Rate Retention

Authority type[21]	Cash Amount	Cash per person	As % of fiscal revenues
Shire counties and districts	£192m	£9	+0.14%
London boroughs + the GLA	£30m	£3	+0.04%
Metropolitan Districts	-£141m	-£12	-0.16%
Unitary authorities	-£80m	-£6	-0.09%

5.20 This growth above baseline does not appear in Core Spending Power, despite CSP being presented by Government as the "measure of the overall revenue funding available for local authority services".

5.21 In addition to the funding imbalance caused by growth incentives, the scheme of rate retention itself has become increasingly complex due to:

- Government interventions in reliefs.
- Government interventions in business rate inflation.
- Changes to the revaluation cycle and interventions in that cycle.
- S31 grants to adjust for all the above and adjustment to those S31 grants.
- Proposed changes to Levy and Safety Net mechanism.
- Disparity between council Business Rate estimates and outturn.
- Impact of backdated appeals and provisions for those.
- Loss of business rates through academy transfers by schools.
- Delays in promised re sets.

5.22 With the future quantum of rate income uncertain and having identified service demand as the main priority, the Government now has a unique opportunity to simplify government funding by over-riding the rate retention system and rebalancing funding according to need.

5.23 In our 2015 Policy document "Protecting Vital Services"[22] we put a case for a pooled fund that prioritised service needs but also made provision for incentive payments of the governments design, provided that all needs are funded. We would suggest that the time for such a scheme has arrived.

5.24 Such a scheme must take into account the reality of the varying ability of councils to raise funds through council tax.

5.25 Members support the LGA view, shared in various forum that we have attended, that lots of small, targeted amounts of community funding are not an efficient method of allocating funds. Government needs to stand by its agenda of localising funding decisions.

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[21] Prepared by SIGOMA from table 4.2 of the IFS report "The impact of business rates retention and the New Homes Bonus on council funding". The results of districts and counties are combined as relating to the same group of citizens, as are London and the GLA. The figures quoted exclude the impact of rate retention pilots.

[22] Available at: https://www.sigoma.gov.uk/documents/policy-documents?year=2015&id=316

5.26 We support the LGA view that there needs to be a consolidation of funding pots, from various Departments and for various purposes, into one place-based grant to provide higher impact and concentrate maximum funding on local issues.

- **We call on government to abandon or suspend business rate retention, new homes bonus and the related s31 grants and concentrate funding in to one, readily identifiable funding stream based on needs.**

- **Funding for growth incentive policies should only be provided after service needs, economic recovery and levelling up are fully funded.**

- **It is important that additional funding should ensure that no council would lose funding on transition to this approach.**

6 The Levelling up Agenda - Investment

6.1 The Government has made levelling up a cornerstone policy of the current parliament, being frequently referred to in the Queens Speech.

6.1 Stakeholders across the country are urging the Prime Minister not to abandon the aspiration to revive our towns and cities. It is encouraging that responsibility for driving the levelling up agenda now lies with the Minister for local government and we now await the governments promised white paper on levelling up.

6.2 In the interim SIGOMA has launched its own discussion paper on what levelling up means and possible policy changes needed to give it substance. Released on 14 September, this is based on a report prepared earlier in the year by Councillor Graham Chapman [23]

6.3 Parity of investment in infrastructure is of course an important element of levelling up..

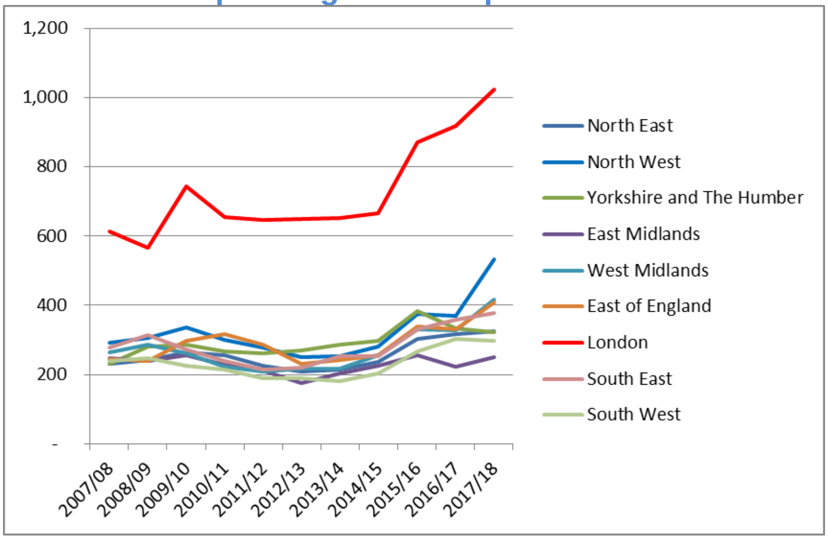
> *A good way of making big cities and their hinterlands more productive is to upgrade their infrastructure. Even on the basis of the Treasury's narrow cost-benefit calculations, which take too little account of projects' potential for boosting growth, the south-east gets an unfair share. Transport projects have been approved in London while others in the Midlands and north with better benefit-cost ratios are nixed. That needs to change*
>
> Economist Leaders 30 July 2020

6.4 As The Economist leader suggests, infrastructure investment across the country is uneven and has been so for many years.

6.5 For example, Chart 6, below, shows that historic public transport spending per head in the capital is more than that of the next two regions combined and has been since 2008.

[23] The Levelling Up Policy – How Effective is it Likely to Be? https://www.sigoma.gov.uk/levelling-up

Chart 6 Analysis of Historic £ per capita Total Public Spending on Transport



Source: by SIGOMA from data in IPPR press report 19/8/2019

6.6 The HM Treasury "Green Book" is a key tool in deciding what projects are given the go-ahead. Currently the system skews investment toward already successful places. As Faisal Islam, economics editor for the BBC writes, the current system:

"biases government investment to where economic growth, high productivity, and high house prices are already concentrated - in and around London".

6.7 It was therefore welcome that commitments were made earlier for a reform to

"make sure that government investment spreads opportunity across the UK"

6.8 A more recent comment from Chief secretary to the Treasury, Steve Barclay was:

"..spending decisions cannot be based solely on cost-benefit ratios assessed in silence; there must be room for more balanced judgements that take account of the transformational prospect of investment."

6.9 The announcement of a Levelling up fund of £4.5 billion was encouraging and members remain hopeful of an open and balanced assessment, but the early indications of the first tranche of allocations suggests that the process retains a strong element of political influence and keeps the decision making and control firmly within Whitehall

6.10 A bidding process for relatively small amounts of capital funding over which Central Government presides is not a good early indicator of Governments levelling up intentions especially when this is not supported by a national plan for areas most in need of levelling up. We hope to see more open and consultative announcements from the newly-formed DLUHC.

6.11 Similarly, we have yet to see any details of the proposed UK Shared Prosperity Fund though we now have a precursor to that, the UK Community Renewal Fund. By limiting individual bids to £3m Government may again be over prescriptive in allocating funding which may reduce its impact.

- **It is vital given the current economic crisis we now face that Government double down on this commitment to ensure that investment is not over focussed on London and that alleviating the impacts of recession is part of the evaluation process.**

- **An investment programme with ambitions outside the capital is essential and one in which the levers of decision making are passed into the regions.**

- **A successor to EU structural funding must be announced to replace the £1billion that went to SIGOMA councils from this source over the last 5 years.**

7 The Levelling up Agenda - Equality of Opportunity

7.1 We have argued along with many commentators, that levelling up should not be over focussed on infrastructure, "grands projets" or "shiny new things" beloved of politicians.

7.2 Levelling up must include parity of opportunity. It must, in the words of the Prime Minister:

…. allow the places that have been left behind to become places that retain their talent, and professionals will be able to stay and bring up their families and enjoy a higher quality of life without the need to move to the supposedly fashionable conurbation.[24]*"*

7.3 This means that the health, education and the consequent employment inequalities also need addressing.

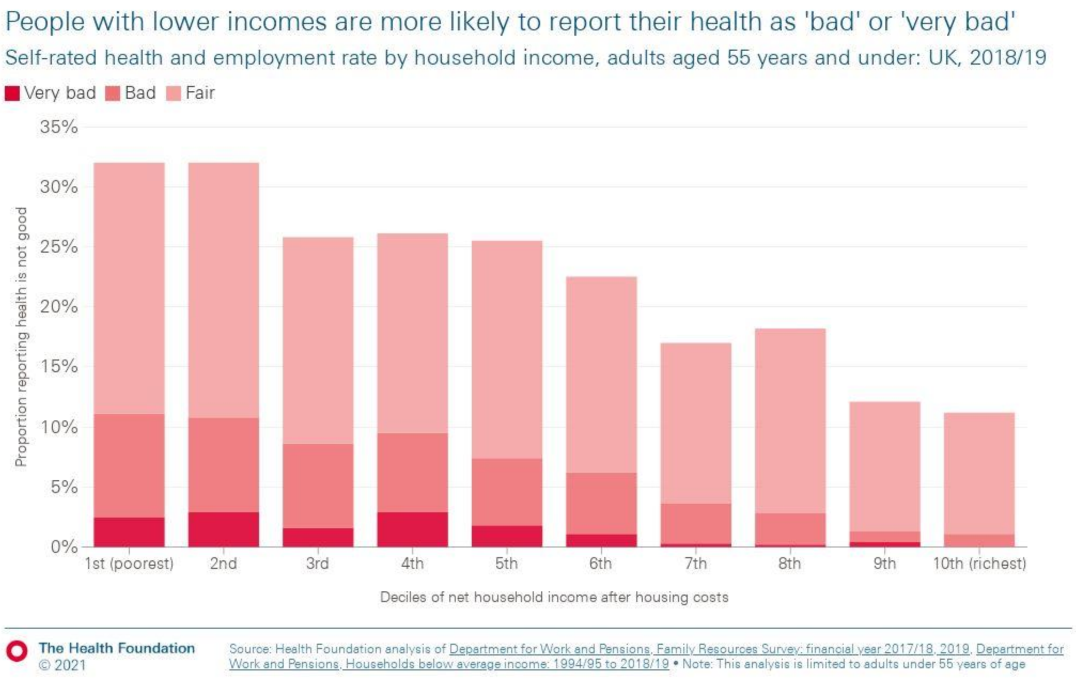
7.4 The health inequalities that accompany deprivation are well documented. Research from the Health Foundation[25] found a direct link between lower income and bad health.

7.5 Those in the poorest income decile were 5 times more likely to self-report their health as bad or very bad than the top income decile as Chart 7 below shows.

[24] From PM speech on levelling up July 2021

[25] Health Foundation, 2020 "Living in poverty was bad for your health before COVID-19", p.5. Adam Tinson available at: https://www.health.org.uk/sites/default/files/2020-07/Living%20in%20poverty%20was%20bad%20for%20your%20health%20before%20COVID-19.pdf

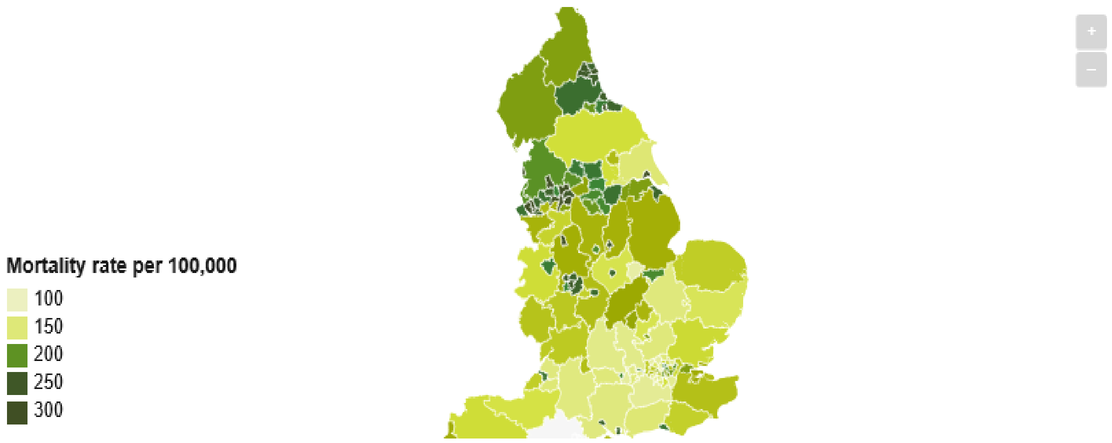
Chart 7: Life Expectancy and Deprivation[26]



7.6 Perhaps one of the most disturbing analyses was presented by the Kings Fund showing the geographic spread of preventable deaths:

Chart 8: Kings Fund Report – Preventable Deaths

Figure 7 Mortality rate from causes considered preventable by local authority in England, 2016–18



Map: The King's Fund • Source: Fingertips Public Health Profiles, Public Health England • Map data: © Crown copyright and database right 2018 • Get the data • Created with Datawrapper

From "What are health inequalities?" : Willams, Buck and Babalola for the Kings fund.

7.7 Our own chart below plots the range and concentration of life expectancy at birth for SIGOMA authorities compared to the whole of England. It shows that the very highest prediction for a SIGOMA council barely exceeds the average for the whole of England[27].

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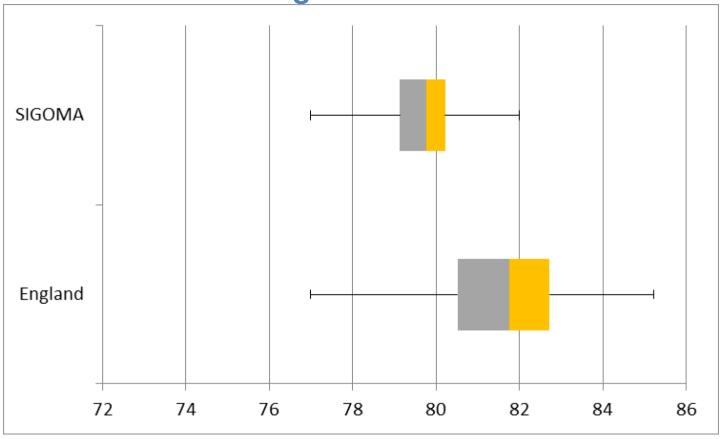
[26] https://www.health.org.uk/evidence-hub/money-and-resources/income/relationship-between-income-and-health

[27] Prepared by SIGOMA using ONS life expectancy at birth 2016-2018 from ONS "Life expectancy at birth.....UK 2001-2018. Average taken of male and female life expectancy data.

Chart 8: Life Expectancy of SIGOMA Population and the Whole of England



7.8 Covid has only further highlighted those inequalities, as the reports we highlighted in section 1 illustrate. In a Health Foundation report, the authors wrote:

"People facing the greatest deprivation are experiencing a higher risk of exposure to COVID19 and existing poor health puts them at risk of more severe outcomes if they contract the virus"

7.9 This means that those in poor health are more likely to come into contact with Covid and then it is more likely that the disease will be deadly due to underlying health issues.

7.10 The vaccine has made great inroads into the risks of covid fatalities but, still, the poorest are at greater risk.

- **To help levelling up, Government must have a plan to negate the effects of deprivation on health inequalities both Covid related and in the long term.**
- **Public Health funding should be re-evaluated in the light of covid to meet the needs of all councils.**
- **Deprivation should have an appropriate weighting in distribution as should the multiplying effect of population concentrations.**

7.11 Similarly, there is a strong correlation between deprivation and lower educational achievement, with all the connotations for lower skilled, lower paid jobs, affecting the ability of regions to earn their way out of their poverty trap.

7.12 To quote from a recently updated ONS report[28]

Child poverty in the UK is a growing issue and affects more than 4 million children. Growing up in poverty can have negative consequences for children's well-being and future life prospects, such as employment and earning opportunities (HM Government, 2014)

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[28]Child PovertyandEducationalOutcomesbyEthnicity_ONS Feb 2020
https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/february2020/childpovertyandeducationoutcomesbyethnicity

There is a clear pathway from childhood poverty to reduced employment opportunities, with earnings estimated to be reduced by between 15% and 28%, and the probability of being in employment at age 34 years reduced by between 4% and 7%.

7.13 Given the Deprivation status of our councils reported in section 1 it will be no surprise to hear that 41 out of 47 of our member authorities were in the bottom half of the IDACI ranking[29] of the IMD, or that 9 out of the worst scoring 15 local authorities were SIGOMA members.

7.14 This is reflected in education KS4 outcomes, with 82% of our members recording below average attainment[30].

7.15 The consequences of this can be seen in progression beyond Key Stage 4 and the percentage of pupils going on to employment or training. Where 70% of our members recorded below the average percentage.[31]

7.16 In addition to the problems that deprivation plays in health and educational attainment there is the added problem of social mobility. At the moment, in the words of the Social Mobility Commission "Where you grow up matters". This means that not only are you likely to be less well-off in deprived areas, but that people of the same comparable poverty will be less well off in some areas than others. The report explains that:

"Depending on where they grew up, sons from disadvantaged families [in one area] can earn on average up to twice as much as similar sons who grew up elsewhere in the country"[32].

7.17 Of the 24 least socially mobile areas in England listed by the Commission, 16 are amongst our membership. Again, to quote the commission:

"Policy-makers need to prioritise areas with both the lowest earnings for disadvantaged sons and the largest pay gaps between the most and least deprived sons. Not only do these areas have large education gaps, but for deprived individuals, there is a lasting shadow of family circumstance persisting into adulthood. Giving additional support to this fifth, these localities with lower life chances, must be our mission."

- **Health and Education must be part of the levelling up agenda. Covid promises to widen this gap even further and Members want to see a plan, backed by Treasury, that recognises and addresses this.**

8 Use of Reserves

8.1 It is clear from the way in which covid returns are now being framed that central government has an eye on the reserves that councils hold in addressing the pressures caused by the current crisis.

[29] Income Deprivation Affecting Children Index
[30] Grade 5 or better in maths and English https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised
[31] PercentageofPupilsinOverallSustainedEducationandorEmplymentorTrainingDestinations2019
[32] The long Shadow of deprivation", the Social Mobility Commission September 2020

8.1 It should be clear from the responses of councils that they hold these reserves as part of their mechanism for responsible financial planning. As an entity that cannot (unlike health trusts) return a negative budget, reserves are a key part of a councils prudent financial planning.

8.2 It would also be a further step in the wrong direction from devolved responsibility and independence, back towards the assertion that Government-knows-best, which the Prime Minister denounces.

8.3 From our members' covid returns, we can see that few of them see their reserves as available for covid use:

Extract from Delta Returns on Covid Pressures August 2020

Question F2. What percentage of your unringfenced reserves as reported in Question F1 is programmed for expenditure within the next three to four years within your Medium Term Financial Strategy and are therefore seen internally as unavailable for unforeseen circumstances? Please separate between unallocated and earmarked reserves and provide a RAG rating for confidence in the estimates.

SIGOMA response average	-Unallocated financial reserves	73%
	-Other earmarked reserves	91%

8.4 A typical comment accompanying the data was

"The Council's s151 Officer will have formed their statutory view on the level of reserves that are adequate considering the Council's strategic, operational and financial risk exposure. Reserves can be used to support unplanned cost pressures arising from Council activities and are critical in supporting the short to medium term strategy of the Council and to enable the Council to support the local economies recovery from the longer-term effects of COVID-19."

- **Therefore, Government is urged to find alternative approaches to sharing financial pressures from covid across the whole country.**

9 Adult Social Care

9.1 Government have recently made headline announcements on social care. The main disclosures were regarding raising funds to finance both adult social care and to address the arrears in elective health treatment, namely:

- a 1.25% increase in National Insurance (later converting to a Levy) for employees and employers,
- an increase in dividend taxation,
- a quantified cap on contribution to personal care costs from clients.

9.2 We must firstly join other commentators in congratulating Government on recognising and beginning a process to address the severe funding problems underlying adult care.

9.3 We also support Government's announcements that the additional NI/Levy will be refunded to public bodies, so that they are not left worse off as a result of the additional tax burden. We await details of how that refund will operate at authority level.

9.4 It is essential when calculating this refund Government take account of the NI/Levy burden on care providers commissioned by authorities.

9.5 The current announcements, however, leave us no better off or further forward in terms of resolving individual authority care funding gaps either now or in the future.

9.6 Indeed, the narrative surrounding the recent announcement could be interpreted as stating that the additional monies raised will be applied to additional funding for Health catch up and to re-imburse councils for lost income due to introduction of the cap, without addressing the legacy funding gap being faced by councils and providers.

9.7 Paragraph 35 of the “Build Back Better” booklet states

> *The Government will ensure Local Authorities have access to sustainable funding for core budgets at the Spending Review. We expect demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies*

9.8 It will be of little comfort to our members to know that their local care cost funding gap is to be financed through placing yet greater burdens on local council payers, particularly for SIGOMA members given our analysis in sections 5.7 onwards

9.9 Government is promising consultations and engagement on an integrated health and care system followed by a white paper. Our members fear that they will be approaching 2022-23 with an unresolved funding gap for adult social care beyond proposals that already leave us at a disadvantage.

9.10 The existing social care funding pressures identified by the LGA must be fully funded at authority level.

10 Clear Policy and Direction – What is Local Government For?

10.1 Over the last year, and before that taking into account Brexit preparations, the expectations of the Government from local government have increased, sometimes in the absence of clear policy or direction from the centre.

10.2 The time is surely right for a clear understanding between central and local government about what services we are expected deliver, what drives the cost of those services and a mechanism that ensures adequate funding, recognising local tax raising capacity.

10.3 It is evident more than ever that the payers of tax and the consumers of services are for the most part, not the same people and not necessarily located in the same concentrations everywhere (though an imaginative investment policy could rectify that over time).

10.4 We need and would work closely with Government to agree:

- A comprehensive policy for caring for the elderly and infirm.

- A proactive service of safeguarding and childcare for those at risk.
- A generous education system that offers equal opportunity across the country.
- A health system aimed at improving health everywhere and eradicating health inequality, not just reacting to illness.
- A national framework of infrastructure improvement and what that should look like post covid.
- Government plans to lift all regions to the same economic status as London and parts of the South.