



The Special Interest Group of Municipal Authorities (Outside London)

SIGOMA submission to HM Treasury In respect of the Autumn Statement 2016

SIGOMA welcomes the opportunity to submit our comments prior to the Autumn Statement.

1. About SIGOMA

- 1.1. SIGOMA is one of the largest special interest groups within the LGA. It comprises 46 local authorities in the northern, midland and south-coast regions of England, consisting of 32 metropolitan districts and 14 major unitary authorities, covering key urban areas.
- 1.2. The authorities SIGOMA represent are among those facing the greatest challenges. They face pressures both in terms of the demographics that determine demand for services but also in terms their ability to grow income locally, either due to low Council Tax banding, a low and weak business rate base or lack of substantial infrastructure investment.
- 1.3. SIGOMA authorities represent 24.8% of English households and 24.5% of the English population. However:
 - SIGOMA represent 29% of all households on council house waiting lists.
 - SIGOMA residents have an average life expectancy at birth 2 years less than the national average, and have adult obesity levels 1% worse.
 - SIGOMA care for 35% of the country's looked after children.
 - 33% of all households living in poverty are from SIGOMA authorities.

2. SIGOMA's view on the issues for the autumn statement to consider

- 2.1. Members are conscious of the importance attaching to this Autumn Statement, being the first one of the new Cabinet following Britain's decision to leave the European Union. It will also inform the Department of Communities and Local Government's last local government settlement before exit from the EU commences.
- 2.2. Reading the Government's main message to local government is not difficult. They wish authorities to be self sufficient and independent, providing local solutions to local problems using locally raised funding. This principle has the support of many local government leaders but is easier to implement in some parts of the country than others. The Treasury will be aware of the great burden of funding cuts that have fallen on local government over successive budgets since 2010 but this has not affected all authorities equally:
 - Using DCLG's own measure of "Core Spending Power", which includes Council Tax, local authorities have undergone a cash terms cut of 15.7% since 2010. This has impacted disproportionately on poorer areas however. Using the same measure, the municipal authorities we represent have undergone a cut of 21.1%.



- According to the NAO¹, capital spending by authorities increased slightly from 2010-11 to 2014-15, but this is not even across authorities. Overall spending increased by 5.3% in real terms. However, 49% of authorities reduced their capital expenditure during this period, with nearly three quarters (72%) of metropolitan district councils reducing their capital spending.
- Between 2010 and 2015 the concentration of the most deprived areas within authorities has shifted yet further away from London to the regions. The table below shows that the most deprived region by this measure, the North West, now has a concentration of more than three times that of London. London has reduced its proportion of most deprived LSOAs by 2.7% whilst the East Midlands is worse by 1.7%.

Region	2015 %	2010 %	Better (worse) %
London	5.7%	8.4%	2.7%
South East	3.0%	2.3%	-0.7%
South West	4.8%	3.8%	-1.0%
East of England	4.1%	2.8%	-1.3%
East Midlands	8.7%	7.0%	-1.7%
West Midlands	15.4%	16.0%	0.6%
North West	19.6%	20.0%	0.4%
Yorkshire & Humber	18.1%	17.1%	-1.0%
North East	17.1%	17.0%	-0.1%

¹ National Audit Office – Financial sustainability of local authorities 15 June 2016

² LSOAs are the level at which the Index of Multiple Deprivation is measured. Source IMD 2010 and 2015



2.3. Local tax raising is focussing to an ever greater extent on London and the wealthier parts of the South East.

Business rates Change in Rateable value 2010-2015 ³		Council tax Average Council Tax per dwelling 2016-17 ⁴	
Area	Percentage change in rateable value by Region and Sector	Authority type	Average Tax per Dwelling £
England	9.1%	England average	1,077.3
North East	-1.1%	Metropolitan districts	852.9
North West	-0.2%	Inner London boroughs	857.8
Yorkshire and the Humber	-0.3%	Unitary authorities	1,055.7
East Midlands	7.2%	Outer London borough	1,155.5
West Midlands	2.9%	Shire districts	1,223.0
East	3.9%		
London	22.8%		
South East	8.6%		
South West	3.8%		

The tables show that for both Business Rates and Council Tax, local financing is a much greater challenge for poorer regions and authorities.

2.4. Reducing Government support for the poorest individuals has resulted in yet greater demand for services, again concentrated in these same poor regions.

2.5. Authorities are under pressure to protect adult and children’s services whilst funding decreases. The next table shows how expenditure cuts have been applied by authorities since 2013. Like all authorities, SIGOMA authorities have given protection to adult and children’s social care but have faced a greater challenge in all service areas. Adult and children’s social care has become an increasingly larger share of overall revenue expenditure, with this effect exaggerated for SIGOMA authorities.

³ Valuation Office Agency – High Level Estimates September 2016

⁴ DCLG Live tables



Changes in local authority service expenditure 2013 - 2016

Revenue expenditure data Extract from Revenue estimate and revenue outturn data	2016 estimates		% change since 2013-14 RO	
	SIGOMA £'000	England Exc luding SIGOMA £'000	SIGOMA	England Exc SIGOMA
Education services	8,983,908	25,226,784	-4.88%	-4.57%
Highways and transport services	480,604	3,211,749	-10.03%	-8.37%
Children Social Care	2,121,246	5,713,273	9.93%	14.61%
Adult Social Care	3,381,035	11,008,718	-1.30%	-1.18%
Public Health	1,087,358	2,408,419	36.75%	40.62%
Housing services (GFRA only)	346,180	1,263,856	-25.89%	-18.86%
Culture and related services	627,400	1,684,649	-17.19%	-17.10%
Environmental and regulatory services	900,931	3,753,813	-6.61%	1.77%
Planning and development services	205,500	812,865	-38.25%	-18.99%
Police services	-	3,023,769		
Fire and rescue services	-	2,052,238		
Central services	651,070	2,290,528	-5.05%	12.08%
Other services	43,759	298,334	6.47%	494.87%
TOTAL SERVICE EXPENDITURE	18,828,991	62,748,995	-2.84%	-0.69%
Total Excuding Education police and fire	9,845,083	32,446,204	-0.89%	2.29%
Childrens and Adult social care as % of total 2016	55.9%	51.5%		
Childrens and Adult social care as % of total 2013	53.9%	50.8%		

2.6. To help fund care costs government has introduced a social care precept, but this allocates social care funding according to council tax base, not according to increased social care pressure.

3. Our call on HM Treasury

3.1. Areas where we would like to see changes action include:

3.2. Recognise shifts in Departmental burdens arising from efficiency initiatives

- I. Financial recognition must be made of cross cutting nature of efficiency programmes. Joint working between health bodies and local government, for example, can often result in efficiencies for Department of Health but additional cost to local government.
- II. This is most recently evidenced in the Transformation of Care agenda. This is a national plan to develop community services and close in-patient facilities for people with a learning disability and/ or autism who display behaviour that challenges, including those with a mental health condition.
- III. This presents very different degrees of challenge across the country, as analysis in *Building the Right Support*⁵ showed. The report showed that, in order to meet the policies own stated targets, a range of percentage reductions in inpatient care were required from local health boards, from over 70% to under 10%. Analysis by just 5 of our members projected additional annual costs totalling £7 million as a result of Transformation of Care by 2020, even after accounting for expected health contributions.

⁵ The policy document underpinning Transformation of Care



- IV. We ask Treasury to recognise this shift in responsibilities when setting Departmental budgets.

3.3. Recognise shifts in Departmental finances as a result of taxation

Where Government policy results in savings to other Departments at a cost to local government, we ask that this is recognised. This is most obvious in the impact of the academisation programme. Authorities lose business rates at each academy conversion, resulting in additional funding for the Education Department which is not recognised in Departmental Budgets in the Autumn statement. A similar issue is currently developing in respect of Health Trusts.

3.4. Change policy in respect of tax reliefs that impact solely on local authorities

- I. Members acknowledge the right of Government to offer tax support and incentives, be it to charitable institutions or small business, and stand ready to bear their share of the impact of this in their share of general taxation.
- II. However, as authorities become increasingly reliant on locally raised taxes, it is neither fair nor logical that they should bear the full impact of such support in the form of small business rate relief and charitable relief, yet have no say in how this relief is awarded.
- III. Many of our members have commented that they could use funds currently paid out as Charitable Relief and Small Business Rate relief much more effectively to target high impact local charitable organisations and struggling or growing local businesses.

3.5. Recognise demand led costs within funding

- I. In 2013, Council Tax Benefit was converted into a direct grant for Council Tax Support.
- II. The grant was rolled in to Settlement Funding formula at a 90% efficiency target. As part of subsequent Settlements, this grant has undergone annual reductions and will have reduced by a further 50% by 2019-20 whilst the demand for support is predicted to be at the least the same.
- III. This places unequal burdens on authorities or their residents, penalising those with higher numbers of pensioners and lower earners.

3.6. Take into account new burdens imposed by policy

- I. It is essential that Government recognise the upwards pressure on Councils over and above inflation. Besides general inflation, these pressures include
- II. Removal of the contracted out rate of National Insurance
- III. This has generated additional funding for the exchequer which we have consistently requested should be returned to local government in the proportions raised. This has been estimated to cost LGPS employers around an additional £700 million per annum; £2.5 million per annum for a typical SIGOMA member.



- IV. Introduction of the National Living Wage
- V. The introduction of the National Living Wage will affect many of the care services provided either directly or indirectly by Government. The chancellor assured companies that their additional costs would be balanced by reduced taxation but of course there is no such amelioration for local government. The LGA estimate that this will cost local government an additional £1.5 billion by 2020.
- VI. Other new unfunded burdens include the Apprenticeship Levy, increasing costs associated with Deprivation of Liberty Safeguards and potential future costs under the care Act.
- VII. These additional costs must be factored into the funding allocations for local government.

3.7. Recognise immediate pressures on Adult Social Care provision

- I. Successive funding cuts, amounting to £4.6bn over the past five years in the care sector alone, have placed ever-increasing pressures on local authorities.⁶
- II. The 2% Council tax precept and Improved Better Care Fund (BCF) will not be sufficient to address these pressures, particularly in the short term.
- III. While the precept allows for additional revenue raising, it does do irrespective of underlying need, ignoring the strong correlation between deprivation and demand that is of particular consequence for SIGOMA authorities.⁷ It also ignores the fact that low council tax base authorities, where demand is often greatest, are the least able to raise the revenue necessary to fund vital services.
- IV. Increases in BCF funding are also back-loaded, with no planned increase in 2016-17 and only 3% of the total funding earmarked for 2017-18.
- V. Some local authorities are already facing the threat of provider withdrawal, so alternative means for addressing funding needs are required, Treasury finance for a frontloading of Improved Better Care funding should be considered.

3.8. Put service delivery at the heart of financing

- I. Our members acknowledge a place for efficiency and incentives within local government financing. However, there is a clear agreement across all authorities that the cost drivers for service delivery are the critical factors in determining funding allocations.
- II. One of the for core underlying principles in SIGOMA's policy document, *Protecting Vital Services*⁸, is fairness, which to us means:
That people in similar circumstances pay the same price for receiving the same service outcome no matter where they live.

⁶ ADASS., Budget Survey 2016, p7, p28

⁷ House of Commons Health Select Committee., Impact of the Spending Review on health and social care: First Report of Session 2016–17, p29

⁸ www.sigoma.gov.uk/_documents/public/Protecting-Vital-Services.pdf



3.9. Ensure funding is allocated according to service pressures, not income bases.

Funding must follow need and help aspiring authorities not reward those who already have sufficient local resources..

4. Summary

4.1. Our members would like to see an autumn statement that fairly reflects all of the pressures and cuts on Departments, including those described above which are not always evident in headline Departmental Expenditure Limits. They also call for a level of investment in poorer towns and cities that give them a prospect of real growth so that they might realistically meet Government's aspiration of independent and self sufficient authorities.

4.2. In her first speech, our Prime Minister referred to her vision of a Britain that worked not just for the privileged few but for everyone, a view reinforced by the Chancellor in his recent conference speech, where he stated:

*"It is one of the central missions of this government to... see the benefits of economic growth shared more evenly across the regions."*⁹

4.3. Our members share that vision and believe that, for this to work at an individual level and a regional level, it must also apply at local authority level.

⁹ <http://press.conservatives.com/post/151284663940/hammond-an-economy-that-works-for-everyone>