

LGS0002

Written evidence submitted by the Local Government Association

1. About the Local Government Association

1.1 The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross-party organisation, which works on behalf of councils to ensure they have a strong, credible voice with national government.

1.2 We aim to influence and set the political agenda on issues that matter most to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

2. Summary

2.1 We welcomed the Committee's inquiry into the financial sustainability of local authorities, which took place earlier this year. In its report, the Committee rightly recognised the significant funding pressures and huge financial uncertainty facing all councils into the next decade.

2.2 We agree with the Committee's recommendation that the Ministry of Housing, Communities and Local Government (MHCLG) should work with other departments effectively and make the case to HM Treasury for local authority funding at the next Spending Review. We have had some welcome initial engagement on how local authorities can be involved in this directly.

2.3 The LGA and Chartered Institute of Public Finance and Accountancy (CIPFA) are working to establish an improved approach for local authorities to assess their financial sustainability. CIPFA's initiative on the financial resilience index received a lot of comments from the sector and the LGA responded at length to the consultation. Whilst having concerns about proposals to produce a composite index involving subjective weightings, we welcome the debate about financial sustainability and have a shared goal with CIPFA to ensure that data is more accessible and transparent.

2.4 The 2018 Budget shows the Government is listening to our call for desperately-needed investment in local services. We highlighted the need to urgently plug the funding gap facing councils in 2019/20, which is now

Summary

approximately £3.2 billion. While the funding announced will ease some of the immediate financial pressure facing local services, it falls short of what is needed in the long-term.

- 2.5 Local government in England faces an overall funding gap of almost £8 billion by 2025.¹ Plugging this gap would just keep services standing still and does not include any funding needed to improve services or reverse any cuts made to date. The Spending Review must address the funding gap facing councils.

3. The Spending Review

- 3.1 We agree with the Committee's assessment that MHCLG should work with other departments effectively and make the case to HM Treasury for local authority funding at the next Spending Review.
- 3.2 We have had some initial discussions on how local authority stakeholders could best engage with the Government on the Spending Review. This includes during a recent meeting of the LGA/MHCLG Business Rates Retention Steering Group, which is attended by senior officials from local authorities covering all types of authority and all areas of England. MHCLG sought views on key areas they should focus on in the run up to the 2019 Spending Review and how best to engage with the sector.
- 3.3 We look forward to continuing to work with MHCLG on a dedicated engagement programme which would allow local government to feed in evidence and suggestions directly to government. This work should also include engagement with other Government departments to develop a better joint understanding of how Spending Review decisions affect local government either directly or indirectly through other departments' settlements.
- 3.4 This work programme should consider a number of points which include, but are not limited to:
- Financial sustainability of local government, and the funding gap facing local services;
 - Specific pressures facing various local services and demographics, for example children with special educational needs and disabilities (SEND), social care more widely, homelessness and the knock-on impact on 'universal' services such as highways maintenance, waste and recycling, parks, leisure and culture;
 - The impact of other government policies and reforms, for example housing reform;
 - Efficiency and transformation and the extent to which local authorities have exhausted this route to deliver sustainable spending reductions;
 - Other freedoms and flexibilities to attract investment into local communities and economic growth;
 - How local government can play its part in delivery of wider national priorities, such as employment growth, infrastructure development and provision of skills training.

4. Financial resilience measures

- 4.1 As the Government's response notes, the LGA and CIPFA are working to establish an improved approach for local authorities to assess their financial sustainability. CIPFA's initiative on the financial resilience index received a lot of comments from the sector and the LGA responded at length to the consultation. It was felt that a single index would be much too simplistic and would give a false impression of the state of the sector and individual councils.
- 4.2 As a result we understand CIPFA is now working on a series of indicators which will give a more rounded and nuanced picture of local councils' financial sustainability. We are more comfortable with this approach, and have a shared goal with CIPFA to ensure that data is more easily accessible and transparent.
- 4.3 One way for local authorities to develop their understanding of their financial sustainability is to compare themselves against other local authorities on a variety of financial metrics. The LGA makes published data on local authority spending and financial status available publicly in accessible form through its free to access LG Inform data portal.ⁱⁱ
- 4.4 However, financial metrics are only part of the picture when considering a council's financial sustainability. Hard to measure factors such effective leadership, strength of governance and local financial planning are all also important. This is why the LGA believes that the financial sustainability of councils can only be guaranteed through a combination of adequate funding and support for councils by the sector to help them improve.

5. The 2018 Budget

- 5.1 The Chancellor's Budget Statement shows the Government is listening to our call for desperately-needed investment in our under-pressure local services. Our Budget submission highlighted the need to urgently plug the funding gap facing councils in 2019/20, which stood at approximately £3.9 billion prior to the Budget. The short term measures announced in the Budget have reduced the funding gap to approximately £3.2 billion in that year.ⁱⁱⁱ
- 5.2 While funding and some of the measures announced will ease some of the immediate financial pressure facing our local services, it falls short of what we need in the long-term. Local government in England continues to face a funding gap of £7.8 billion by 2024/25. Rising demand for adult social care, children's services and homelessness support will continue to threaten other services our communities rely on, including libraries, cleaning streets and maintaining park spaces.
- 5.3 It is critical that the Government takes the opportunity to tackle the long-term financial challenges facing local government in the Spending Review. This will allow councils to play a full part in the prosperity of the nation and through preventative work, reduce the wider costs on public services. Investing in local government is good for the nation's prosperity, economic growth and the overall health and wellbeing of the nation.

6. Adult social care funding

- 6.1 The Government announced on 18 June 2018 that there would be a further delay to its green paper on the future of social care. Given the urgency of the need to address the long-term sustainability of adult social care, the LGA published its own green paper in July, 'The lives we want to lead'.^{iv}
- 6.2 The response to our green paper consultation was overwhelming. We have received more than 500 submissions to our consultation questions from across the general public, people who use services, councils and other interested and significant organisations and sectors.
- 6.3 Whilst the additional funding for social care announced in the Budget is helpful, the Government must urgently inject genuinely new national investment to close the core social care funding gap that builds to £3.56 billion by 2024/25. This must include additional investment to that announced in the 2018 Budget to help address serious provider market stability concerns in 2019/20.
- 6.4 This funding would help to stabilise the system, but not meet the additional demand that the care system will face in the coming years. We estimate that providing care and support for all older and working age people who need it will require an estimated further £5 billion by 2024/25.
- 6.5 In consulting on the shape of, and sustainable funding for, social care through its green paper, the Government needs to make the case for increases in Income Tax and/or National Insurance and/or a social care premium. It is vital that HM Treasury is at the centre of the development of proposals to adequately and sustainably fund social care. This work must be undertaken jointly by HM Treasury and other government departments, including MHCLG and the Department for Health and Social Care.
- 6.6 It is important that the Government make's the case for national tax rises or other sustainable, long-term solutions and consult on clear propositions which explain the various options for how sufficient funding for social care and support could be raised nationally. We look forward to seeing proposals for how such increases would relate to the wider social care and local government funding system. The Government should also be clear about how nationally-raised increases for social care would relate to nationally-raised increases for the NHS.
- 6.7 One of the most significant findings of our consultation is that people are prepared (either instinctively, or after learning more about how the system operates) to support national tax rises. One of the main implications of this is that, at the very least, this option must not be ruled out in the Government's green paper.

November 2018

ⁱ LGA, 2018 Budget submission, September 2018

(<https://www.local.gov.uk/sites/default/files/documents/Moving%20the%20conversation%20on%20-%20LGA%20Autumn%20Budget%20Submission%202018.pdf>)

ⁱⁱ <https://lginform.local.gov.uk/>

ⁱⁱⁱ LGA, 2018 Budget briefing, October 2018 (<https://www.local.gov.uk/parliament/briefings-and-responses/budget-2018-lga-briefing-30-october-2018>)

^{iv} LGA, the lives of we want to lead, LGA consultation response, November 2018

(https://futureofadultsocialcare.co.uk/wp-content/uploads/2018/11/29.13-Green-paper-full_web.pdf)