Housing, Communities and Local Government Committee

Oral evidence: Local Government Finance and the 2019 Spending Review, HC 2036

Tuesday 4 June 2019

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Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Helen Hayes; Teresa Pearce; Mr Mark Prisk; Mary Robinson; Matt Western; Mohammad Yasin.

Questions 81-153

Witnesses

I: Lord Porter of Spalding, Chair, Local Government Association; Cllr Paul Carter, Chair, County Councils Network; Cllr John Fuller, Chair, District Councils Network; Frances Foster, Treasurer, SIGOMA (Special Interest Group of Municipal Authorities).

II: Dr Jonathan Carr-West, CEO, Local Government Information Unit; Andrew Carter, CEO, Centre for Cities.

III: Alison Cox, Director of Cancer Prevention, Cancer Research UK; Jeanelle de Gruchy, President, Association of Directors of Public Health; David Buck, The King’s Fund.

Examination of Witnesses

Witnesses: Lord Porter of Spalding, Cllr Paul Carter, Cllr John Fuller and Frances Foster.

Chair: Good afternoon and welcome to everyone. Thank you very much for coming to give evidence to us this afternoon on this Select Committee’s inquiry into local government finance and the 2019 spending review. Before I come over to you, I will ask members of the Committee to put on record any interests they have that may be relevant to this inquiry. First of all, Mohammad Yasin is joining us as a new member. He has put on the public record the interests he has, but we will all go round
and put on record anything we have additional to that, as members of the Committee, that may be relevant to this particular inquiry. I am a vice-president of the Local Government Association.

Mohammad Yasin: My office manager is a local councillor and portfolio holder for health and well-being.

Matt Western: I have a councillor working for me.

Helen Hayes: I am also a vice-president of the Local Government Association and I employ a councillor in my team.

Teresa Pearce: I employ two councillors in my office.

Q81 Chair: That is on the record. I will come over to you. Go down the table, please, and say who you are and who you are representing today. Thank you very much.

Cllr Carter: I am Paul Carter, leader of Kent County Council and chairman of the County Councils Network.


Frances Foster: I am Frances Foster, treasurer of SIGOMA, the Special Interest Group of Municipal Authorities.

Cllr Fuller: My name is John Fuller. I lead South Norfolk District Council and I am chairman of the District Councils Network.

Q82 Chair: Thank you very much for coming today. I understand, Lord Porter, that this is probably your last appearance as chair of the LGA before us. You are completely free now to say exactly what you want, not that I think it has ever stopped you before.

Lord Porter of Spalding: Thank you, Mr Chair. It is a pleasure to be doing this for one last time as chairman of the LGA. Who knows where I will end up going with my conversation today?

Q83 Chair: Okay. We will make comments at the end once you have had the chance. Since 2010, local government has probably had bigger cuts to its Government grant than any other part of the public sector. Generally speaking, satisfaction with local government is still high. That is quite surprising given the scale of cuts that the sector has had to make. In the end, have you simply achieved this by efficiency savings or have we gone beyond that now?

Lord Porter of Spalding: First of all, some of the reduction in stuff that we have had to do has been helpful. As well as not giving us enough money, which is never helpful, there has also been a slight relaxing of some of the interference that central Government used to insist on us doing, particularly around performance indicators and things like that. The Government have taken some of the old burden off of our shoulders, but there is no getting away from the fact that, when you take 60p in the
pound away from local authorities, you are getting close to the bone and there is no fat left to cut.

**Cllr Carter:** Everybody would hopefully agree that local government has done extraordinary things in delivering those efficiencies over the period. I can only speak from my own experience in Kent, but much of that has been by investment in prevention, particularly in children’s services, where we have been able to reduce the number of children in care, where the average cost is £40,000, by about 150. Those young people now do not need to be taken into care because they can be helped and supported in their family and in the community. We have improved productivity through efficiency drives, and there is a real focus on better commissioning, not just commissioning the services but contract managing those services to extract much better value for money. They have probably been the big three drivers for change.

Kent is not alone. Our net budget now is almost the same as it was five or six years ago and we are still returning a surplus. If you said to a private sector business, “Your turnover is going to remain the same but you have to pay your staff 3% more every year for five or six years”, with all the pressures of demand-led, people-based services in adult social care, particularly in the counties, where we have a greater elderly population than the metropolitan areas to contend with, and extrapolated to grow much more significantly, it would be an extraordinary challenge. The barrel is now well and truly scraped, and we need help in the coming four to five years if we are to continue to deliver the level of services we are currently delivering across local government and not cut services to the bone. Many authorities are already at the bone.

**Cllr Fuller:** I will not reiterate some of the issues about the funding going down, although I recognise the 60p in the pound quotation. How have we had to respond? We have had to generate some of our own income. We have been incentivised to grow the economy, retaining business rates, and to build new homes, with the retention of new homes bonus and things like that. At the same time, our costs have been rising. Let us not forget the LGPS, the local government pension scheme, is the only public sector pension scheme for which there is a pot of assets. Nevertheless, those costs have gone up. The minimum wage has affected us, as it has everybody else. Probably more important—and some upper-tier authorities have been more greatly affected by this—are demographic changes, whether they be from an elderly population, for adult social care in particular, or people of working age and children’s services. These issues have increased demand and costs much more quickly than our ability to raise council tax or business rates. It is quite a complicated mix. It is a triple whammy. It is not just the reduction in funding; costs and demand have made a perfect storm, which we are having to deal with. If the rest of the public sector had innovated as we have had to and reinvented itself for the 21st century, the state might be in a stronger position.
Frances Foster: I would agree with what has been said by the rest of the panel about pressures. A great concern now for our areas is the lack of spending on preventive measures. We are now seeing that feed through in terms of the problems, and we have also responded on welfare reform. It is not just about cuts in local government; it is about the wider impact on our communities from other policy decisions.

Chair: The LGA has produced its figures on the funding gap by 2023-24 of £8 billion. The figures are not greatly dissimilar to ones that PwC has produced for the County Councils Network. Do you think Government understand and accept that, or recognise that these are real figures with proper evidence to back them up?

Lord Porter of Spalding: I am not sure whether you could say they recognise it when we use the big numbers but, when you go through it service by service and illustrate the numbers that are missing from those services, they seem to understand it. It is only when we put it all back together as a big number that everybody gets scared of it again. Nobody is of the opinion that the comments we have made about adult social services are not correct. Everybody agrees with that. The Government agree with it. The Government have a Green Paper somewhere that, if only it was not for the B word, we would probably have seen out in the light of day now. Everybody agrees that the unsung pressure, which is starting to be sung now, is children’s services. There is no dissent from those arguments. We probably do ourselves a disservice when we package it up, because we give it to people in bitesize chunks and they accept it. As soon as it is too much to eat on one plate, they seem to reject it.

Cllr Carter: It is interesting that the LGA and the PwC report, commissioned by CCN, come up with the same answer. They have used a slightly different methodology to arrive at their conclusion. It just endorses it, frankly. The figures, as you have said quite correctly, Chair, are very, very similar.

Chair: Even if they understand that, does the Ministry have enough clout within Government to pull together the concerns that affect various Government Departments, because social care is another Government Department’s responsibility, and in the end influence the Treasury?

Cllr Carter: The Ministry gets it. I do not think the Treasury necessarily gets it. We have helped the Treasury enormously with the amount of money it has sucked away, from 100% business rates down to a figure, as a rough guesstimate, of £12 billion now being sucked out in business rates, not going directly to local government services. We have done a lot to help them. Everybody has to accept these figures are real figures in the way that Lord Porter has just suggested on behalf of the LGA and PwC, which has done its independent validation of our figures. We cannot go on and deliver the extraordinary savings we have delivered over the
last five, six, seven and eight years. Whether the Treasury gets it or not, I am not qualified to say. I suspect not.

**Lord Porter of Spalding:** The trouble with the whole argument from the Treasury’s perspective is that they do not understand that you have to invest to save. While their bloody-mindedness makes them take money all the time instead of giving money sometimes, it ends up with us giving a worse service to the people we look after and costs us all, as taxpayers, more money than it should do. We have just seen that, finally, with the acceptance that councils should build council houses again. How many years has it taken to get the Treasury to understand that, if you invest in bricks and mortar, you save money on all the other service failures you would have to look after? It is that inability of the Treasury team at any one point to look forward at how to invest in the communities we all look after. It is always about understanding the cost of everything and the value of nothing.

**Cllr Fuller:** Last year, we came to an end of a four-year settlement. Waiting for the spending review, in the autumn Budget there was probably more money than we might have expected. There was additional money for social care, highways and some other important cost pressures. But it is still only one year. This stop-start, one year at a time, hand-to-mouth existence does not help us, first, with our planning and, secondly, to get best value from the money we do get. I do not know quite whether we are going to end up in a spending review, whether it is going to be for one year or three years, or there is going to be a carryover. One thing we do need is to have a greater degree of certainty going forward.

On the Treasury point, notwithstanding that there was a single-year sticking plaster in last year’s budget, there is money held up in Treasury that has been announced. When Sajid Javid was Secretary of State, he announced a substantial housing infrastructure fund. Substantially, that money is still sat in the coffers. We ought to be getting out there spending it. Why has it not gone out? Is it wrapped up in red tape, in value-for-money exercises or whatever? That is nearly two years ago now. Why on earth is that money not building bricks and mortar? There is the appetite to get on with it but the money is still stuck somewhere when it should be earning for this country.

**Teresa Pearce:** My question was on the back of what Lord Porter said: when you talk about the big number no one gets it, but when you talk about the little numbers, the smaller service deliveries, people do. Is that because the big number is when you are talking to the Treasury and the smaller amounts are when you are talking to the service-delivery Departments? You have just confirmed that it is, so that is it.

**Mr Prisk:** Can I look at the differential impact of these budget cuts? One thing that the Institute for Fiscal Studies has highlighted is that, although the percentage reductions for county councils, for example, are perhaps less than in other authorities, nevertheless, it seems to be quite notable
that significant well-known names in county councils are struggling more. The IFS wonders why. What do you feel, Councillor Carter, is the reason for that?

_Cllr Carter:_ It depends where the relative starting point is from that analysis. Are they going back to 2010 or 2015?

_Mr Prisk:_ It is 2010.

_Cllr Carter:_ They are going back to 2010, but the PwC analysis does not go back to 2010. It does not necessarily calibrate the unmet needs and demands on services that were calibrated at that time. If you did a needs-led analysis in 2010, were the counties more favourably funded than the metropolitan authorities or vice versa? That is at the margins. We have all had a very tough time. The evidence we have, which is endorsed in the PwC report, is that, when you look at the grant and baseline business rate recycling that goes on, our cuts have been much more dramatic than any unitary authority, metropolitan authority or London borough, particularly inner London boroughs. We just need to look at the basic raw statistics and the unit cost of service delivery in counties compared to metropolitan authorities. It needs a good economist to research the methodology that has been used in making sure we are comparing apples with apples. I am personally convinced that we are not.

_Q87_ _Mr Prisk:_ It is not related to, perhaps, the way in which the system operates for different parts of services. I am thinking of the care system and the way in which ring-fencing operates. You do not feel there is anything systemic in the way in which funding is delivered that means we are seeing county council names in trouble in the media more than we are in other parts.

_Cllr Carter:_ I personally believe, and there is evidence there to support it, that county councils have had the toughest time of all. Take new homes bonus, 80% of which goes to the districts and 20% goes to the upper-tier authority. All metropolitan authorities and unitary authorities have had the benefit of the full effect of new homes bonus. Therefore, we have been very much penalised on that. The starting point would probably show that county councils were delivering the best value for money in the unit cost of service delivery across the piece, 10 years ago or five years ago. Just look at the net budgets and the demand pressures on those services, and it tells you everything. I am very happy to circulate to the Committee the figures on revenue support grant reductions, which have been the most severe in county councils, and they have not had some of the upsides, such as new homes bonus.

_Q88_ _Mr Prisk:_ Perhaps I can turn now to SIGOMA and maybe a slightly different perspective on that story. The numbers we have had from the NAO and the IFS suggest that the disadvantaged areas have been particularly hit in percentage terms. Is it, for you, the general system, or is it the way in which the system is hitting those areas with perhaps the greatest need, that concerns you most?
**Frances Foster:** Obviously we can quibble about figures. I am not going to do that. The evidence shows that, in the early years, the way the cuts were done was based on the most need-dependent for RSG, so the mets got the biggest cuts in funding from that. I accept some of the arguments about new homes bonus and the business rate retention system between the districts and the counties. Again, the work that has been done by PwC evidences that, going forward, the mets are looking to have the biggest funding gaps relative to other authorities, in table 11. In the early years, we had the greatest cuts.

I am not a politician but in some respects, given the nature of the SIGOMA authorities, we did not think there was a knight in shining armour coming to rescue us, so lots of difficult decisions were taken in the early years to reduce budgets and deal with austerity. It is now getting to the place where, as with everybody else, we are in the position that there is nothing to go at. We did a recent survey and the majority of our members said they were going to be down to the statutory—whatever that is—we all talk about. Generally, as the PwC report shows, we are all under great pressure in the sector as a whole.

**Mr Prisk:** I might come on to the districts if I can, Councillor Fuller. Looking at some of the balances, reserves and so on, districts do seem to be quite well placed in that sense. Is that revolving around the nature of responsibilities that you have and the structure of the system? I am thinking of the way in which funding, as you said yourself, came substantially into social care in the last budget, for example. That obviously does not benefit you. What was the reason why, amid the general picture, district councils seem to have underspends and seem to have reserves of greater scale than your comparators?

**Cllr Fuller:** As the planning and housing authorities, we issue planning permissions, and in many cases section 106 agreements. There is CIL. There are planning obligations, and they have to be held in the bank account. Often, they are held as reserves, but they are not reserves we can go and spend on anything. Sometimes the reserves position in gross terms flatters our situation, because we are holding money and waiting to spend it on essential pieces of infrastructure, by the nature of the responsibilities we hold for planning and housing. We also raise council tax over 10 months and pay it out over 12. There is some fiscal drag in there. When one looks at the balance sheet in total, having raised a lot of council tax, which we then distribute out, sometimes our cash balances do not give a true position of the underlying strength of the council. There are assets and liabilities against them.

When you think of new homes bonus, because that issue has been raised, we can argue about it, and it is important in this session that we understand the difference between percentages and absolute numbers. Yes, the district councils, as the planning and housing authorities, are incentivised to grow the economy, and incentives are an explicit part of the way in which risk over 10 years has been transferred from central
Government to local government. In my authority, South Norfolk, we are consistently one of the top four or five recipients of new homes bonus. We build about 12,000 new homes a year; the total new homes bonus take is about £4 million. If that were to go, it would keep adult social care going in our county, in Norfolk, for about five hours, and then where would you be with the incentives?

It is really important that we understand that somebody has to earn the money. Often in local government situations we simply want more money and want to spend more. I am entirely on that page, but it is the district councils that substantially have responsibility for, as I say, planning and housing, for economic development. We build the national economy one local economy at a time. It is important that that entrepreneurial spirit is rewarded but not rewarded so much in the sense that you get disproportionate amounts of money; it is proportionate to the amount we are getting.

Let us not forget also that most councils now have no support from Government whatsoever. The new homes bonus and an element of business rates support is all we get, in addition to fees and charges. The old formula grant has substantially disappeared. District councils in particular are 30% worse off. It is worse, in proportionate terms, than any other sector of councils in this country. We have had to keep our head above water by innovating, trading and generally incentivising growth in the economy.

Cllr Carter: We would all agree that the current distribution method for business rate repatriation, revenue support grant, is long out of date. We all welcome the opportunity to have a new evidence-based fair funding formula for local government, which will hopefully address much of the unfairness and opaqueness in the current system.

Q90 Mr Prisk: Coming back to you, Lord Porter, which types of council do you think are under the greatest pressure, given all the different elements involved in this mix?

Lord Porter of Spalding: I love them all equally, so it would be wrong for me to pick one out above all else, but it is misleading to think that those closest to falling over are all counties. The small unitaries have probably a larger number of councils that are close to the edge. They have all the pressures that come with upper-tier services but no big tax base to spread it across. You can understand why the counties are under pressure. You have adult social care and children’s services. You cannot adequately plan for that today because you do not know who is coming in through your doors tomorrow. If you have demand-led services, it is going to be very difficult to say that a council knows exactly where it is at any point in the financial year.

The small unitaries have that pressure, but they do not have the big tax base to spread that risk against, so it is easy to see where upper-tier councils are under the cosh. As John has already said, you pay districts
hardly anything so you should stop worrying what they are getting on with now because, as soon as you stop giving councils money, they stop being any of your concern, or at least should do. You are not paying for it; you are not telling us what to do with it, which is why some of us have been quite keen to get free of central Government’s clutches for as long as I can remember. I would much rather stand on my own two feet and raise all my own money so that, next time a Government diktat came down, I could just put it in file 13.

Q91 Mr Prisk: You feel that it is the small unitaries that we should be most focused on.

Lord Porter of Spalding: They are the ones I would worry about most, where they have upper-tier pressures and a small tax base to spread the risk over.

Q92 Chair: I have one follow-up point. I remember, Councillor Carter, when you came to give evidence to us in the previous inquiry. I think these were the words you used, probably in the context of Northamptonshire: “There are not that many councils, or probably no councils, about to follow them over the cliff edge but, if we do not something at some point in the near future, other councils will follow them”. Is that still a concern? If some of these issues are not properly addressed in the next spending review, will there be councils going over the cliff edge?

Cllr Carter: Undoubtedly, in my view, unless they fund through the new mechanism the spending pressures that reflect a growing elderly population, the massive rise in adult learning disabled and physically disabled. Learning disability is becoming the greatest cost in our authority in Kent and in many other counties, where the families of disabled people are supported by the local authority for life. It is a biggie that does not currently have the recognition it very much needs to have. Then, of course, there are inflationary pressures. Our staff expect pay rises every year. We have delivered the efficiencies. There is very little more to come through exploring that avenue. Unless we have a settlement that reflects the pressures and the inflationary costs of the commissioned services, the domiciliary care contracts and the residential care contracts, the future looks exceedingly bleak.

Q93 Chair: To follow up on that, is it a concern now that councils are starting to use reserves more and more to keep spending going and that, in the next spending review, if something is not done, some councils will simply run out of reserves? I think there was some work by CIPFA the other day that reported on that. Some of the councils said they did not necessarily agree with that, but is there a feeling that some councils are now using reserves at such a rate that eventually they will run out if nothing is done?

Lord Porter of Spalding: You should not be using reserves to pay the electricity bill. Nobody would say that is a good use of reserves. One-off investment that might bring down costs in the future is a good use of reserves, but using them to pay the electricity bill is insane. If the
Government think the policy going forward is to spend all your reserves, and then we will find some new money to give you after you have spent all your reserves, the first serious shock will be when a Secretary of State has to stand up and explain to the public why those people died because the money was not available. I am not sure anybody who gets elected to Parliament wants to be the person who stands on the newsstand and explains why people died because of fiscal policy. It is only money, at the end of the day. Why do we need to lose people because of money? We have choices about where we spend it; we just need to make better choices. We managed to find all the money the health service needed. Why have we not found it for adult social care? If you do not have a sustainable adult social care service, you do not have a sustainable health service.

It comes back to that: let us see what the value is and invest money. If we have to borrow some more money to spend it on the things that will save us money in the future, we need to do it. We can seem to find expenditure for anybody’s vanity projects. Depending on which side of the country you live, I can think of a railway set that might be good news or bad news in that regard. Living on the side where it is not, I am not sure it is a good use of the shortage of funds, if that is where we are. There is nothing stopping us, as a country, investing in our future. It is our future that we are talking about. We do not want the money to pay the electric bill; we want the money to invest in our future and our children’s future.

_Cllr Fuller:_ We are about to go into a completely new system for future funding.

_Chair:_ We are going to come on to that.

_Cllr Fuller:_ Even before we get there, if I may, Chair, when you mentioned the spending review, part of the object of the spending review is to reset the relationship between central Government and local government. So often, our costs are rising due to failures of other parts of the state. If we have to take a young tearaway into care, the local taxpayer picks up the bill. Why can we not send the bill to the Ministry of Justice? That is just emblematic. So many asylum seekers, unaccompanied minors, are coming in. If that is part of our international development, why is DFID not picking up the tab? There is a question we need to ask of other Government Departments: why are we constantly picking up the bill? That is before we look at fair funding and future funding, because we need to reduce the demand and get other parts of the state to do the job they are expected to do.

**Q94** _Helen Hayes:_ I would like to turn to the issue of the funding formula. First of all, the current formula is based on the relative needs of local authorities compared to each other. Would it be preferable for a calculation to be made of the absolute spending needs for each local authority area and for that to be the basis of the funding formula?
Lord Porter of Spalding: It is fair funding, so I do not really want to get into where the fair funding review should take us, on the basis that what is fair from Paul’s point of view might not necessarily be fair from Frances’s point of view, which might not necessarily be fair from John’s point of view. We need to agree a set of actual base costs, then work out what the demand is in a given area, and make sure the costs are correct and the demand is reflected in that area’s funding, ideally with stuff like business rates. Why Government take half the amount of money we collect in business rates and keep it, I do not know. It never used to be like that when I first got into local government. If we raised money in business rates, we kept it. Now the Treasury takes half of it.

Cllr Carter: It needs to be evidence-based as far as possible. I know that the Ministry of Housing, Communities and Local Government is trying to make it as simple as possible. Some of the cost-driver models they have started to unveil and the modelling they have done is in the right direction. There is still a lot of work to be done to refine that, to make sure it is needs-led, evidence-based and fair, as far as it can be, but keeping it transparent and simple. Most people here would agree that it is going in the right direction but needs a lot more work. Take, for example, adult learning disability, which has massive variation across the counties and across, I am sure, metropolitan authorities, but nobody has counted the number of individuals in each authority expending more than £40,000 or £50,000 a year, probably for another 20 to 30 years. Nobody has provided or gathered that evidence. That is the refining that needs to happen; otherwise, you are going to get too crude a formula that is too simple and does not hit the right spot. It is really important that that evidence is established, and it is evidence-based and transparent.

I am encouraged by the work that has been done to date. It needs completing. Modelling has been done; the LGA has done quite a lot of work on that and what it would look like for you. It is beginning to make adjustments that, to me, feel about right, not because it may advantage many county councils but because it helps and supports metropolitan authorities as well. My view is that the big gain to be made in a fairer funding formula is in the inner London boroughs, where they are setting council tax levels at half the average of the county shires. Why are they doing that? It is because the current funding system is too beneficial to the inner London boroughs. There is evidence there to support that. Okay, there will have to be a transition period, but one of my regrets from the PwC report is that we did not differentiate and disaggregate between inner and outer London boroughs. If you talk to some of the outer London boroughs, their funding levels on the border of Kent are not far off the grant system that applies to what goes on in Kent.

Frances Foster: Whatever new system we have in place to deliver funding between us, unless the overall pot is adequate, we are still going to have all the issues we have now. That is a simple answer. Unless we adequately fund the right level of services and the various figures you
have had, any sort of relative distribution is just going to bring up the same problems you have now.

_Cllr Fuller:_ Eric Pickles said there were only two people who ever understood local government finance, and he was not one of them. Your question sounds so easy, but there are 15 different types of authority, whether they be district, county, London borough, met; whether they have public health responsibilities; whether they are combined fire authorities; whether they are combined authorities, like in Manchester, where they have integrated the NHS and certain additional elements of public health. That is just for starters. Before you ask, “Why do we not look at the absolute cost?”, it is a real mixed economy. Having a single magic number is unlikely to be the thing.

We need to have a disaggregated formula, where there are certain pressures for adult social care or transport. If you have a greater degree of coastline, you have a greater coastline cost than if you are in Leicestershire, which is in the middle. You can understand why there is a formula basis. It is broken down. To understand what the true costs are, to the root of your question, you then have area cost adjustments. There is a contention that, in rural areas where houses are a long way apart, it costs a lot more to collect the bins. Is that offset by congestion in the city centres? There is quite a lot of contended stuff.

Where we are at the moment, the formulae are substantially based on regressions, based on how much you had in the past. They were last really looked at in 2006-07. As previous people have said, the economy has changed, particularly in some of the inner London boroughs. In Islington, for example, it is now hardly possible to get a flat for less than £1 million. These places are not poor any more, yet they are treated as if they really were in the formula, with the consequence that, for the areas that have had positive migration, for example Kent and other counties where there has been a net migration out of cities, the funding has not followed.

When you start to put all that together, the new system, where the funding is allocated on a population basis and people consume services, seems to have some merit. We should not criticise that. The other elements need to contribute to it. It is worth having a look at, but there are so many moving parts. I have just spoken about the costs; what about the revenues, business rates retention, other taxes and pooling? There are a lot of moving parts coming into this even before we look at the business rates reset. There is not a lot of time to do it before we set our budgets, ostensibly on 6 December. Rather, the settlement is going to come out on 6 December. There is a lot of road to cover yet and we still have not really addressed transition.

In the spending review, it is the nature of these changes that the winners will keep shtum and the losers will understandably squeal. Understanding the extent of those is important. In my own authority, £70,000 is the
sum of money that changes council tax by 1%. I have the papers for Thursday, when we are going to look at these in some detail. Looking at the figures, there is a lot more than £70,000 worth of variability in these formulae. We are looking at quite substantial amounts of variability in potential council tax. We want to have the fair funding system, to rebalance it for the first time since 2006-07. There is still a lot more we need to look at.

**Q95** Helen Hayes: Funding formula allocations are always going to be contentious, and with the best will in the world there is always an element of value judgment that weighs into those calculations and the assumptions that underpin the formula, as well as the evidence base itself. For example, as an MP who represents part of two inner London boroughs, the suggestion that deprivation might be removed from the funding formula in the future, and that we might be expected to dramatically increase council tax on a population who are disproportionately deprived relative to the country as a whole, is a pretty alarming possibility, based on a series of judgments about what the Government consider to be the most important considerations. On that basis, do you think it might be better to have the funding formula determined by an independent commission rather than the Government of the day, to allow for more objectivity around the evidence base and a greater possibility of long-term thinking?

**Lord Porter of Spalding:** First of all, no. You were elected to make decisions. What are you doing then handing them out to independent commissions on things? We should all agree what the evidence base is, and then the formula must follow from the evidence base and not allow people to start putting their own slight interpretations on things. As I said earlier, I would not want to get involved in the argument about whether inner London is getting too much or not enough, but you would have to question why, in some parts of the country, citizens pay one amount of council tax and, in another part of the country, they pay a different amount of council tax. You need to understand the historic reasons for that. If they are historic reasons, do they still hold true today?

**Q96** Helen Hayes: The argument about deprivation is quite an interesting one, is it not? It is a really live debate about whether the Government are or are not going to allow deprivation to be part of the formula in the future.

**Lord Porter of Spalding:** The whole sector unanimously rejected taking deprivation out of the indices. There was no dissent from any type of council when we discussed it at the LGA. The counties, the districts and the mets, everybody, agreed that deprivation was a cost driver and that it should be taken account of in the new formula. What nobody agreed, because we were not in that space, was whether it is more of a cost driver than miles of road, sparsity or any of the other things. You cannot take deprivation out of the formula. It has to be in there. The Government had already accepted it for the series of grants. It made no
sense then to take it out of the core. I would be very surprised if it does not feature in the Government’s formula.

Cllr Fuller: There is a philosophical point, is there not? Which is the principal driver of local authority costs: is it deprivation or is it the numbers of people you have? By and large, population is a much bigger driver of cost because people consume services. While we do not want to take two extreme positions, only population or only deprivation, changing the relative balance to give a greater weight to population, in the sense that everybody consumes services, is where the new direction is going. There is some merit in that.

Your question was also about whether it should be determined independently. The two largest elements in adult social care and in children’s services are independently determined through research that was commissioned by the MHCLG. There is some academic rigour there that is apart from the political space. It is more a neutral evidence base. Yes, the regression formulae change from time to time, but that is not really through political interference. That is what the numbers show.

There are certain things. Special educational needs, in particular, has become very lumpy for the reasons that were explained: people of working age with quite severe limiting disabilities, with mental or other medical difficulties, that are very expensive to look after, in some cases £250,000 for 24-hour care. One wonders whether that is possible to be done through a formula. It should possibly be done through a return to more accurately reflecting how people move through their lives.

Frances Foster: We would probably disagree. We called some time ago for an independent look at the core funding, leaving the incentive elements to Government policy. We are quite pleased the National Audit Office is doing some investigation into the current formula review in terms of transparency and that evidence base. We have some concerns that the same level of evidence is not being applied at each level of determination. We want that transparency. As everyone has said, we are not quite sure the evidence is all there yet.

Cllr Carter: I remember, at the start of this journey, when Greg Clark was the Secretary of State, he said, “I would like to see local government coming together and devising a fair, evidence-based formula itself”. I thought, “That is going to be a miracle. We need an independent body to do it”. To be fair to Lord Porter’s chairmanship of the LGA, we are getting quite close to that space, which I am gobsmacked by. I would never have thought that would be the case. There is a lot more work still to be done. We have an excellent Minister in Rishi Sunak, who is leading on the fair funding formula review and has really got his brain around it. He is determined to arrive at a conclusion. Everybody will be enormously disappointed if that gets delayed still further, rather like the spending review. If it is a one-year settlement and the fair funding implementation is delayed as well, that would be very disappointing.
Coming back to the principle Frances Foster mentioned, it is all about the size of the cake first, and how it is sliced and diced from there on is secondary to having that funding gap fully funded over the medium term. Then there will be some winners, losers and dampening effects, but if the LGA can arrive at a conclusion that satisfies most parts of local government, and I group London boroughs all together on that, we might get a consensus.

Q97 **Helen Hayes:** Lord Porter, in your written submission you highlighted some of the problems that ring-fencing funding for local authorities causes, particularly in regard to schools. Could you tell us a little more about the problems and what changes you would propose?

**Lord Porter of Spalding:** Without going back to read the full briefing note, I am not going to attempt to give you a technical answer to that. As a matter of principle, ring-fencing is a bad idea. You end up with perverse incentives for people to spend money on things that might not necessarily be the priority that would deliver the best outcome for that service area. For me, the live one at the moment is public health. Nobody disputes the fact that public health, since it was pushed back to local government, is delivering better outcomes at a lower sum of money, yet we are still back into the argument with the health service that it cannot trust us to spend that money. We have a track record of spending it well, wisely and getting better outcomes than they ever did when they had it. We should be trusted on what we have delivered. I do not mind people suggesting that they might want to see a few outcomes for the money that is there, but they should not have the ability to tell us to waste health service money on paint when we could be spending it on doing other things.

Q98 **Helen Hayes:** On public health, there are a few different things going on there. The grant was ring-fenced but it has been cut. In part as a consequence of that, we have headlines today about a significant increase in the incidence of sexually transmitted disease, for example. We also have local authorities that are completely struggling to make ends meet across lots of other service areas. The ring fence and the grant are both going to be removed from public health. In that context, do you think that local authorities will be able to continue to provide meaningful, high-quality preventive public health services into the future, once the grant is taken away?

**Cllr Carter:** Ninety per cent of public health responsibility is probably statutory. The amount of discretionary spend on public health is very small in that total. The wriggle room to start to diminish the amount of money you spend on public health is not great if you are to continue to deliver your statutory functions, which every local authority has the duty to deliver. From the evidence that was pulled together in the LGA research and analysis, the improvements in public health outcomes since local government has been responsible are really quite profound. The vast majority of sexual health services are delivering better outcomes in
the majority of the areas across the country. It was a very interesting reference point to where we have gone over the last few years.

**Lord Porter of Spalding:** It is down £700 million and the service delivers better outcomes. It speaks for itself.

**Cllr Carter:** It is interesting to look at the variation in public health spending. The public health allocation was based on what CCGs used to spend on public health and that was all over the place. The greatest public health budget per capita is in the City of London.

**Q99 Helen Hayes:** The grant is being phased out next year.

**Lord Porter of Spalding:** It is going to be replaced by us being allowed to keep some more of our business rates.

**Q100 Helen Hayes:** The amount of which will then be determined by how successful local authorities are in different parts of the country.

**Lord Porter of Spalding:** Business rate retention is not purely going to be a locally raised and spent tax; it will still be redistributed around the sector. Nobody in local government thinks that they get to keep all their own business rates. Westminster, one of the richest councils in the country, has never thought, “Yippee, we will keep it all”, and that none of it will see its way up to my part of the world, or Oldham or somewhere else a bit further north than we are. There will still be an element of redistribution in that money.

**Cllr Fuller:** That is what the fair funding formula is meant to be doing.

**Helen Hayes:** We will come on to questions about certainty.

**Cllr Fuller:** All I would say on public health is that, while it is not a district council’s responsibility explicitly, having a clean environment and good housing is the biggest determinant of public health. The statutory housing services that the district councils do make an important contribution to reducing demand for the health service. Sometimes, it is difficult to get our health colleagues to recognise that.

**Cllr Carter:** Chair, can I make a correction? I meant to say “PCTs’ expenditure”. It was before CCGs were invented; I should have said “primary care trusts”, apologies.

**Q101 Mr Dhesi:** Ms Foster, your submission or, more appropriately, the submission from your organisation, the Special Interest Group of Municipal Authorities, noted the knock-on effect to councils of welfare reform or, to put it better, welfare cuts. I can see that happening within my own Slough constituency when constituents are coming to me in tears, whether it is due to homelessness, the inability to find adequate housing, overcrowding issues and so on. Can you explain, for the record, how exactly it puts pressure on councils?
Frances Foster: As you have said, there is a lot of anecdotal evidence from councils in our SIGOMA authorities of people in their housing system turning up at surgeries with issues about the various council tax support reductions, the benefit freeze or the caps on rents. There is quite a lot of evidence, and we have outlined some of it in the submission, about the links to things such as increases in mental health, drug misuse, crime, particularly knife crime, and homelessness.

We included that in our submission, because we wanted to reflect that fair funding and council tax funding is around the citizen. With cuts in local government funding to provide support services to the most vulnerable people, we are cutting back some of those support services and preventive services. The changes in welfare reform are putting additional pressures on individuals, so they are presenting more for support that is no longer there. It is chicken and egg. We have been trying to pull some evidence around that. There is not an awful lot out there.

One area we are looking at is the movement of people who cannot afford to live in the communities they have lived in because they cannot afford the rents. As that is shifting and people are moving out of communities, you lose that community cohesion as well. We were trying to pull out that wider impact on the actual individuals of both local government austerity and general austerity elsewhere.

Q102 Mr Dhesi: Lord Porter, there was an excellent article in The FT a couple of years ago about how people were moving over to towns with very low housing prices. For example, they identified Blackpool. Even people who had lots of benefits were moving over to Blackpool because of the low house prices. In effect, that meant Blackpool ended up having the highest share of people who live on incapacity benefits. It also led to issues with regard to the number of looked-after children in Blackpool increasing exponentially. In your experience, have changes in the local housing allowance caused people to move into more deprived areas where housing is cheaper?

Lord Porter of Spalding: It is pretty difficult for me to get my head round that on behalf of the Local Government Association, but as an individual council leader I get lots of people coming to my own council, South Holland, to retire, so I have a different type of problem. My county council has to look after more elderly people. They retire there from elsewhere in the country, because they can sell a house for a decent sum of money in one area and move to another. A transitory population is something we have always had in this country, but I have not heard Simon, who runs Blackpool, particularly single out that people are moving in because of the benefits system they are caught into.

It is probably worth noting that last year Government spent about 800 million quid on discretionary housing payment. We do not know how much we are going to be getting this year. If nothing else, if you could lobby for a bit of certainty, you might be adding a bit more into what we
are dealing with. Sorry, it was not last year; it was over the last four years, so 200 million quid a year. We do not know what we are getting this year. I could not tell you about Blackpool. I do not know what happened with Simon’s people.

**Q103 Mr Dhesi:** Councillor Fuller, in your capacity as the chair of the District Councils Network, perhaps you have had experience talking to other district council leaders in other parts of the country. Do you think that has been the case? What effect has this had on local services?

**Cllr Fuller:** It is difficult sometimes. Where the local housing allowance is significantly below average rent levels, it restricts the ability of people to go into private rented accommodation and, therefore, there is greater pressure on social housing. If that cannot be met for whatever reason—we have a very good record of delivering social housing in our authority area, but there is still not enough—people will either go elsewhere to, in turn, lower areas and/or become homeless. Obviously, we try to prevent that as best we can.

This is where the complication comes. We are an area that was relatively late to universal credit, but it has rolled out in our area. It is about that interplay: if you are on universal credit, often there is council tax support involved. Universal credit is run by DWP and council tax support is run by the local council, so there is a doubling up. Frances referred to making the system around the individual. Straightaway, there is a duplication there. It is the case that different councils have different discretionary ways of addressing council tax support. There is some quite complicated interplay between universal credit and council tax support, which gives unintended consequences.

We have discretionary housing payments, which are there for an emergency, but sometimes our DWP colleagues send them almost as a top-up. DHP, discretionary housing payment, is not meant to be a top-up. It is meant to be for exceptional circumstances to get people back on their feet in a sustainable situation. I entirely endorse the point Lord Porter made there about the importance of certainty around discretionary payments.

If we have the aspiration to have the system around the individual, it would be much better for councils to operate a DWP system rather than sending people to DWP offices. If they come to the council, not only can we help them with universal credit and go digital by default, but we can address housing issues, debt issues, decent homes and overcrowding. Your local council is much better able to address the multiple causes of problems and to try to solve problems. Sometimes I wonder whether the DWP is just interested in managing a caseload. It would be much better for the council to solve the problem and get people back on their feet. We have more tools in our box than the DWP has. Calling for better integration and co-location is a much better outcome, leading to quite a material improvement in people’s lives.
Mr Dhesi: Councillor Carter, it is good to see you again. In your considerable experience as chair of the County Councils Network, have central Government done enough to fully understand the impact of benefit changes to local government?

Cllr Carter: Benefits is more the remit of district councils, but my experience in Kent is that it is a pull factor in many of the authorities around London. Through permitted development rights, office buildings are being used to house a significant number of London families, some of them quite challenging families. London boroughs are acquiring blocks, particularly in some of the coastal quarters. In Maidstone, an office block is being converted into 300 units at this moment in time, which is being acquired by a London borough to place some of its families in very rapidly. Many of those families are quite challenging families who will need additional help and support and the provision of school places, potentially EHCPs and all that, which is a burden.

If you look at what has been going on, as you probably know well, having been a county councillor until very recently in Kent, a number of challenging families out of London have been placed into east Kent and Thanet, particularly looked-after children. There are a lot of homes run by London boroughs for children in care in those areas. That pull factor is still there. You could say it has been going on for so many years. Has it changed much? It has changed for the worse, slightly, and we are monitoring that very closely. I cannot really comment on the independent benefit, other than council tax benefit, from personal experience.

Cllr Fuller: There is an aggravating factor there, to develop Paul’s point. I know that new regulations on CIL have been laid today, and I have not had a chance to read them all, but in the conversion of offices there is no section 106 or CIL to pay for the educational infrastructure or any other infrastructure that goes along with those pressures, so there is a dynamic effect there.

Teresa Pearce: Lord Porter, a moment ago you mentioned uncertainty over funding. You have pointed out that the uncertainty from April next year is causing problems with local authorities unable to plan. Have the Ministry of Housing, Communities and Local Government and the Treasury understood these concerns that you have raised?

Lord Porter of Spalding: I am not sure the Treasury understands anything I ever raise, but certainly the Department has. James Brokenshire is a brilliant Secretary of State. He gets it; he really does get it. We meet with him every week, him and Rishi. They understand the need to ensure that adequate funding is made available for the sector and that notice of the likely level of funding is made available to us so our treasurers can plan for it sooner rather than later. They do get it. I know they make the case, because I have heard other people who sit round the Cabinet table moaning about the fact that they were moaning, so I know James does.
Q106 **Teresa Pearce:** You feel that is understood by the Minister, but he has to make the case on your behalf to the Treasury.

**Lord Porter of Spalding:** Yes. We have had joint meetings with both James and Matt from health. They both understand the need to give us certainty or else Government will be building uncertainty into their own health service, so they do speak to each other; they do get it. I am sure it is the same with all the spending Departments. Everybody in a spending Department knows the pressures on the sector they look after, and the conversation goes dead when they have to go to the dead hand of the Treasury, to try to get somebody to move across that chequebook.

Q107 **Teresa Pearce:** There is one other thing I would like to ask each of you. The LGA has suggested the possibility of multiyear rolling spending plans to prevent that sort of cliff edge. Is that something you would welcome? Do you think it might not work? The other thing is the increasing use of in-year ad-hoc grants. Is there a problem with those grants or are they a good thing? There are two things: there are the grants and the multiyear rolling spending review. Mr Carter, what do you think?

**Cllr Carter:** You need medium-term financial certainty. You cannot run an organisation the size of Kent County Council with a budget of £1 billion a year if you do not have a clue what you are planning for next year. Most of the decisions that need to be made have to be made in December, for public consultation, before the cuts are actually made and taken. We are going to run out of time fast, and we have no idea what target we are aiming for. Our budget-setting process usually starts to take place, if not already at this time of year, certainly by September, when we are beginning to identify what levers we are going to pull to balance the budget over the next year. Equally as important is the medium-term outlook. That is exceedingly difficult.

I am afraid I am not up to speed on what a rolling programme on a spending review would actually do. As far as specific grants are concerned, they have been jolly useful to us in putting out the lifeboat, with a bit of additional expenditure through the iBCF money and the grant for highways maintenance, which made a massive difference to county councils across the country in avoiding some of the horrible consequences that many county councils were going to have to take if that additionality had not come in at the last moment in the programme. It was a windfall gain. Specific grants for those purposes are useful, but in the medium term we would far rather have less specific grant and a sensible funding regime that is fair and in line with what we have been discussing earlier.

**Lord Porter of Spalding:** In an ideal world, we would get a full parliamentary settlement based on the fair funding formula. That gives everybody the ability to plan properly and it stops people needing to make kneejerk reactions. If come Christmas we are uncertain about what our money is likely to be, councils will plan for service reduction the following year. That means people will be getting redundancy notices
when they do not need to, in reality, because the Government have said that austerity has come to an end, if it has come to an end.

If you cannot tell us for certain how much we are going to get, at least tell us we are going to get what we got last year plus 10%. Then we could at least plan for better and not plan for worse. It is in everybody’s interests to plan on behalf of the country to make sure we know what we are going to spend. They know, within a few million pounds, what the tax take is going to be over the next couple of years. Even with the uncertainty of Brexit, somebody must have a cunning plan.

**Frances Foster:** I totally agree on the need for medium-term certainty for planning. As an ex-director of finance, I can very much see the merits of that. This year, given all the uncertainty going forward, when I am no longer treasurer, I fail to see how people can plan without, as Lord Porter said, taking decisions that they perhaps would not take.

It is the same with in-year grants. They have been very welcome when we have got additional money for certain things, but quite often they have come after we have set the budget. As was said earlier, you are not necessarily getting value for money because you are trying to react in spending the money, and you perhaps would have done it differently if you had had it up front. It is about multiyear settlements.

On certainty, particularly for next year, we have a lot of money, such as the better care fund and moneys like that, that we are not sure is going to continue at all or at what level. It is not just the core funding; it is those funding streams as well. We need to get on with that medium-term planning and have some certainty.

**Cllr Fuller:** The years go by. Back in 2015, we were offered a shocking deal, but it was a four-year deal and you had the option of taking it or you could take your chances over the next four years. Ninety-eight per cent of councils took the certainty. In one of those years, we saw funding go down by 20%, but nevertheless we took it because we knew where we stood. We did not like it, but at least you know where you stand. That is the watchword.

If you do not know where you stand, you can crystallise costs unnecessarily. I know the highways money came in there, but sometimes you also get one-off grants midyear and it is too late in the year to spend them. If you do not spend them by the end, they get taken away. How is that good for the public finances? It is better to get a longer-term thing.

There is a lesson from my own authority, back in time. We took a bit of a gamble, really. This was back in 2011. We said, “If you do not spend up, we are going to allow you to take your underspend forward into the next budgetary year”. We wrote ourselves a £1 million saving, because if people did not have to spend up they did not. Having longer-term certainty is not just good business; it is good governance too. Hopefully the Treasury gets that message.
Q108 **Matt Western:** Lord Porter, are you happy with the business rates retention system, the way it works currently? If you have concerns, what are they?

**Lord Porter of Spalding:** I am certainly not happy with the current retention system, because we collect it all and send it to the Treasury, and the Treasury sends us half of it back. That is not what it was designed for and not the way it should work. We should be able to set the business rate locally, so we should be able to encourage businesses or types of business in. In some areas, we should be able to discourage certain types of business. As a sector, we should be able to collect all the money and redistribute it among ourselves with a formula we have agreed, not one that has any involvement from the Treasury. We should be able to determine what types of business do not have to pay business rates.

If you ask anybody who is involved with it, we have a massively unfair system now. The people who pay business rates do not think they should be paying the way they are paying; the people who do not pay business rates are never here to answer a question anyway, so we do not get any sense of where they are with it; and the people who are supposed to collect and spend the business rates do not think it is fair. The only people who like it are back at the Treasury, because it puts more people in employment in the Treasury.

Q109 **Matt Western:** Opening this up more broadly, I am not so familiar with how the business rates system works, but, given the way you were describing it, it sounds pretty complex. Are we proposing something that is going to add an additional layer of complexity to something that is already pretty difficult to make work?

**Cllr Carter:** I agree. There is particular complexity in the tariffs and top-ups in two-tier areas. That is not a criticism of two-tier areas, but it is horribly complex. We need to get the funding formula right. It is the duty of Government to make sure that local government has the business rates repatriated against need and that the funding model is fair, and there needs to be a simple incentive to cover business rate growth.

The future of commercial business rates is going one way, and that is downwards. Look at retail rents plummeting. Some commercial premises are now being rented at zero rent to avoid the landlords having to pay the empty commercial rates bills. I am really concerned that, in the future, local government could get tucked up through a diminishing commercial rate pool. If you do a revaluation based on rental levels, it is going to place a significant risk on local government. However the tariffs, top-ups, business rate baseline and everything else get set, it could end in tears for many local authorities.

Let us have a good formula that is evidence-based. Rather like the new homes bonus, which was a very simple way of giving a reward for housing growth, business rate growth could have a much simpler system
attached to it. When you do get your brain around the current system of tariffs, top-ups and what is planned, if you retain the complexity of the system, you will not be able to stand up in front of 10 people and explain what it is two weeks later. It is that complex, and as a result it needs reviewing.

Q110 **Matt Western**: You used the term “tucked up”, which is interesting. A cynic would suggest that the Government knew this was going to happen. Forecasting forward, there are going to be more and more pressures on local businesses with rents and so on, particularly in terms of how they remain competitive in a more global world. Is that right or is it an unfair criticism?

**Cllr Carter**: No, there is a very high risk there. That needs to be accepted. Look at the way the market is going. There are more people working from home and working flexibly. The whole world is shifting. We are not beating much metal any more in this country, regrettably, and engineering is not where it should be. Therefore, the big commercial ratepayers are potentially going to diminish, not increase.

**Frances Foster**: The whole business rate system is very complex. SIGOMA authorities have not been as keen on business rate retention, because many of our areas have not seen the growth that other areas have had. If we are going to carry on with that as a system, unless we fund core services properly, the gaps with those that can generate business rates will continue to widen.

A positive thing the Department is looking at is appeals. Currently, the local authority picks up the appeals risk, and they are looking at options for pooling that, which I think will help. Generally, I would just agree with a lot of the comments: it is very complex and does not really deliver perhaps what it aims to deliver.

**Cllr Fuller**: Growing an economy does not happen by itself. Local councils play a critical part in drawing in and encouraging business. To those who say business rates is an unearned income, in my authority, for example, we are investing in the dark infrastructure in a business park to turn a field with hope value into an investable opportunity. We should have some of the spoils of that. Otherwise, why would we bother? Well, obviously it is a public good to do it. If there is business rates retention and we have played an important part in going above the national increase in the economy, we should at least get a proportion of that for up to 20 years. If you were to take a commercial investment in a new link road, you would take a mortgage for that sort of period, so there needs to be some sort of phased reset there to encourage this.

The whole transfer of risk from central Government to local government is based on incentives. It is not just housing growth that generates more income. It is about generating the local economy to boost the national economy, and business rates are an essential part of that. My concern is this. Because business rates are now in the political space, the Chancellor
might want to write a cheque on our account, especially if we are getting 75% of the aggregate proceeds, if the proposals go forward. If there are substantial retail reliefs—I am not saying there should not be, but it might be substituted by a sales tax, an internet sales tax or other sorts of taxes that have been mooted—some of those sales taxes, whatever they might be, are going to have to come to local government to compensate us for the reduction, if the aggregate business rates take, which is about £28 billion a year, reduces.

We rely on that not just to grow the economy but to look after people, sweep the streets and do all the things we do. Seventy-five per cent of business rates goes to pay for that. If there is to be a free pass or some changes in the system, local government is going to have to be consulted on those changes. We are not just counting on the increase in business rates growth, because it is a complicated system. I do not think the Treasury understands that.

**Q111 Chair:** As a follow-up point, is it particularly complicated? You are trying to reward authorities and incentivise growth through a system that is also trying to deal with how you bring about the remuneration of the difference in needs and resources in authorities. It is trying to do two things that may be incompatible with each other. Is that a challenge in the system that is not really being met?

**Lord Porter of Spalding:** As a sector, we are capable of dealing with that. We can work out how to redistribute—

**Q112 Chair:** Looking at your colleagues, I am not quite sure they would agree with you.

**Lord Porter of Spalding:** As a localist, I know who I would rather trust to make sure my council got a fair deal out of whatever the national resources were. It certainly would not be this place. All of my experience of what happens in Westminster does nothing for most of us. It something for somebody who happens to be the flavour of the month at the point in time the Government make the decision. The sector can be trusted to look after itself if the Government get off our backs and let us do it. It is all interference.

Why do we have to collect business rates on behalf of the Government and take the blame for it? That is who businesses think it is. They do not think it is the Treasury, do they? When business rates go up, it is my fault; it is not the Treasury’s, but really I do not have any control over it. I do not get to keep that money. I have to send it up to Philip, and then he has to pay a couple of people to count it to make sure I gave him the right cheque and it is the right about of money. Then I can have some of it back after I have paid a couple of people to wear a suit and work out how much I need back. Then he pays somebody else in a suit to send me another cheque to send it back out. Why do we employ so many people to do any real work? If you let us set the rates locally and keep the
money locally, subject to local redistribution, it is cheaper, fairer and more accountable.

Q113 **Chair:** Is the answer not that local government cannot decide on the redistribution?

**Lord Porter of Spalding:** When did that happen?

Q114 **Chair:** The LGA cannot decide among itself how the fair funding formula can work, can it? You know there are differences—

**Lord Porter of Spalding:** When did that happen? You have just heard Paul say how far we have come in a surprisingly short amount of time, given where we thought we would be. I have to admit that I do agree with him, because I did not think we would be able to get to what fair looks like.

Q115 **Chair:** You are going to reach an agreement, are you?

**Lord Porter of Spalding:** If you let me keep the 26 billion quid we take in business rates, they will all show you what fair looks like in the morning because they are all adults and they will all agree on how to keep it. The thing that makes it difficult is the fact that the Treasury wants to keep 13 billion quid of that 26 billion quid. That is the bit that is wrong. If you let us keep the £26 billion, we will show you what fair looks like.

**Cllr Carter:** How do you manage the shocks, though? Some big tech companies in Berkshire moved from one of the six Berkshire authorities—I will not name which ones—to the next. The business rate collection went from here to there, and the recipient of the movement from one authority to the other went up massively. It is going to be a very fast-changing market in the future, I believe. We talked about how brittle smaller unitaries are earlier on, the high-risk ones. If you have a couple of significant ratepayers who suddenly shut up shop and go elsewhere, how are you going to handle that? You can have windfall gains that are nothing to do with local government; you just happen to be in the right place at the right time to be the recipient of it.

It is going to lead to all sorts of problems. It will end in tears for many authorities unless there is proper redistribution based on the fair funding formula, with an incentive to improve GVA and commercial rates in a simple way. That needs to be designed, in my view.

**Lord Porter of Spalding:** Have we just agreed?

**Cllr Carter:** I am not sure.

Q116 **Chair:** Mr Fuller, are you about to interfere in this conversation?

**Cllr Fuller:** All I will say is that we are all adults in the room. In our own county, we pool a proportion of the business rates so that if someone does have a factory closure we all pitch in to help out. That is not
uncommon. Pooling and the encouragement of pooling is part of the design. We can have arguments over how large that pool should be, whether it be at county, regional, subnational or national level, but the principle of pooling is an important one. That is part of the freedoms we are seeking, because we are all adults.

Q117 **Bob Blackman:** I have a brief supplementary, but the answer may be long. Business rate retention is encouraging local authorities to incentivise business and to promote growth in their local area, but there is an issue about resets and reset periods. Do you have a view on what reset period would be reasonable and fair at this point in time?

**Cllr Fuller:** To begin with, where is the start line? At the moment, district councils in the two-tier areas are 57% above where the baseline would have otherwise ordinarily have been. That is not unearned; we have worked hard to grow our economies. When you get to the start line, we are going to see a 57% reduction in that. That is of concern. Insofar as the reset is concerned, and there clearly needs to be a reset eventually, having a phased reset almost like a conveyor belt is much better. First, you reduce cliff-edge effects. Let me paint this picture. Let us say you work hard to get inward investment. You schmooze a big international company and you get it there. If it opens their factory on 31 December 2024 and the reset happens on 1 January 2025, all that effort is wasted. You should at least have five or six years’ pull at it. A phased reset, like a conveyor belt, would be a much better system for avoiding cliff edges.

Q118 **Mohammad Yasin:** It is my debut meeting, and I am hoping for some mercy from you guys. This is my first question. My question is about the council tax system. Is it fit for purpose? Does it need tweaking or does it need a radical overhaul?

**Cllr Carter:** The revaluation exercise needs to happen. Maybe having an extra couple of bands sometime in the future would probably be a good move, because that is out of date. Okay, it is a tax on property. If you choose to live in a bigger house, you pay more tax, or you may be a single person and you may get a discount there. But it gives the freedom of choice, if only the public could better understand what they get for their council tax and what we deliver, which I perceive to be very good value-for-money services in all their forms. You have to think twice before you try to invent a better system, but it needs adjusting in the way I have described.

**Lord Porter of Spalding:** Can I answer as leader of South Holland rather than as chairman of the LGA? I am probably going to go off the LGA message here. You would have to be completely barmy to revisit council tax, absolutely barmy. The last time that was tried, it ended up in pain for everybody involved in it. It is weird now. I still get people saying they wish they had some service-based taxation rather than property-based taxation. When I remind them what the country looked like when we were trying to do that and the disquiet it caused in some parts of the country, nobody really wants to go back to that.
At the moment, you have a tax that is relatively easy to collect, because nobody can hide the house they live in. It is hard to stash that away in a safety deposit box, so we can see where it is. Most people have the ability to move into larger or smaller houses depending on their income, so there is a certain amount of choice there. In the way the system currently is, you are able to improve the property without paying more tax. If we did a revaluation, all the inward investment into those properties would be made in the knowledge that your tax bill might go up if you did that. That might be a disincentive for some people to improve the quality of the housing stock, which none of us wants to see.

While the current system is not perfect, it is probably about as good as you are going to get for one type of tax. If there is a need to collect more tax, we need to come up with newer 21st century models of where that additional tax should come from rather than tinkering with the old ones.

_Cllr Fuller:_ All sorts of alternatives have been postulated: a local income tax or whatever. If you are commuting to Canary Wharf where you have a high-paid job, you are paying income tax in Tower Hamlets but your bin is being collected in Bishop’s Stortford, how is that going to work? This whole session has been about how the system is complicated as it is. First of all, let us not make it more complicated.

A lot of work could be done to ensure that the local authority is not disadvantaged by students and other exemptions. Simon Henig from Durham is always talking about the disproportionate number of students that they have in Durham. That affects his ability to grow his economy and his tax base. There is some interplay on some of those issues that may need to be looked at.

I support the principle of having an unavoidable or difficult to avoid property-based tax, alongside other taxes. As we go along, we might have some local repatriation of stamp duty. We are very highly taxed, but a lot of it goes to the Treasury. If we can remit some of that locally, where it is generated—the proportion of stamp duty for example—that might help. There are lots of other ways of looking at it, but let us not destroy council tax as it is, because the alternative is worse.

Q119 **Mohammad Yasin:** Would you like more freedom to set council tax in local authorities and create new bands?

_Cllr Fuller:_ Take second homes as an example. There are certain pressures for local authorities to make some changes on second homes, but it is ad hoc. We can tweak to local circumstances; that would be the thing. To go for much more than extra bands at the top and the bottom, where do you end? It would just make it more complicated.

Q120 **Chair:** It is regressive, is it not? The evidence is absolutely there. If you look at house prices and incomes, the proportion of council tax you pay goes up if you are at the bottom end of the scale. That is regressive. It is one of the few taxes in this country that are regressive.
**Lord Porter of Spalding:** That is only at the point of moving.

Q121 **Chair:** It is regressive when people live there.

**Lord Porter of Spalding:** It is not about revaluation. If you do not revalue, it does not make any odds.

Q122 **Chair:** It is. It is regressive. People at the bottom end of the scale pay a proportionately higher amount of their income or the value of their house. The evidence is there. Councillor Carter, you mentioned bands at the top, which might alleviate that.

**Cllr Carter:** Yes, you could look at the valuations of houses and regrade them into new tax bands. That is long overdue. It is very historic. Property prices have risen. Take somewhere like Hackney, where 14 years ago property prices were down here. They are now million pound apartments, but they are still tax-banded where they were when they were first done.

**Cllr Fuller:** Do not dismiss or un-know that council tax support is there to address that regression at the bottom. In my authority, we have 50,000 houses, and 8,000 of those, just under 20%, are beneficiaries of council tax support. That attenuates or ameliorates your concern, which is a genuine concern.

**Frances Foster:** I would take on board what everyone has said in terms of council tax. It has been around for so long that it has been brought into disrepute just because it is so old, but, as Lord Porter said, what alternatives are there? There have been various reviews over the years, which I have been involved in. The last one was the Lyons review, which could not come up with any alternative that was better. We might have to accept it where it is.

I agree that it is regressive. Yes, we have the council tax discount scheme, but in lots of areas people have to pay more than in other areas. For me, on council tax, it is about making sure that, within the fair funding review, we take account of the different abilities of councils to raise council tax and build that into the formula. That is the important thing to get right.

Q123 **Chair:** Finally, very briefly, you each have two proposals to improve the current local government finance system. I will leave it to Lord Porter at the end so you can have the final word on your final appearance.

**Cllr Carter:** I would highlight the spending review and fully funding the cost pressures and demands that are coming upon us. Let us get on and have the introduction of a new fair funding formula that hits the right spots and is evidence-based. To the last point that was made about the council tax collection pool, that variation needs to be baked into the fair funding formula; if it is not, we are going to get into a really serious problem. If you are going to tinker with it, the knock-on consequences of changing another part at a later date are really quite serious.
Frances Foster: I would reiterate those. It is about the overall level of funding and making sure it is sufficient. We would want the stability of medium-term planning.

Cllr Fuller: As we go into the new fair funding system, there is so much consensus around the table on all the individual components, but no one has put all those components together yet to see where the winners and losers are. There is so much good will towards the future funding system that I would call for the spending review to get everyone to the start line. The losers should be substantially compensated to bring them up to that start line, and then local authorities can all go forward on the same basis. Whether there is enough money in the spending review to do that, I do not know. You asked for an impossibility; that is what I would ask for.

Lord Porter of Spalding: If I had two things that I could do to make the world a lot better financially for local government, the first would probably be more devolution to give us greater control over all the money the state spends in our area so we can drive best value, as we have done with the public health budget for instance. That would be the simplest and easiest way of making it less painful. The second one is not going to make me very popular with everybody else in the outside world: give us control over the types of tax we can raise locally.

Q124 Chair: Do you have anything in mind, briefly?

Lord Porter of Spalding: There are a few areas, but then I would upset specific groups in the outside world rather than the whole country. At the moment, I am quite happy upsetting everybody, on my last venture into this meeting.

Chair: Thank you all very much for coming. Lord Porter, thank you very much for coming to give evidence this afternoon particularly and on previous occasions. Best wishes for the future. Thank you for what you have done for local government, for the red team as well as the blue team, to use your own words. Thank you all very much for coming.

Examination of Witnesses

Witnesses: Dr Jonathan Carr-West and Andrew Carter.

Q125 Chair: Good afternoon and thank you for coming to give evidence to us. To begin with, could you both say who you are and the organisation you are representing today?

Dr Carr-West: I am Jonathan Carr-West. I am chief executive of the Local Government Information Unit.

Andrew Carter: I am Andrew Carter. I am the chief executive of the Centre for Cities.
Q126 Helen Hayes: My first question is for Dr Carr-West. Your submission says, “We have passed the point where any further efficiency savings can be made”. What evidence do you have for this? I can guess a little based on the experience of my local authorities. Do you think MHCLG and the Treasury fully understand the pressures that local government is under?

Dr Carr-West: For the last eight years, we have been doing an annual finance survey. We survey every chief executive, every leader, every chief finance officer and every cabinet member for resources in the country. They consistently tell us that the system is not fit for purpose. Eight out of 10 of them say that local government funding is unsustainable. This year, one in 10 of them are anticipating legal challenges due to reductions in service levels. One in 20 of them are concerned that they will not be able to meet their statutory obligations. Many of them are reducing the provision of services: 32% are cutting libraries; 45% are cutting parks and leisure; 22% are cutting waste collection; 29% are cutting adult social care; 24% are cutting children’s services. Consistently, we see very high numbers of local authorities saying that they are now making impactful cuts to services that people are starting to notice: 50% of them tell us this is now starting to affect their relationship with residents. You heard that from the councillors who spoke earlier, from Paul Carter, John Fuller and Gary Porter. You have heard it in previous evidence sessions from Rob Whiteman and Tony Travers.

There is a growing consensus that we have reached the end of the line of just being able to shave things back. We are now making really substantive and impactful differences to the services people receive.

Q127 Helen Hayes: Do you think MHCLG and the Treasury fully understand those pressures?

Dr Carr-West: I do not know. The question is not whether they have understood them; they have not done anything about them. We heard Lord Porter earlier saying, “I think MHCLG gets that”, but they were all very diplomatic about the fact that they do not know how they are going to be funded this time next year, so they are unable to make decisions about caring for vulnerable older people or protecting vulnerable children this time next year. It is a testament to them that they sit here and calmly talk about this, but actually it is astonishing. I do not know whether MHCLG understands it, but I am not sure it is the point. The point is that they have not done anything about it.

Andrew Carter: I agree with Jonathan. In the work we do engaging councils in places up and down the country, and the cities, that is the fairly overwhelming response that we get. There is no doubt that organisations and councils have been able to do things differently, and that is a good thing. But we are at the stage where the efficiencies that have been made seem to have been made. There is not some other big efficiency waiting. In looking at the evidence, I would be very mindful of
and listen to organisations like the Institute for Government or CIPFA. They are essentially non-interested agencies, in the sense that they do not have direct skin in the game in the way councils have. When you look at their performance trackers, one of the areas they are very worried about is the clutch of activities that would fall under local government.

In terms of whether MHCLG and HMT understand it, they do to the degree they can. In a sense, this underpins the bigger question about the centralised nature. Will they ever have enough knowledge or understanding to truly understand what is going on in Bolton versus Brighton or Basildon? No, they will not. Can they ever make decisions that are suitably informed for those variations plus everywhere else? No, probably not. That is not a comment on their abilities; it is just the reality of centralised knowledge and its limitations. Getting into that space is important.

Q128 Helen Hayes: Dr Carr-West, you mentioned briefly the uncertainty that local authorities face in the short term, post-2020. What impact is this having on local authorities?

Dr Carr-West: As we heard earlier, we are seeing local authorities unable to plan or having to plan on very negative assumptions. We do not know what their budgets are going to look like. They particularly do not know how much they are going to be able to invest, so the whole “invest to save” agenda goes out of the window. We know that.

It is really important to say that the pressures on local government are not just about a lack of resources. They are also about growing demand; they are about an ageing population. Those things are going to happen. Even if we had all the money in the world, we would have to adapt to some very severe pressures. That means you need to start thinking about demand management; you need to start thinking about how you help people to live longer and healthier lives; and you need to start thinking about how you build capacity in communities to help themselves and help each other. All of that requires an investment in prevention, which is the first thing that has to go when you do not know how much money you are going to have.

Andrew Carter: You see this in the spending patterns, not only in the reduction of overall resource but in what the resource left is spent on. Increasingly, it is overwhelmingly spent on aspects of social care. When we looked at the data from 10 years ago, only four of 62 urban areas spent over 50% on social care. If you fast forward to 2017-18, more than half do. That is not a commentary on social care; we need to fund it. There has been a 40% reduction in planning and development services and a wholesale 60% reduction in arts and culture. These are the kinds of things that make our places good places to live and work. By definition, they are not able to resource those sorts of things. That is the wider implication of the financial pressures that local authorities are under. It is not only less money, as I say, but what the money they have left gets
spent on. That denudes their ability, particularly from an urban perspective, to provide the much needed growth, housing and investment, alongside private investment, that we need if we are going to get ourselves out of the problems we face in terms of productivity, stagnant wages and the economic problems we definitely still have 10 years after the recession.

Q129 Matt Western: Can I turn to fair funding, looking at different councils and regions? You will be familiar that the Institute for Fiscal Studies noted that county councils seem to be struggling more than other forms of council even though their cuts have perhaps been less severe. Why do you think that is the case? Are there any other types of councils that are under particular financial strain?

Dr Carr-West: Again, we heard about that earlier. Smaller unitaries are definitely under financial strain, and that strain is unevenly distributed. In a way, it is not that helpful to get into this question: “Which type of councils are most at risk? Which are suffering most?” It is very easy—what we saw in the earlier session was people very much resisting doing this—to get drawn into a bit of a bunfight where the sector fights among itself about the share of the resources.

These are structural issues with the funding of local government and the decisions about how we fund local government. It is more productive not to get drawn into asking whether counties, districts or mets are worse off. Let us fix the problem; let us look at the underlying structures and try to resolve those.

Q130 Matt Western: I totally agree with you on the structures. When the previous panel were talking about small unitaries, any small organisation is going to struggle with cuts because there is less ability to absorb the cuts, if you see what I mean, putting it very simplistically. When we are talking about small unitaries, what are we talking about in terms of them being vulnerable?

Dr Carr-West: It is the issue that Lord Porter raised.

Matt Western: Should they be merging?

Dr Carr-West: Small unitaries are a bit of an anomaly, in that the Government now have a guideline population figure of 300,000 for unitarisation. There are quite a lot of unitaries that are much smaller than that. Again, we can get into a distraction if we start thinking about this as a question of the structure of local authorities. It is an issue about proper funding. Do we have a funding formula that works? Do we have a sufficient quantum of funding that goes into that? Do we have enough money in the system?

We are seeing councils of all sorts dipping into reserves: 50% of councils tell us every year that they are dipping into reserves; 40% are dipping into reserves for the second year running. We are seeing 97% of councils raising charges, on everything from burial to waste collection. We see the
vast majority of councils putting up council tax to the absolute maximum they can and, at the same time, they are all struggling to keep services going. These are fundamental problems. Councils are really close to the edge; they are cobbled together their finances as best they can. We can talk about whether we should merge this small unitary with that small unitary, whether we should merge these two district councils or whether we can do shared services, but all of that is peripheral now.

There is a fundamental question about how much money we are putting into it and how that money is distributed. That is not a technical question; that is a question about the type of society we want to be. It is a question about what we think local government is for. It is a question about how we think the relationship between different branches of the state and communities should function. These are big and fundamental political issues. I worry that we can get side-tracked into a rabbit hole of technical fixes around mergers of different types of councils or unitaries versus districts. I am not sure any of that really gets us to the heart of the question.

Andrew Carter: I agree with Jonathan that we have to think about the totality. As we know, local government, as part of the public sector, has seen significantly larger reductions than probably any other part. The aggregate position is that local government is definitely on the wrong end of very large reductions.

In the analysis that we did, we did not look at the type of council in an institutional sense. We looked at urban areas and non-urban areas. There seems to be a pattern where our urban areas have received larger cuts than non-urban areas. On a per-head basis, there has been probably about two times as much reduction in our urban areas compared to our non-urban areas. Within that, it seems to be urban areas in the north and the Midlands that have received the biggest cuts over a 10-year period.

I would say that there are two things going on, because it touches on some of the other points you were discussing earlier with the previous panel. Partly, this is because some of those areas are poorer communities and poorer areas. They are more reliant on central Government for their cash, and that has obviously been reduced. Secondly, as a result of being poorer, they are less able to raise cash or moneys from other sources, whether it is council tax or sales fees and charges, to compensate for reductions from central Government. That is a question we need to be mindful of.

I should caveat all of that by saying that, per head, urban areas still get more than non-urban areas. There is an equalisation going on, which some people think is appropriate and some do not. The big picture is that local government as a whole has had a significant reduction in public expenditure relative to other Government Departments. That is the big story.

Q131 Matt Western: On the point about urban versus non-urban, yes, there
has perhaps been a reduction in the differential, but why should cities be receiving more than non-urban areas?

**Andrew Carter:** We should not start from the premise that they should automatically receive more money than anywhere else. It seems to be a simple element to do with the depth and breadth of need, as we observe it. You will hear me talk a lot about urban areas as the drivers of the economy and all the rest of it; they are also where deprivation and need, in quantum in terms of numbers and depth, is clearly evident: 63% of those who are unemployed live in our urban areas; 80% of the people who live in the most deprived 10% of neighbourhoods live in urban areas. Our depth of need is significant in urban areas. If you roll that out, that largely or almost completely explains why we see the differentials we see, I would suggest.

**Q132 Matt Western:** You may have heard us ask the previous panel whether there should be some form of independent organisation to arbitrate and look at funding and distribution of moneys across local government. What is your view?

**Dr Carr-West:** I am in two minds about this. I can see the attraction of it, but I am also conscious of the points that were made. Is that not what we elect politicians for? They have a mandate and they are answerable through the ballot box. I would welcome the principles that sit behind that proposal: there should be transparency, a clear process, a process that is seen to be fair and a consideration of real demand. An independent body might be one way to achieve that.

I guess I am always anxious about the rush to structure. “We will set up a body that will do that”. It seems to me that we need to be focusing on what those principles are. If we can get that right, the decision about the organisation that applies them is almost a secondary consideration.

**Andrew Carter:** We have not thought deeply about this. I would lean to probably not. In a sense, it is an inherently political, with a small “p”, conversation about the nature and shape of local government or the size and nature of the state more generally. Those are political decisions, choices and debates. They best reside in a democratic arrangement.

Having said that—this may have been said slightly earlier on—part of the answer, which is what we heard from our previous panel, is to devolve the nature of money raised and money spent, so that places themselves can have the political conversation with their constituents to determine what the appropriate rate of X or Y should be. That does not mean there is no role for central Government in that, but I would probably lean away from a separate independent entity. I could be persuaded.

**Q133 Chair:** Coming on to business rate retention, we had slightly different views from our previous panel on whether it was a good idea. What are your views? Is it something that is worth continuing as is currently proposed or should we go back to the drawing board?
Andrew Carter: This is one of the classic areas where everybody is in agreement that the system does not work and yet there is no agreement at all on what the alternative ought to be. Because of the complexity and the long-running nature of it, shifting from one system to another will be a challenge. If we replace it, we will need to replace it with some form of land or property tax. That is what business rates essentially is: it is a tax on location. That is a good tax from an economist’s perspective in terms of least distortion. If we do not have business rates, we are going to have something that is akin to it.

That leads me to think about some of the tweaks we could make to the system that would make it function marginally better. I do not know how big the margin would be, but we could make it marginally better than it currently is.

Dr Carr-West: I would go further than that. From our perspective, there are five key problems with business rates. Both the NAO and the IFS have questioned the link between business rate retention and increased growth, so I do not think it necessarily does what it is meant to do. It creates perverse incentives, in that it encourages you to encourage certain types of business, which might not be the ones you wanted if you were taking a more rounded place-shaping view. There is no causal link between business rate income and need, to the point you were making earlier, Chair. It does not fit with that. It does not capture a lot of modern business activity. It is very volatile, which undermines its sustainability.

To me, it feels like a very 20\textsuperscript{th} century solution to a way of taxing a 21\textsuperscript{st} century economy and one that is increasingly going to become redundant. We see businesses under huge pressure; we see the high street under pressure partly because of business rate growth. It is almost a tax that is making itself redundant. To me, it seems an incredibly rickety mechanism. Then to say, “Okay, we will take this rickety mechanism that has all these problems and is not fit for purpose. Then what shall we do? Oh, we will make that the entire basis of local government funding” seems to me an odd thing to be doing.

I agree with Andrew that there will always be a role for property-based business taxation. It should be part of a suite of measures, not the central plank of local government funding, with all the problems we have heard about and all the issues with redistribution. By the way, we do not know how any of that is meant to be working. We have the current unbelievably complicated system of tariffs and top-ups that nobody understands, and we are going to have something that might be similar or might not, but we do not really know, from April next year. It feels like a really wobbly foundation to me.

Q134 Chair: So there should be a suite of measures, or the changes that Andrew Carter has mentioned, but what are they? Can you tell us a little more about what you think they should be?
Dr Carr-West: I remember talking to the Treasury a couple of years ago. They were saying, "We are getting the detail on this soon". I said, "You have to understand that Ministers’ appetite for reform is entirely sated by business rates". There are all these other options. You could have digital sales taxes, local sales taxes, hotels taxes or a local share of income tax, which is something the IFS is looking at. You can have different forms of environmental tax. That is just on the taxation front. You can have different forms of invest-to-save and earn-back mechanisms, as we have seen in some of the devolved economies. These are all things that are done. These are not loose or weird ideas. You can have municipal bonds. They are all done in sensible, comparable economies: the US, France, Germany and Scandinavia. Here they are not even on the table for consideration.

I do not know that any of those are necessarily the right answer, but we should be looking at them. Some sort of mixed toolbox of all those things is probably going to be the way forward.

Andrew Carter: Yes, I agree. Edinburgh is tentatively moving towards a hotel-type tax. Birmingham is beginning to think about that and more seriously worrying about the politics. It is almost inconceivable to imagine that, in 10 or even five years, some of our bigger urban areas will not have some form of road pricing or congestion charging. That will be instrumental in smaller places like Bristol or Cambridge but certainly Manchester and the West Midlands. Opening up the can on some of those additional tax revenues, where we are trying to capture and deal with some of the negative aspects of our urban areas, is quite fundamental.

As we said, these are part and parcel of standard practice in lots of other places. If you go to New York, you pay 8% sales tax on top of whatever else the state wants to do. People understand why that is. That is standard fare in cities elsewhere, but it is not standard fare here.

To come back to the business rates question, some of the issues, by no means all, can be dealt with by moving towards annual revaluations. Part of the problem we have is that we revalue and then we leave it for five or often seven years to revalue. That creates some problems. Annual revaluation is perfectly possible. It is technically possible. We could move to that relatively quickly, in my understanding, talking to the Government Departments that are responsible for this. This would reduce appeals, because the cliff-edge effect essentially disappears. It also allows cities, urban areas or councils to capture more than simply additional floor space, which is Jonathan’s point. It allows them to capture the value uplift generated through investments in the public realm et cetera that increase the value of the premises, which stays constant between the two reset periods. It is not the be-all and end-all, but we are looking for tweaks that are possible as well as the magic that is going to change us all in the future.
**Dr Carr-West:** As we heard earlier, where they do it, pooling certainly works. There is also more that Government could do to commit to smoothing off the edges around that volatility. When Government introduce mandatory rate reliefs or changes to the system, and suddenly local authorities find their income swinging all over the place, there is stuff we could do to smooth that out. There are tweaks that would make it work better. We are committed to this. We need to make it work in the short term. If we are thinking about 2025 or 2030, it is clear to me that business rates is not going to be a long-term sustainable funding mechanism for local government.

**Q135 Chair:** Let us just move on to the other form of finance: council tax. You mentioned yearly revaluation there. We do not have them once a century for council tax, by the looks of things. Is that system working? Should it be reformed? If so, how?

**Dr Carr-West:** Council tax is very interesting. We have been running a local finance taskforce over the last year, working with about 180 of our member councils. One of the odd things about council tax—it is the opposite of business rates—is that everyone agrees on the challenges of it, but people say, “Do you know what? It kind of works”. Again, this is exactly the point that was made earlier. I remember one council leader saying to me, “The thing is, I can see your house and I know how to tax you on it”. There is a stability and a predictability to it, which the sector finds very attractive. We heard the arguments earlier about whether it is regressive. The reality is that trying to do a full revaluation would be politically very hard, but you could add in extra banding and you could look at changes around the referendum threshold. There are things you could do to make it work better, short of a complete root-and-branch reform, which I suspect there is little appetite within or without the sector for.

**Andrew Carter:** You said it, Chair. My understanding is that it the most regressive tax we have in terms of how it falls and the amount paid as a share of income at the lower end. It is politically difficult, but it is in need of revaluation. There was revaluation done in Wales, albeit a few years ago. I forget the date, but Professor Travers will tell us. The world did not end in Wales, as far as I understand. It carries on. People still live there and they continue to pay their council tax. The idea that it is impossible to revalue I do not buy. It is politically difficult. You could go for a fiscally neutral resettlement, so you revalue and it raises no more on day one than it does currently; it is just distribution. Who pays what would be altered according to the changes in the values of house prices. It needs to be revalued as part of that. That may well mean that we introduce additional bands to reflect variations across the places.

It is quite significant. That is the other point I would make. If you think about this as a source of income for local authorities, which is partly the point of it, when we look at our urban areas, part of the attraction of urban areas is to provide housing for people to live in. That is increasingly
a source of income for local authorities. Part of the response to the reductions we have seen in central Government expenditure has been to build more housing. Cambridge has raised 15% more council tax by permitting more housing to be built. Never mind raising the amount they are raising per house; they are permitting more housing. That is a source of income. That is a good thing to add.

The precept and the capping that the current Government have introduced not to permit local authorities to go above the 2% or, in special circumstances, the 3.99%, or whatever it might be, needs to be removed. It is for local authorities to decide how much they charge their people. If they get it wrong, they get voted out.

Dr Carr-West: It is worth saying that this is another area in which councils have been the victims of flip-flopping in Government policy. From 2011 we were told, "You must freeze council tax, and we will give a 1% grant to everyone who freezes it", and then the policy flips to say, "No, that is how you are going to fund yourselves. We will build that into the funding increases". Which is it? All those councils that did what they were told, took the 1% grant and kept their council tax lower found themselves massive losers from it.

Q136 Mr Dhesi: Mr Carter, first of all I would like to say that the Centre for Cities study earlier this year caused considerable consternation in my Slough constituency, because it revealed that Slough had been the hardest hit town in the south-east of England by austerity measures. That merely proved what many of us knew within the town, but I just wanted to put on record the impact your study had.

I also wanted to ask you this. In our first evidence session, the Comptroller and Auditor General and other witnesses pointed out that there needed to be greater clarity about the role of local government and what is expected of it. Do you agree?

Andrew Carter: I do. We have never had, at least not for a good while, a clear understanding or a clear articulation of what local government or local authorities are. In many respects, they get disaggregated into the services they deliver. Certainly historically, but also currently, they should and can play a bigger role as the custodians of their place. As I said in response to Ms Hayes, when we see reductions in funding that essentially mean local authorities are not only but increasingly only social care providers, as important as that is, it raises important questions about what the future of local government is and what it should be. That is not a bad place to start when we then begin to think about what funding should therefore be made available to them or through them, for the activities that make our urban area and other areas great places to live and work.

Q137 Mr Dhesi: You just mentioned social care. To elaborate on that, social care is beginning to dominate spending at many councils more and more. For example, in Barnsley it was 62%, which is huge. That is the largest
share. Do you have concerns about that? What do you think?

Andrew Carter: Yes. As I said, in 2009-10, four out of 62 spent more than half their budget on social care. If you fast forward nearly 10 years, now more than half are spending more than half on social care. If we fast forward another few years, the number will be bigger. I am worried about that in the sense of what it means for local government as an important institution in British life. We do not have that conversation. We have not had that conversation sufficiently. It is partly related to the constitutional role that local government has, or does not have, within the UK constitution, which is different, as you know, from other countries, where the role and function of local government is more clearly articulated.

Mr Dhesi: Dr Carr-West, I saw you nodding. I will assume you are in agreement, so I will not ask you to answer that question. I want to go back to your submission. That noted the need for more collaboration between local government and other Government Departments. What is preventing that from happening? How can it be changed?

Dr Carr-West: It relates to that question about the constitutional settlement. Local government works in a very different way to other Government Departments. Things come down in silos from Whitehall. We are then left to try to knit it together at a local level, but there are different budgets and different budgetary rules. Councils cannot run a deficit; they have to balance their books every year. The NHS can run deficits; CCGs can run deficits. It is quite difficult to get that level of integration at a local level, because everyone is operating to different rules, to different targets and with different budgets.

This is the classic example. It is almost a cliché, but, if we talk about social care and prevention, people in the sector talk about the £20 grab rail. You are the council and you spend 20 quid putting in a grab rail in an older person’s home to prevent them falling. If you do that, over the whole population, we can be fairly precise about how many falls you are going to prevent. Each fall costs 17 grand or whatever. Those are savings in the NHS, and it is almost impossible to claw it back. When we are dealing with these very siloed and very locked in budgets that are coming down from central Government, it is very hard to get that collaboration; it is very hard to get that integration.

That is not to say we do not see it. We see it formally in some places. It has been baked into the deal in Greater Manchester to an extent. We can argue about how far that has gone, but it is definitely better than nothing. We see it happening informally in places. I hear people saying, “Do you remember Total Place? We are doing something a bit like that, but secretly and from the bottom up. I know the person at the CCG, and they are good. We all understand each other so we are just arranging this”. That is going against the grain. The system is not helping you do that. The system is certainly not making you do that. Getting that level of integration locally is made more difficult by the centralised nature of our political settlement and our public services.
Let us not forget that we are way out of kilter with the rest of the world. If you look at anywhere comparable, France, Spain or Germany, at least double the amount of taxation is raised locally and around half as much money is spent by central Government in terms of public services. Over 70% of public money is spent by central Government in this country, and that makes it very hard to get that level of integration.

Mohammad Yasin: In LGIU’s recommendations to Government, it made quite a few recommendations. One recommendation says, “At the very minimum we must emerge from the spending review with a clear idea of how service quality will be secured in the life-and-death areas of children’s and adult social care and homelessness”. Do you agree with that? What would you recommend to the Government for the forthcoming spending review?

Dr Carr-West: Yes, it was our recommendation so I do agree with it. We heard Lord Porter talking about this earlier: how are you going to stand up and say that? This is the problem. When we had local elections recently, I was doing something for Sky News and they said, “What do you want to say?” I said, “I want to say that this is not just an opinion poll; this is about local government”. They said, “Yes, we get it: bins, not Brexit”. I thought, “No, it is not bins. It is caring for older people; it is protecting vulnerable children”. These are actual life-and-death issues that are managed and delivered by local government day in, day out, for communities around the country. We do not know how those are going to be funded this time next year.

If the spending review happens in the autumn, and we are still told that it will, but we will see, we need to emerge from that with at least a sense of whether we are going to have enough money in the bank to safeguard those vital statutory services over the next 12 months. I do not think that business rate retention and the fair funding review are going to be satisfactorily completed this autumn. We need a short-term settlement while we work all that out. In that time, we need to make sure that those services are safeguarded.

Mohammad Yasin: If you could make one or two recommendations to the Government relating to the spending review, what would they be?

Dr Carr-West: We have not said this for many years, but we do now say, “We need to increase the overall quantum of funding”. The argument back in 2010 was about whether you could make local government more efficient. Clearly, you could and we did. The reward for making local government more efficient was to be asked to make it more efficient, and we did. The reward for that was to have more taken out. We have got to the point where there is no more fat. As we said in relation to Ms Hayes’s question at the beginning, we are down to the bone now. We are starting to create situations that are dangerous for vulnerable people in our communities. We need to make sure there is enough money to prevent that.
In the longer term, I echo some of the points made by the previous panel. We need far more devolution; we need to move towards single budgetary pots for public services in areas. This is not because I want local government to be more powerful and central Government to be less powerful; it is so we can do the joined-up preventive public services we need in order to manage these problems long term. When we talk about social care, life expectancy across the developed world goes up by two years every decade. That does not sound like very much. That is five hours a day; that is 12 seconds a minute. Every minute that Andrew and I talk about this, all of our deaths recede by 12 seconds. It might not feel that way, but it is true.

According to the Office for National Statistics, by 2070 there will be a 50-fold increase in the number of people in this country over 100 years of age. We do need more money, but these are not problems you can simply fund your way out of. You need to move towards a more preventive, more joined-up, more agile, more community-based and more person-centred system. You can only do that if the money is local and you can join up the money locally. That is why we need greater localism. It is not a zero-sum power game. It is about being able to deliver the public services we need in the 21st century.

**Andrew Carter:** I would agree with a lot of what Jonathan said. We come from a similar position. A real-terms increase needs to be on the table for local government when we get into the spending review. We would make a similar point, in the sense that it was very deliberate and particular that we did the work we did at the time we did it. If you look at and talk to places around the country, they are doing fantastic things, which is partly a result of necessity as well as the opportunity we have seen. However, we have rehearsed that point.

Multiyear budgets are critical, as is much more flexibility and autonomy in terms of the levies and taxes we have suggested. There are simple things about money raised in one area and being able to spend it somewhere else. If you raise money through car parks, you should not have to spend it on transport, which is kind of what happens currently. It is ridiculous. Why are we, in the 21st century, informing our local government of what it can and cannot do?

My final point is definitely pie in the sky. I would love to see the Treasury adopt an area-based approach to the spending review. If you think about it, give or take, roughly £22 billion of public expenditure goes into Greater Manchester across all the different bits of Government. If we want to think about how we make the most of that, it is in the power of integration. It is about how welfare reform interacts with employment support, housing policy and transport interventions. That is the power by which we get significant change in our urban areas. It is only through an area-based approach that we will unlock the power and the returns of that integration. That would be my pie in the sky. I do not hold any hope
Chair: Thank you both very much for coming to give evidence to the Committee this afternoon.

Examination of Witnesses

Witnesses: Alison Cox, Jeanelle de Gruchy and David Buck.

Q141 Chair: Good afternoon. Thank you very much for coming to give evidence to the Committee this afternoon. Can you go down the table and tell us who you are and the organisation you are representing today?

Jeanelle de Gruchy: Hi, I am Jeanelle de Gruchy. I am a director of public health in Tameside in Greater Manchester and I am president of the Association of Directors of Public Health.

Alison Cox: I am Alison Cox. I am the director for cancer prevention at Cancer Research UK.

David Buck: I am David Buck. I am the senior fellow in public health and inequalities at the King’s Fund.

Q142 Helen Hayes: The public health grant has been reduced by an estimated £700 million since 2015. What has been the impact on the services provided by local authorities?

Alison Cox: I would like to talk about the impact on stop-smoking services in particular. The £700 million cut is roughly a 25% cut on the 2014-15 levels of the grant, but the cuts have been felt particularly in stop-smoking services. They have been cut by around a third. We have been running surveys with Action on Smoking and Health on an annual basis. Whereas previously the NHS provided a universal stop-smoking service available to all smokers, we now know that only 56% of local authorities are offering a universal specialist service available to all smokers. There has been a significant reduction. In our surveys, local authorities are citing the cuts to the public health grant as the main driver for those cuts in the services.

David Buck: The first thing to say is that these cuts have obviously not been welcome. Having said that, local government as a whole has managed them very well. I am sure you are aware that your sister committee, the Health and Social Care Committee, produced a report last week or the week before on sexual health services, which is a really interesting piece of work. It shows both the strength of what is going on and the impact of the cuts.
The cuts have been very varied across different sorts of services and across different parts of the country. Local government has maintained services as much as it can, but we are now seeing big impacts on patients in terms of access to various really critical aspects of care. It is very worrying. That is starting to come through in outcomes as well as access to care.

**Jeanelle de Gruchy:** A large part of the budget of the grant goes on our sexual health services, our drug and alcohol services and our nought to 19 services, so that is health visitors and school nurses. Less goes into smoking cessation and other services like getting people physically active, weight management and so on. That is the bulk of public health services. There is then also a function of public health about working across local government, NHS colleagues and so on to do what the previous session was talking about, which is about place shaping and creating healthier populations more generally. That is really important work as well. The cuts are threatening our capacity to influence this across all our partners, to create healthier places and healthier populations in that way.

In terms of the actual services, though, as David said, and as has been said already, it drove quite a bit of innovation. We have seen innovation in sexual health services, drug and alcohol services and health visiting services. We have definitely got to the point where, as Alison said, there are cuts to universal services, such as smoking cessation. Increasingly, we are targeting particular population groups. We are having to do that. I can see where we will have to be doing that further, where the quality might be impacted. Part of the innovation is to look at workforce, skills mix and a cheaper workforce delivering services. Quality might be impacted and outcomes might be impacted. Some of the services might, frankly, just stop.

Q143 **Helen Hayes:** Is there any evidence that those cuts, ultimately, on that trajectory, will lead to increased costs in the future?

**Jeanelle de Gruchy:** Absolutely. Everyone agrees that prevention is better than cure and that prevention is cheaper than cure. How do we ensure that money goes into prevention, which is a longer-term endeavour than this very short-term need to either fund NHS treatment services or, indeed, high-end social care? The real shame is that a lot of the effort on early help and prevention in social care is being jeopardised. Directors of public health and our teams have been very involved in trying to shift things into early help.

Today, the IFS put out a study about Sure Start centres saving a huge amount of money. That kind of intervention is being really jeopardised. It is inevitably going to increase costs rather than reduce them.

**David Buck:** The other thing to mention is the shape of the cuts. It is clear that the prescribed functions are being protected a little more than the non-prescribed functions, as you would expect. In general, the
preventive end of the public health grant is where the cuts have come more.

Particularly, again, looking back to sexual health services, this is about support, behaviour change and understanding how sexual behaviour is changing quite a lot, particularly among younger people, as society changes. That area is the soft underbelly; in the long term, it is the stuff that will come back to bite us. In terms of services, we have seen increases in the throughput for sexual health testing in local government, which is a testament to the efficiencies that we have already had, but this perhaps raises questions about the quality of some of those services.

**Alison Cox:** In terms of the cost to the NHS, there is significant impact from not meeting what we could achieve by reducing smoking rates. In the NHS long-term plan there is an additional investment of £20 billion. It is really committed to action on prevention and helping in-patients in hospitals to quit. However, we then need to be able to connect into services in the community and optimise the opportunity to reduce smoking. At the moment, smoking is the single greatest cause of preventable death. It is responsible for over 400,000 in-patient cases each year. It is a massive burden on the NHS.

Driving down smoking to meet the Department of Health’s ambition of a smoke-free future would be a massive gain, but we need to support services, because helping people quit actually works.

**Q144 Helen Hayes:** Do you have views about where public health funding should come from? If it is a very effective driver of reduced cost to the NHS, is there an argument that more funding for public health should come from the NHS?

**Alison Cox:** Very briefly, on smoking in particular, there is a source of revenue that we should be looking at, which is the tobacco industry, applying a polluter-pays approach to the industry. We have seen on a number of occasions big tobacco companies offering funding to local government, but treaty obligations mean we cannot take money from the industry. They have a past history of using that funding to promote their products, so we are unable to take it.

However, if they are so keen to help achieve a smoke-free future, raising a levy against the tobacco industry would provide funding that could be used. We have a sugary drinks industry levy. We could be running a tobacco industry levy, and the Smokefree Action Coalition is very supportive of that approach.

**David Buck:** Again, it is a really good question. It is worthwhile mentioning a recent report by CIPFA, the Chartered Institute of Public Finance and Accountancy, and PHE, published in the last month or so. Maybe this has come up previously; if so, do stop me. One question is about identifying spend. What is prevention? How do we count it? It is actually quite tricky. As I am sure you know, when you look into it, it
slips through your hands a bit. CIPFA and PHE have very helpfully done a piece of work to try to help identify preventive spend across Government. Some of that is health spend; some of that is local government spend; some of that is central Government spend.

The first thing to say is that we do not have as good a baseline as we think we do. The public health reforms recognised the role of local government, and we are much more visible on the local government side than we are on the NHS side. NHS England gets about £1 billion to do some preventive work, mostly vaccinations and immunisations. We are much less certain about how that is spent, the scrutiny of it and accountability for it. Before we say where the money should come from, we have to be much clearer about how the money is currently spent in the system. We are not as clear as we could be about that on the NHS side.

This is a slightly different question, but I personally think that local government’s role in this is really critical. I would not be in favour of moving responsibilities at this stage.

Jeanelle de Gruchy: The NHS has looked at increasing the proportion of its spend on prevention, and we absolutely welcome that. We are working as hard as we can to ensure that, for instance, where there is NHS spend on alcohol or smoking in hospitals, it is joined up as best it can be with community services. You have already heard that this is increasingly difficult. You get even more of a potential distortion where prevention money is being spent in hospitals in the NHS, and yet we do not have the money to spend on those much more population-based services around drugs and alcohol and smoking.

The key thing is how we shift to prevention more generally. Some really interesting work is being done in Wales and New Zealand on well-being for sustainable futures, where all Departments have to look at how they are going to deliver well-being. Although you can look at specific pots of money for prevention spend, you really want to be influencing across the whole spend so people are thinking much more about preventive, long term and sustainable. They are thinking about children and young people and how we create well-being in society and in places.

I mentioned earlier that our public health grant goes into the services end, which has some impact on population health but, given it is sexual health, drugs and alcohol and nought to 19, it is not the whole lot. In local government, with colleagues and with partners, including the NHS, directors of public health are trying to shift all our policies to be thinking about longer-term sustainable futures for people.

Bob Blackman: I should declare an interest as the chair of the All-Party Group on Smoking and Health. Alison, could you itemise what the impact has been on smoking rates and the failure to reduce smoking rates where smoking cessation services have ceased? Do you have those details?
**Alison Cox:** What we can say is what would happen if we do not make the targets we are setting for tobacco. The Government has talked about a smoke-free ambition. Generally speaking, that is taken to mean a 5% rate of smoking, not total elimination but getting smoking underneath 5%. Cancer Research UK would like that to happen by 2035. At current rates, unless something is done, we are not going to make that in 20 years. We will not make that by 2039; we need to do something more.

If we were to reach that target, we could avoid 97,000 new cases of disease over that period. That includes 36,000 cancers, 29,000 cases of pulmonary disease, COPD, 25,000 strokes and 76,000 cases of coronary heart disease. Those are really significant numbers of diseases.

**Bob Blackman:** I know all those figures. My concern and this Committee’s concern is this. If those services are being ceased because of lack of funding, what is the impact on the number of people giving up smoking? Do we have that evidence?

**Alison Cox:** We do not have it modelled to say exactly how that would work. We can say that stop-smoking services are by far the most effective way of helping people to quit. You are three times more likely to quit than going cold turkey. We are seeing a falloff in footfall, because, understandably, there is a failure to invest in health marketing. We are not running the same kinds of campaigns we were doing five or 10 years ago. We have less of a connection between health services and local services, so that recommendation. There are all sorts of things that mean we are not driving people into those services and optimising the opportunity.

**Bob Blackman:** The other issue I will just mention is smoking in pregnancy, which remains stubbornly high at 11%.

**Jeanelle de Gruchy:** Directors of public health or councils are having to make really difficult decisions. We are having to look at unpalatable decisions around cuts. The thing we have not mentioned, though, is the licensing and enforcement services. The whole tobacco control agenda, not just smoking cessation, is really important. Unfortunately, there are also cuts there. Our ability to deal with issues such as illicit tobacco and underage sales is also part of the picture. We really need to look at those, because they are really important ways in which local places can keep a handle on smoking.

**Chair:** The proposal is that after the spending review from April 2020 public health grants are going to be replaced and all the funding will come out of business rates. That is surely fine, is it not? What is the problem?

**Jeanelle de Gruchy:** I think I am the only one who sat through the previous sessions, where it was suggested that business rates might be difficult in terms of sustainable funding. There is a mixed view among our members, but they have real concerns about the grant going without some ability to ensure that money was going to prevention. We have
heard today about the real pressures on council budgets and the tendency to have to fund high-end social care services in particular. There is real concern, therefore, about what might happen if the ring fence went. By the same token, if the grant keeps on getting cut—as we know, it was cut by £700 million in the last five years—which we absolutely would not want to see, and there is a different settlement for local government, that would not make sense either.

**Alison Cox:** We are also interested in understanding better what that might look like. At the moment, the detail of how that retention of business rate would work is unclear. We have not yet seen the evaluations of the pilot schemes. We would like to understand better what the evidence base is there. We are particularly interested to understand better how a top-up tariff might work. Areas with high prevalence of ill health and a prevalence of risk factors like smoking tend to be in deprived economic communities, which will have lower business rates. It will be interesting to understand better how that is going to work. There is a lot of detail that we are yet to understand about how this will really work, and therefore we would be cautious about moving to a new system without that better understanding.

**David Buck:** I would echo that. We are also very concerned, and there would need to be a number of conditions alongside a move to business rates to allay those concerns. We are very worried about the potential opening up of inequalities between local authority areas, depending on the basis on which business rates were introduced. That is not to say we would be against business rates per se, but, as the two others have said, we are not quite clear on exactly what basis. What is the detail and how does that wrap up and relate to the overall formulas around the fair funding review? These things are interrelated. How does that come out in the round in terms of overall quantum for local areas? What is the overall basis for how that funding will be delivered around the country?

The other thing to say—again, this may have come up much more eloquently and adequately previously—is around the assumption that business rates are related strongly to economic growth. I am not sure the evidence is there for that. The IFS did an interesting piece some time ago about some of the assumptions behind this. The reasons for introducing business rates need to be looked at more broadly. That is all part of this question. You have to take the whole lot on unfortunately, rather than parcelling it up. We have not seen that detail or had any idea of what that is going to look like. On that basis, it feels like it is very risky.

**Chair:** In terms of ring-fencing, the LGA, indeed local government as a whole, is very opposed to ring-fencing. They would argue that, yes, prevention is important, but it is important in dealing with issues in social care, and that is not ring-fenced. Is it the issue of the link to business rates that worries you or the idea of removing the ring fence?

**David Buck:** For me, I feel that form follows function, or the other way round, whatever the appropriate way is. I am not for or against
ring-fencing per se. From our perspective, if you do not have a ring fence, you need stronger reassurance and accountability about delivering the outcomes. I completely accept local government’s perspective on local freedoms and local decision-making, because local government does know its population better than Whitehall. Nonetheless, we have seen—again, we can see it because we have transparency on the data, which is new; it was not transparent in the NHS—lots of variability in decisions across local government. Some of those may be very good decisions; some of those may be not so good decisions. We can see that variation.

Even with a ring fence, we are definitely seeing that the funding that is more preventive in nature is being cut within the ring fence. If you take the ring fence off, the risk is that the soft underbelly of long-term stuff will go. That is for a good reason: when you are faced with people presenting to your services with need right now, they will be seen first. At the moment, under the current circumstances, it seems very unwise to take the ring fence off because of the wider context. In principle, the ring fence could come off with the right conditions associated with it. We are not against removing the ring fence in principle.

**Jeanelle de Gruchy:** The top priority is to secure that long-term funding. We have not mentioned the figure that Health Foundation came out with, which we would agree with, which was a need for a £3.2 billion increase in funding for public health to have a sustainable footing. At the moment, that is really what we would be calling for. In terms of the mechanism for how that operates or works, it is very difficult. In principle, we would also agree with colleagues about not having a ring fence. At the moment, in the current context, with the huge amount of cuts to local government and the tendency of money going in to meet statutory needs, particularly in social care, our members remain concerned that money will not be going into that longer-term investment in prevention.

**Q149 Mr Dhesi:** Let us delve into improved integration with other areas. Within the submission from the Association of Directors of Public Health, Ms de Gruchy, you have called for more integration and increased work on prevention in health. Who should take the lead for that? Should it be local government or should it be the Department of Health and Social Care?

**Jeanelle de Gruchy:** I do not know the exact context of that, but I would talk about place shaping and place-based integration. That means councils in local places will be leading, with partners, the integration of services.

**Q150 Mr Dhesi:** Local government, not the Department of Health and Social Care, should be taking the lead.

**Jeanelle de Gruchy:** In local places, local government is the lead. I mean the elected members within a place.

**Q151 Mr Dhesi:** With regards to this greater integration, you talked about the
Health in All Policies initiative. In terms of prevention of ill health, should local government take the lead or should it be the Department?

**Jeanelle de Gruchy:** The prevention of ill health relates a lot to the social determinants of health. That is housing, education and those kinds of factors. Councils do take the lead in that. In that sense, we are doing a lot of prevention work across councils. I talked about directors of public health playing a role in influencing and shaping this. If somebody is working on planning, they can ask, “How do we increase walking and cycling in an area? How do we increase children’s play in particular areas?” That is Health in All Policies. How do you get more out of what we are already doing and shape it towards well-being?

That is where directors of public health are working across councils in bringing the well-being out of everything we do in a local place. We are also leading and linked into our local NHS colleagues, whether it is through the ICS, the new integrated care systems, or whether it is more local in terms of CCGs. We have a statutory role to work with our local CCGs. We influence and we work a lot on looking at how we can increase prevention through the NHS.

If you take the work on tobacco, there is money coming through the NHS long-term plan and there is our funding. The director of public health is the key person in making sure that that is joined up so there is a seamless pathway between them. It is the same for alcohol services. There we are working with our NHS colleagues to make sure the pathways between moneys coming into hospital services on alcohol and our community services are there. We have a lot of expertise, so we can influence at a local level how those services happen within the NHS.

**David Buck:** From where we sit, the local leader is the local leader. It sounds a bit trite, but in some parts of the country you would say that an ICS is the natural footprint to lead some of this stuff, taking the leadership role and bringing in the other partners. In other parts of the country it is definitely local government. From my perspective, health and well-being boards were maybe the right answer at the wrong time. Increasingly, the narrative is about population health and the contribution of NHS services, local government services and other services locally. That is where health and well-being boards potentially have a new power base to make sense of how that works in local systems.

For some conditions like HIV, you would say that in a local area you want your director of public health involved in decisions about the strategy and integration there, with clinical leads from the NHS, because it is very clinical and public health-y. The critical thing for us is not that there is a right leader or a single answer to that. The critical thing is that you know what the answer is in your local system, given the makeup of it, who the leadership is, what your goals are and the incentives you have to work together consistently.

**Q152 Mr Dhesi:** Would you say, in an overall sense, that there is a case for
local government to take more of a lead or a responsibility for healthcare? Is that the case, as a broad statement?

**David Buck:** Local government can influence what happens in healthcare, particularly on prevention. The other thing I want to go back to is a principle in the CIPFA/PHE report. They suggest that we determine how much is spent on prevention in local areas across the organisations as an overall percentage of spend and set some expectation. For me, this is where there is a role for the centre, be that DHSC in collaboration with MHCLG or whatever it might be, to give some sense of what that number might need to be, not to tell local government to definitely spend that amount of money, but at least to know where the benchmark is. We do not currently know that.

Q153 **Mr Dhesi:** Finally, Ms Cox, in your opinion, in an ideal world, would public health, social care and healthcare be all provided by the same organisation?

**Alison Cox:** We do not have a particular position on that. We are most concerned about having sufficient funding for the services. This is the issue for us. When we talk about ring-fencing et cetera, we see that local authorities, as has been said, prioritise issues that are important. We know that they prioritise. They think tobacco control, for example, is important. What they are saying is that they do not have enough funding. I cannot answer your question directly.

**Mr Dhesi:** Do not worry. Given that the others had had the opportunity to express their opinions, I thought I would give you yours as well.

**Jeanelle de Gruchy:** Can I come back briefly? Being a director of public health in a Greater Manchester authority, that is a really interesting model. I would support efforts to integrate in that way in Greater Manchester. In my authority, my local authority chief exec is also the CCG’s chief operating officer, so we are integrated in that way.

The previous session raised the real difficulty of the NHS having a different mechanism for funding and performance. That is a real challenge in those new models emerging like Greater Manchester, which has a fantastic opportunity.

**Chair:** Thank you all very much for coming to give evidence to the Committee this afternoon. That has been really helpful for us.