Written evidence submitted by St. Helens Council [FSR 043]

St. Helens Council welcomes the opportunity to submit written representation to the Housing, Communities and Local Government Committee on Local Government finance in order to inform government policy towards local government funding in the Spending Review.

In doing so, the Council presses the government to recognise that its current ongoing path of austerity leads to structural and social collapse and calls for a reversal of the disastrous policy that has been disproportionately weighted against local authorities. A reversal of this policy is crucial; the National Audit Office (NAO) has already warned Ministers that they must quickly produce a long-term funding plan for councils in England because years of cuts have put their finances in a perilous position.

For a council such as St. Helens, the impact of these reductions in local government funding have been exacerbated by the uneven distribution of funding cuts across the sector; despite being one of the areas of the country which requires Government support the most, St. Helens has had its core spending power cut by £104 per person more when compared to the England average, having suffered reductions in Government grant funding of over £510 per head in the period 2010-2019.

Local Government has made by far the biggest efficiencies in the public sector since 2010, and the consequences of those funding cuts are really being felt. The Local Government Association (LGA) calculates that councils will have lost 77% of their budget by 2020 and will face a £5.8bn funding gap.

Despite the overall scale of cuts, spending on children’s social care has risen alarmingly, while spending on adult social care has been cut by much less than the average. The result, of course, has been severe cuts in almost all other services - in light of such reductions in funding, councils are left with no choice other than to continue to divert ever-dwindling resources from other local services, including maintaining our streets, parks & green spaces and providing leisure centres and libraries, to try and contain ever increasing demand pressures in the areas of adult social care and children’s services.

Quite simply, the present system of local government finance is not sustainable. Continuing the recent practice of unplanned top-ups in a forlorn attempt to address increasingly overstretched social care services must be avoided. The need for adequate and permanent funding for local government has never been more apparent, overwhelming or urgent, and it is imperative that funding gaps must be properly addressed to ensure a local government that can continue to deliver the quality services that its local communities require.

Without resource injection, and when faced with a desperately strained social care system trying to look after elderly people, and increasing numbers of children being taken into care, issues such as recycling rates cannot possibly be considered as a priority. This is no better illustrated than in the NAO report on the Financial Sustainability of Local Authorities 2018 that shows disturbing trends, at a national level:

- a 33.7% fall in the number of households with weekly bin collections;
- a 40.9% drop in food hygiene checks of cafes and restaurants;
- 48.4% cuts to bus route subsidies;
- a 22.3% rise in reported fly-tipping incidents, but a 42.6% reduction in enforcement actions over the same period;
- the closures of 10.3% of libraries; and
- the issuing of 67% fewer health and safety enforcement notices.
This bleak future for local government finances has been expanded upon in other reports including:-

- Local Government Association reports “Future Funding of Local Authorities”;
- The introduction of the CIPFA Financial Resilience Index; and
- The 2018 Public Accounts Committee inquiry into the Financial Sustainability of Local Authorities.

As well as these reports, organisations such as the Institute for Fiscal Studies, the London School of Economics, the King's Fund and the Local Government Information Unit have published articles about the financial pressures that local authorities currently face.

**Background – St. Helens The Place**

In providing representation, it is considered important to provide some illustration of the type of socio-economic factors impacting on service demand and the Council’s ability to generate income and growth:

- St. Helens has a population ageing at a rate much faster than most areas, with a greater proportion of frail elderly residents. The current 65 plus population is already 2.2% above the national average. The projected increase in the 85 plus population group is projected to increase by 75% by 2030, which is significantly greater than the projected England average.

- Relative levels of deprivation are high and concentrated, the 2015 Indices of Deprivation ranked St. Helens as the 36th most deprived authority in England, with its position deteriorating.

- The Index of Multiple Deprivation (IMD) 2015 shows that there are large pockets of severe deprivation within St. Helens and that nearly a quarter of the population live in a neighbourhood that falls within the 10% most deprived nationally. Furthermore, relative deprivation within the Borough continues to grow, with some areas becoming even more deprived relative to others.

- The population is in poor health and there are significant health inequalities. St. Helens is the 12th most health deprived authority in the country. Life expectancy levels at birth are on average 2 years less than the national average. Within the Borough life expectancy varies by 9 years between the most and least deprived neighbourhoods.

- Income and employment deprivation are significant issues. In the most recent IMD St. Helens ranked respectively as the 16th and 38th most deprived authority in the country. There are high levels of worklessness when compared to the national average and this is reflected in the proportion of the working age population who are dependent on key out of work benefits.

- Skill levels remain below both regional and national averages, as do self-employment and business start-up rates.

- Approximately one fifth of children in the Borough are classed as living in poverty, which again, is much greater than the national average. There are significant numbers of children, young people and families requiring social care support. The rates of looked after children and children in need are amongst the highest in the country and nearly double the average national rate.
The Council looks forward to the Government’s further discussion and technical consultation papers on the distribution of resources. However, given the timescales associated with the Spending Review, when considered in conjunction with lack of clarity over how Government will replace current European Union structural funding; the distribution of funding to local authorities after the Fair Funding Review; developments in relation to business rates retention; and the expiry of periods relating to the current four-year settlement and other vital funding streams (e.g. additional Better Care Fund monies); the Council is extremely anxious in relation to its financial position. The extent of such significant uncertainties is unparalleled, even in the turbulent years that austerity has brought about.

**Question 1) What lessons can be learned from past changes in local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services?**

**Lessons from past changes in funding**

The most significant lesson that must be learned from the ten-year period of austerity that local government has faced is that cuts in local government funding impact most upon authorities with the greatest levels of need.

Since 2010, the Government has significantly reduced grant funding to local authorities, predominantly through Revenue Support Grant funding, but also through the elimination of Area Based Grant and reductions in Public Health Grant, as well as others. These grants are grants which are based upon need and, therefore, as exemplified earlier, the largest reductions in funding have been suffered by the areas with the greatest need.

This reduction in grant funding has also been compounded by the fact that some key grants have been rolled into Revenue Support Grant, including Supporting People Grant and Local Council Tax Support (previously Council Tax Benefit) during the past ten years, meaning that even larger cuts have been forced upon the neediest areas.

Government’s answer to reductions in funding has been to place an increased reliance upon local authorities generating locally raised taxation. The ability of St. Helens to do this is hindered by a combination of the type of housing in the area (67% of properties being either band A or B), the demand for new house building, and the ability to attract investment from new businesses. However, there has been no equalisation measures put in place to address the imbalance in funding reductions, or the restrictions on the ability of areas with greater need increasing local tax revenues.

In its responses to a series of previous Government consultations the Council has consistently highlighted that the current system produces significantly unbalanced and disproportionate benefits and incentives across/between individual local authorities and, consequently, some authorities being substantially underfunded whilst others thrive.

It is evident that the same levels of growth offer materially different and unfair opportunities for different authorities.

It is vital for councils such as St. Helens that opportunities presented through this inquiry and other ongoing reviews are fully realised and that this matter is fairly addressed at this critical time for local authorities.

The Council also calls upon Government to consider the complexity of the current funding model for local government and to come up with a system that is simple to understand how
funding allocations are calculated. The current model has been designed by adding layers of complexity on top of an already complicated system. With the Spending Review being undertaken at the same time as a review of the Fair Funding Formula and the Business Rates System, now is the time to come up with a funding mechanism that is cohesive and can be understood, even if the underlying methodology is complicated.

**Current financial situation of Councils and ability to deliver services**

**Vulnerable residents are most at risk**

As a result of cuts being deepest where need is greatest, local authorities are now having to prioritise their spending on their most vulnerable service users – such as the elderly, children in need and those who are vulnerable through physical or mental infirmity.

St. Helens, like many other responsible local authorities across the country, has done all it can to change the way it does things in response to the depletion in funding. However, this simply cannot continue. It is essential for the Government to reassess the quantum of funding available to provide essential services and to support those areas which are most in need and are least able to help themselves. Failure to do so will put the most vulnerable adults and children in society at risk.

**Children’s Social Care – Budget Pressures**

There are an increasing number of children and their families who are dependent on support from the local authority. The real term cuts to local government funding since 2010 have had a devastating impact on services to these vulnerable young people and funding has failed to keep pace with the increase in demand.

One of the most significant areas of financial pressure for St. Helens Council, along with many other local authorities, is the cost of caring for looked after children. The increase in the looked after children population nationally, alongside the limited number of care places available, is pushing up prices and making it more difficult to identify settings that will accept the most challenging young people. Since 2011, there has been a rapid and unsustainable increase in expenditure in this area for St. Helens Council as detailed in the table below:

### Annual expenditure by St. Helens Council on accommodating looked after children between 2011/12 to 2017/18

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Outturn</th>
<th>Annual change since 2011/12</th>
<th>Cumulative change since 2011/12</th>
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<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>%</td>
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<tr>
<td>2011/12</td>
<td>9.904</td>
<td>2.577</td>
<td>26.02</td>
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<tr>
<td>2012/13</td>
<td>12.481</td>
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<td>2013/14</td>
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<tr>
<td>2014/15</td>
<td>12.612</td>
<td>1.294</td>
<td>10.26</td>
</tr>
<tr>
<td>2016/17</td>
<td>17.047</td>
<td>1.336</td>
<td>7.84</td>
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</table>
The underlying issue is that local authorities are not adequately funded by central government for children’s social care, and this has been compounded further by how the available funding has been distributed. Research that has been undertaken by SIGOMA (Special Interest Group of Municipal Authorities) estimates that by 2020, deprived areas outside London will have lost out on almost £1 billion since 2010 as a consequence of proposals and policy decisions, which channel more funding into some of the country’s most affluent areas.

The cost of supporting vulnerable residents in deprived areas is greater than that experienced in more affluent parts of the country. Research undertaken by Coventry University has highlighted that children living in areas of highest deprivation are up to 10 times more likely to come into care than those living in areas of lowest deprivation. The research identified an irrefutable link with wider social and economic factors that require a more coordinated response from across government. Consequently, the funding arrangements for local government need to reflect this.

Although the Authority has increased spending on children’s social care, along with many local authorities, this has been at the cost of using one-off reserves, which is clearly not a sustainable long term position. Many local authorities regularly report the need to overspend against their children’s services budgets. Adequate funding to support the children, young people and their families who are in need of the vital social care services provided by local authorities needs to be provided by central government. The LGA estimate that Councils are facing a £2 billion funding gap for children’s services by 2020 and it is imperative that this gap is addressed.

In addition, resources need to be devolved to local authorities to enable them to establish a robust early intervention offer to help stem the escalating level of children and young people entering the care system. Previous decisions to erode the level of funding received through the former SureStart and Early Intervention grants have had significant impacts on the delivery of vital preventative services.

**Children’s Social Care - Specific Grants**

Troubled Families grant funding is currently due to cease in March 2020. A recent report into the second phase of the programme has highlighted the success of the work being delivered, in particular, how it is driving real change across a range of local services. The report highlights, via case studies, that there is evidence that the programme has delivered reduced demand on children’s social care which is clearly beneficial for both service users and local authorities. Clarity is required in respect of what financial support will be available to local authorities going forward from 2020/21 so they are able to shape future service delivery in an efficient, effective and timely way. It is clear that lessons must be learnt from the aforementioned loss of funding that supports these preventative services to avoid a repeat of the circumstances that contributed to the increase in demand for children’s social care services.

The increased funding and flexibilities provided by the Social Care Support Grant are welcomed by the local authority to support the delivery of care services locally. However, as alluded to earlier, the overall level of funding made available through this grant is insufficient to meet current demand for services and must be increased. The future uncertainty of
funding through a specific grant must also be addressed to allow local authorities to be able to effectively plan for future service delivery.

**Education Services – School Budgets**

Many schools maintained by the Authority are experiencing significant financial strain as a consequence of unfunded pay increases for teachers and support staff; increases in employer costs for national insurance and pensions contributions; the introduction of the apprenticeship levy; and the eroding impacts of inflation. Whilst the additional funding announced in July 2017 along with the Teachers Pay Grant announced in July 2018 was welcomed, this does not go far enough to mitigate the cumulative impact of prior year, real term cuts.

**Education Services - Specific Grants**

Despite the additional resources announced in December 2018, funding within the High Needs Block of the Dedicated Schools Grant (DSG) is not sufficient to meet the underlying level of demand given the significant increase in the number of pupils with statements or Education, Health & Care Plans. There is also an increase in the number of high needs pupils who can’t be educated in a mainstream setting and require a place in a specialist independent provision, usually with significant cost implications. The National Funding Formula reforms have left local authorities with very limited scope to be able to address financial issues at a local level, where there is increasing demand / costs in respect of special educational needs pressures.

Similarly, reforms to the Early Years Block of the DSG place at significant risk the services that local authorities provide to support the whole of the nursery sector, particularly in terms of ongoing training, development and assessment. Without either additional funding or a change to the current regulations, there may be a need for the Authority to reduce the current level of support provided, which in turn may lead to an erosion of the quality of provision young children receive.

The Children’s Act 2014 introduced a series of reforms to the system of support for children with special educational needs and disabilities. To support the implementation of these changes, the Department for Education awarded grant funding to local authorities (including the SEN Reform Grant; SEND Implementation Grant; and the SEND Preparation for Employment Grant) but from April 2019, this will cease. The loss of grant funding places at risk the ability of local authorities to be able to continue to deliver the statutory expectations of the reforms. The government must address the loss of SEND funding as part of the next Spending Review.

**Adult Social Care – Budget Pressures**

The demand for Adult Social Care is growing. There is a strong link between an ageing population and the level of need that has to be met resulting in more complex disabilities/conditions as the population becomes more frail.

This is compounded by the tendency for people to live alone as they get older leading to their own support networks being less robust, meaning that they will turn to the Local Authority for their care needs.
Higher levels of impairment are undoubtedly a significant cost driver as the level of support required is higher. Previously, this has been particularly prevalent in younger adults as needs tended to be greater. However, as the population continues to live longer, this issue is now becoming more apparent in the 65+ age group as the numbers requiring care continues to increase in this age group coupled with greater needs as conditions become more complex due to advanced age.

This population has been increasing and is predicted to continue on that trend meaning that Older People who enter into care services at age 70 may need to be supported for 20 years or more.

Furthermore, as Local Authorities become more integrated with local Health Services, with St Helens being a national trailblazer in this regard, so more social care services are provided in the community in order to take pressure of NHS acute services. Although, more efficient for the care system as a whole, this also contributes to the additional costs being incurred by the Local Authority. Over recent years, the subsequent overspends in Adult Social Care have been absorbed by Local Authorities; however, as the austerity programme continues, this is not a sustainable position.

Since 2010, government funding has not kept pace with the additional costs being incurred by Local Authorities associated with increasing demand. It is imperative that Future Spending Reviews should take into account the increasing number of people requiring care and for a longer period of time.

**Adult Social Care – BCF & iBCF**

Local Authorities welcomed the additional funding made available via the Better Care Fund (BCF) and, since 2017/18, the Improved Better Care Fund (iBCF). However, this is only in place until March 2020 which gives an unacceptable level of uncertainty for Local Authorities. This must be extended to 2020/21 and beyond with the necessary increases to funding in order to meet increasing demand for services. The absence of clarity from Government around the level of funding beyond March 2020 means that councils cannot plan for the long term and makes the assumed continuation of this funding a significant risk.

Adding to this uncertainty has been the long awaited, five-times delayed, green paper into social care funding; this paper, which was announced as part of the March 2017 Budget, with an initial production deadline of summer 2017, promised to make sure there was a long-term financially sustainable approach to funding social care. The latest deadline for the production of the report has been missed again, yet the pressures on adult social care do not abate and the possibility of looking to address the issue over the medium term is prevented by the lack of certainty around future funding of the sector.

**Adult Social Care – Specific Grants**

The increased funding and flexibilities provided by both the Winter Pressures Grant and the Social Care Support Grant are welcomed by the local authority to support the delivery of care services locally. These measures have enabled Local Authorities to sustain spending on Adult Social Care at current levels. However, this funding must be mainstreamed for future funding certainty and increased in line with the additional costs being incurred.
The grant which has been received in recent years to replace the Independent Living Fund (ILF) has been reducing by over 3% per annum although the associated costs to support the service users identified at the point of cessation of the fund and transfer to the Local Authority remains at either the same level or higher as this cohort of service users ages.

**Public Health Grant**

The Public Health Grant is crucial in providing an acceptable level of preventative health services to support local NHS services. However, over recent years, the level of grant for St. Helens has consistently reduced by around 2.6% each year. This has reduced the ‘reach’ of these services within the local population which has led to a worsening of public health in some areas.

A potential change to the funding of Public Health has been proposed by the Advisory Committee on Resource Allocation (ACRA), which not only fails to rectify the reductions in funding to those areas with the greatest need, actually exacerbates the problem by making larger reductions to those areas with the highest levels of deprivation.

**Multi-year settlements**

As part of the 2016/17 Funding Settlement, the Government announced an offer of a four-year settlement, through to 2019/20. These figures included Revenue Support Grant, Retained Business Rates and Top-Up Grant but excluded other grants, such as Public Health Grant. By making this offer, the Government sought to encourage local authorities to take a longer-term view of budget setting.

The principle of a four-year settlement was welcomed by St. Helens Council, as it provided greater certainty and the ability to budget plan in a more structured, longer term, fashion. The Government also stated that the “new burdens doctrine” would continue to operate outside of the settlement, so the offer did not prevent the Council receiving any new burden payments which were agreed over the course of the four years.

**Negative impact of incentive based funding (New Homes Bonus)**

Since the introduction of New Homes Bonus (NHB) in 2011/12, the Council has been vocal in its opposition to the methodology applied to the distribution of funds under the NHB Scheme due to its inherent inequity. The decision to fund the scheme through top-slicing Revenue Support Grant has led to a redistribution of funds away from an allocation based on need to those areas where there is a greater scope and demand for higher value housing. Such an approach has, in practical terms, led to funding that would otherwise have been used by authorities such as St. Helens to tackle the immense pressures in both adult and children’s social services, being diverted to authorities with an ability to grow their tax base, irrespective of their underlying need for additional resources.

In its responses to previous Government consultations the Council previously advocated that all the NHB funding should be returned to the settlement to help authorities address areas where pressures are increasing, such as those relating to social care and local council tax support.
Negative Revenue Support Grant (RSG)

The elimination of Negative RSG announced in the 2019/20 settlement has effectively treated 168 authorities more favourably than others by providing them with an additional £153m of non-needs related funding. This is despite the methodology introduced in the 2016/17 Local Government Finance Settlement which sought to ensure that authorities delivering the same set of services received the same percentage change in funding by taking account of the core funding available to them (i.e. it went a little way to ensure a fairer distribution after years of biased and unjust allocations).

The Council notes that the proposals contained in the consultation on the provisional Local Government Finance Settlement 2016/17 were provided under the heading of “Greater protection for councils providing adult social care and children’s services”. However, it is a majority of authorities not responsible for these functions that have been afforded the protection under the Government treatment of Negative RSG.

Question 2) The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income): how it could be improved, including options for widening available sources of funding; and what lessons can be learned from other jurisdictions

Uncertainty of future funding

Beyond the matter of demand and quantum, the biggest issue that local government faces from the current funding system is the fundamental uncertainty that comes from so many reviews of, and potential changes to, funding, all happening at the same time, with implementation deadlines that will leave very little time to plan to address any significant variations in funding. On top of the Spending Review, the Fair Funding Review and needs assessment, the Business Rates Reset, the review of Business Rates Retention and the review of Social Care Funding will all significantly impact upon local government funding for 2020/21 and beyond.

Added to these, the impact of issues that may arise from the UK’s departure from the European Union only serve to exacerbate the uncertainty within which local authorities are being asked to produce medium term financial plans. One certainty that will be a by-product of Brexit is the withdrawal of European Funding for Local Authorities; the Government have made statements regarding replacement funding, in the form of the UK Shared Prosperity Fund and a full consultation on the detail of the fund was due to be published before the end of 2018 but, to date, no consultation has taken place. As an area and an authority that has benefitted from European structural funding, detail and clarity about the form and quantum of a replacement fund is vital to St. Helens.

The issue of Social Care funding is particularly pertinent as the funding of such a significant area is currently reliant upon reactive funding that has been provided by Government in response to growing demand; this funding is short-term in nature with no clarification about its continuance after March 2020 which leave authorities facing a potential financial cliff-edge. The lack of progress of the social care green paper is particularly disconcerting for future funding certainty.
Reliance on Council Tax revenues

The funding system currently fails to recognise the varying requirements on councils in different areas to provide statutory services, or the very different abilities to raise money locally from Council Tax. These were the core principles which underpinned the local government finance system when Council Tax was first introduced in 1993/94. Those principles were aimed at ensuring that any resident anywhere in England would receive a standard level of service to meet their needs with a similar Council Tax charge for a similar property. This is clearly not the case.

With the reductions in grant support that local government has faced over the past ten-year period, an ever increasing reliance has been placed upon Council Tax revenue to support essential council services. This was compounded the introduction of the Adult Social Care Precept in 2016/17; whilst the additional funds available through the precept are welcomed, the method of raising additional funds via a precept on Council Tax further passes the burden of funding essential services onto local residents and continues the Government’s policy of breaking the relationship between funding and need.

The use of Council Tax to fill the gap created by significant reductions in grant funding and increasing demand levels is also inherently unfair; local authorities with small Council tax bases only benefit financially from increases in Council Tax in a limited way. Such use of Council Tax rewards councils based upon their local level of economic growth and prosperity, rather than their levels of need.

The referendum principles that the Government has imposed upon local authorities also place a significant barrier in the way of authorities looking to address the issues that are most important locally. The Council believes that all categories of authority should have the flexibility to set Council Tax without the need for referendum – Council Tax is a local tax which can be used to address local issues and priorities and should not be restricted by Government policy.

Business Rates Retention

The Council has fundamental concerns that the design of the Business Rates Retention system results in significantly unbalanced risks and opportunities between authorities and, consequently, some authorities being substantially underfunded whilst others thrive. As with other areas of Government policy, the principle of greater levels of Business Rates Retention shifts the balance of funding away from need.

Evidence shows that the same levels of growth offer materially different and unfair opportunities for different classes of authorities, as illustrated in the table below, which shows the impact of a 1.5% business rates growth against the funding needs of different authority types:
St. Helens Council calls upon the Government to ensure that the Business Rates Retention system is adequate to enable all, and individual councils, to meet the needs of their service users, having regard to all statutory responsibilities. Furthermore, and critically, it must ensure that the design of the ongoing system does not operate in a manner that leaves authorities with high levels of need locked into periods of budget crises and service cuts, whilst others thrive.

**Question 3** How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level

**Question 4** The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review?

**Greater Local Authority Funding is required**

After a ten-year period of UK government austerity policy, by far the largest cuts have fallen upon local government. These cuts have been very uneven, both between local authorities and in which services have suffered the greatest cuts. This unfair allocation of funding reductions has led some authorities to move to a position of only providing the most basic functions and dropping many preventative interventions.

At the same time, and inherently linked to this reduction in interventions, demand from the most vulnerable members of society is increasing and leading to significant pressures in care services; the number of authorities who are having to resort to utilisation of reserves to address these budget pressures is increasing and is not sustainable.

As previously stated, the current funding offer continues to be inadequate to support the continued provision of services at the current levels and St. Helens Council calls on the Government to reassess the quantum of funding available to provide essential services and champion the cause of those most in need and least able to help themselves.
A Fair Funding allocation is required

It is critical that funding is allocated to those who need it most.

Austerity budgets and the current funding methodology have exacerbated the division between those areas which have the economic resilience to withstand the cuts and those that are unable to do so. Funding has been taken away from areas with the highest need and the only replacement available is in the form of locally raised taxation, which is most difficult to raise in areas with the greatest need. Government needs to address this imbalance via the Fair Funding Review by:

- Properly reflecting deprivation within funding formulas;
- Reflecting an authorities’ ability to raise funding via Council tax increases within the formula;
- Abandoning the idea of making adjustments to formulas for sparsity whilst ignoring density; and
- Scrapping the ACRA methodology for allocation of Public Health Grant and conducting a review to create a formula that reflects a realistic evaluation of public health needs and costs.

Greater certainty via multi-year settlements

St. Helens Council welcomed the opportunity for authorities to accept the multi-year settlement in 2016/17, which greatly assisted financial planning over the medium term. We would urge the Government to continue offering a similar degree of certainty beyond 2020 to enable such forward planning to continue.

The Government must understand that it is impossible for authorities to operate effectively without knowing what their longer term financial position is. In light of the fundamental reviews that are being conducted into funding for local government, authorities will face the position where they must set budgets for 2020/21 by March 2020, but will have no certainty regarding their resource position. It is unacceptable that key decisions on the cessation of services and / or closure of facilities can only be made a matter of months before the start of the forthcoming financial year, rather than planned and introduced over a suitable period to ensure the impact on residents is properly managed and communicated. This cannot become the norm for future years.

Proposed simplification of the relative needs assessment

Whilst the Council has previously welcomed the Government’s objective of attempting to reduce the number of cost drivers and formulae used in the relative needs assessment, it is deeply concerned that many of the proposed changes appear to prioritise simplicity over the need to ensure accurate and fair allocations. The volume and precise nature of formulae and cost drivers has to ultimately be driven by evidence that the outcomes produced will be acceptable and fair, and the application of a limited number of top-ups cannot possibly accurately recognise areas of high need and demand for services. They must also consider the ability of authorities to fund these services from local resources.
The structure of local government, including many different types of authorities delivering different services in different local circumstances, means that the final result is likely to have an inevitable level of complexity.

To be effective, formulae need an element of complexity, such as weightings of baseline populations and households to reflect the proportion of the local population that is driving demand for local services. These proportions differ, often significantly, across authorities.

**Absence of deprivation considerations in Foundation Formula**

The Council has previously stated its belief that deprivation needs to be included within the relative needs assessment. This includes the need for it to be included within the foundation formula but also inclusion within other funding blocks where relevant. It is widely recognised that there are strong and well-established relationships between the degree of deprivation within an authority (as measured through various deprivation-related indicators) and the amount an authority spends in order to maintain the same level of services.

There is universal acceptance that deprivation is a key cost driver for local authorities, and that relative levels of deprivation are a crucial determinant of ‘need’ for several services that local authorities provide including many services that fall to be included in the foundation formula block of the proposals.

Moreover, given the demise in 2010 of all recognised Government led funded programmes in England to tackle areas of high social and economic deprivation, the relative needs assessment is left as the sole vehicle to redress the balance of demand and costs between areas of high and lesser deprivation. The Council believes that the inclusion of, and weighting given, to deprivation within all aspects of the formula is undeniable and must be implemented.

It is notable that the LGA’s independent fair funding task and finish group has firmly backed including a deprivation factor in the foundation formula, recognising the ‘not insignificant’ explanatory power. The Council also refers the Government to the SIGOMA publication available at [www.sigoma.gov.uk/care-crisis](http://www.sigoma.gov.uk/care-crisis) and the plethora of evidence to support the need for significant weighting of deprivation in all appropriate aspects any needs driven formula.

The consultation paper refers to the fact, in section 2.2.21, that “deprivation was not shown to be a major cost driver for services within the Foundation Formula”. The Council requests that evidence to support this assertion is provided. Research undertaken by SIGOMA suggests that there are significant variations at an individual authority level when comparing actual Foundation spend, as exemplified by MHCLG and comparing that to an ACA weighted per head allocation. There is significant correlation between the authorities that are highlighted as “overspending” and authorities with a high IMD score. This certainly seems to suggest that extremes of deprivation do have a significant impact on authority spend.

The Council would also wish to bring attention to further significant, and independent, evidence to support these concerns via the recent research undertaken by the University of Liverpool, accessible using the url below.

[https://betterhealthforall.org/2019/02/18/local-government-funding-review-how-can-we-better-help-the-areas-that-need-it-the-most/](https://betterhealthforall.org/2019/02/18/local-government-funding-review-how-can-we-better-help-the-areas-that-need-it-the-most/)
The research shows that by using a more appropriate form of analysis, deprivation is a massively greater driver of need for the foundation services than has been estimated in the consultation document, and has also identified a pattern of significant regional inequalities which will arise from the proposed approach.

The Council also notes that previous responses to consultation have overwhelmingly supported the inclusion of deprivation within the relative needs assessment; the summary of responses to the Fair Funding Review Technical Consultation (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764501/Needs_and_Resources_Technical_Consultation_Response.pdf) states on page 14 that 86% of respondents agreed that deprivation should be included in the relative needs assessment as a common cost driver.

**Public Health Funding proposals**

The recent MHCLG consultation “A Review of Local Authorities’ Relative Needs and Resources”, proposed the use of the ACRA public health formula that was first proposed in 2015.

The Council is extremely concerned in relation to the proposals for the assessment of need in relation to Public Health. All logic, understanding, intelligence and judgement would recognise that any formula resulting in the most deprived areas of the country receiving the exemplified levels of reduction in funding in this specific area must be flawed, and calls for further detailed and independent investigation to inform the planned technical paper that is referred to in the consultation. Ongoing consultation with Local Authority public health professionals must be embedded in such an exercise. The Council is firm in its view that deprivation and relative need should form the cornerstone of funding allocations.

It is considered that the proposals would increase health inequalities, which would obviously lead to increased demand for both health and local authority services. This is in direct contradiction to the NHS Long Term Plan, which also recognises the pivotal role of local government in relation to the delivery of preventative services (which will also extend beyond the direct function of Public Health e.g. housing, education, environmental & leisure services).

There was, and continues to be, a widespread lack of confidence within local government in relation to the ACRA formula. The Council has been consistent in its views over a number of years and has responded to that effect in previous consultations.

The initial consultation on the proposed change to ACRA in relation to the distribution of Public Health funding was undertaken in October 2015. Whilst the Department of Health is quoted as considering this as a concluded consultation, none of the consultation responses have been published nor have any conclusions as a consequence of the responses.

There has been more than sufficient time in the intervening years for ACRA to consider the effectiveness of their formula as a predictor of expenditure, either overall or at a selective authority level. However, no such evidence has been presented with this proposal nor is expected. Given this and the fact that the ACRA formula was not implemented from 2016 (presumably as a consequence of the consultation responses) there are many questions
relating to the proposed implementation of this formula, which the consultation document does nothing to resolve.

The potentially huge negative implications for health inequalities arising from proposals for the foundation formula block of services to be driven by population numbers without recognition of deprivation or any other determinant of need cannot be ignored. The foundation formula includes housing, homelessness, leisure services, environmental services, planning, economic development and community development, which are of the most important social determinants of health.

On a more practical and obvious point, it is noted that the proposed formula includes a sparsity adjustment in addition to an area cost adjustment. The inclusion of a sparsity adjustment in addition to factors that bear a very close resemblance to it being included in the area cost adjustment is inappropriate.

**Highways Maintenance funding**

The Council was perplexed to see that Government had proposed an equal weighting for all classes of road types, despite in previous consultations explicitly declaring it “necessary to consider the classification of roads as well as the costs of maintaining a road in a built up area, which are likely to be higher than in a less developed area”. This previous declaration makes perfect sense given the obviously increased incidences of street lights, traffic lights, complex pedestrian facilities, bridges, real alleys and subways.

The Council also proposed that traffic flows should be weighted for the type of vehicle use – the use of HGV’s, buses and coaches will have a higher impact on the state of the roads when compared to cars and the need for consequential maintenance cannot be disputed.

**Use of Population Statistics**

It is important to recognise that for some authorities, population projections do not reflect actual changes particularly well and that there needs to be a mechanism in place to ensure no material detriment or benefit accrues as a consequence of any adopted methodology.

In addition, the use of resident population (flat, per head distribution allocation) figures may well not appropriately reflect the need to spend for a number of specific services. For example, it is inconceivable that issues such as homelessness are treated on a per head basis when all evidence shows the disparity in levels of homelessness between the different classes of authority. Further examples include public transport, where Government surveys have identified a sixfold reliance in urban areas and the increased usage of public libraries in areas of higher unemployment.

**Proposed approach to the Area Based Cost Adjustment**

The Council strongly opposes the inclusion of area cost adjusting factors in the Review of Local Authorities’ Relative Needs and Resources; these should only be considered where there is clear evidence of the impact on the cost of service provision. It is felt that evidence in relation to impact of measures proposed is limited and lacks empirical depth – more is required to demonstrate and fully assess where these influences can be seen to have a significant impact on cost.
Research into this issue should take account of the dual nature of these influences – e.g. just as some services may experience increased costs in rural/remote settings, it should equally be recognised that other services may demonstrate lower or reduced service costs, as determined in the LG Futures report of 2014. This report looked into whether rural authorities faced additional costs in delivering services compared to urban authorities. That report contradicts the view that rural areas face higher costs; while there were higher costs in rural areas for 11 services (comprising around 15% of local authority spending), there were actually lower costs in 15 services (comprising around 31% of local authority spending).

The Council considers density to remain a key influence that at least matches, if not outweighs sparsity, and we are disappointed that the former has been excluded at the expense of the latter in the consultation.

**General lack of clarity and detail**

Whilst MHCLG has consulted on proposals under the Review of Local Authorities’ Relative Needs and Resources, the ability to provide significant judgement on aspects of the proposals are hampered by the lack of clarity and detail within the consultation.

Overall, with only very limited information, it is very difficult to fairly critique the proposals within the consultation, especially when even small changes to weightings (which are not given) could possibly make very large differences to distributions and the chance for local areas to secure positive outcomes for their population.

**Local Council Tax Support**

The Government needs to ensure that there is transparency in relation to how the cost of Local Council Tax Support is funded and fairly allocated, and that the quantum of resource made available is sufficient. The Government’s treatment of Council Tax support has been of significant concern to the Council since the former Council Tax Benefit was rolled into settlement funding in 2013. Since then the grant has undergone annual reductions within successive Local Government Finance Settlements and it is estimated that the total value of the funding within the settlement is now less than 50% of the 2013 value, whilst the level of income foregone is much larger. The problem is particularly acute for authorities like St. Helens, with more benefit dependent pensioners since they are statutorily entitled to Council Tax support. The Council considers that on the grounds of materiality, transparency and fairness, Local Council Tax Support should be included separately, with a bespoke funding formula.

*April 2019*