1.0 Executive Summary

1.1 The key points covered in our submission are:

- To highlight the financial challenges facing Unitary Authorities, particularly authorities like Hartlepool Borough Council which serves an area with high levels of deprivation. We are concerned that pressures in relation to Looked after Children and Adult Social care are not receiving the same attention other areas of public sector spending;

- To highlight the differences in Core Spending Power changes for Unitary Authorities over the period 2015/16 to 2019/20, as 23 out of 54 Unitary Authorities have seen an increase in Core Spending Power above the average increase of 4%; with the highest increase being nearly 12%. However, 31 Unitary Authorities have seen a below average increase in Core Spending Power over this period. Hartlepool Borough Council has only seen a 2.7% increase;

- To demonstrate that individual Unitary Authorities raise different proportions of Core Spending Power from Council Tax, ranging from 32% to 83%. The percentage for Hartlepool Borough Council is 48%, which is the 10th lowest out of 54 Unitary Authorities and significant lower than the average of 61%. The difference reflects the different make up on individual authorities Council Tax base across the 8 property bands. Authorities which raise a low proportion of Core Spending from Council Tax have a higher proportion of properties in bands A and B. For example Hartlepool Borough Council has 72% of properties in these bands, compared to 44% nationally. Authorities which fund a low proportion of Core Spending Power from Council Tax are more exposed to future Government funding reductions as they raise less recurring income by increasing Council Tax;

- To highlight the impact of national pay awards, including increases in the living wage, and the different ability of individual Authorities to fund these costs by increasing Council Tax owing to the size of their Council Tax base.

1.2 To address these issues we have suggested the following recommendations:

- the total funding envelope for Unitary Authorities needs to provide appropriate funding and the formula for distributing this funding to individual authorities needs to reflect risk, deprivation and the different ability of individual authorities to fund services from Council Tax.

- the inquiry considers the implications of nationally agreed pay awards, including changes in the national living wage, and asks the Government to commit to providing the appropriate necessary additional and sustainable government funding within the 2019 Spending Review.
Introduction and Reason for Submitting Evidence

2.1 Hartlepool is located in the North East of England and has a population of approximately 93,000 people living in 44,500 households. Hartlepool is a former heavily industrialised town and is currently undergoing significant change and the Council has secured significant investment for regeneration schemes aimed at developing the town as a visitor destination and creating new sustainable employment opportunities in high-tech/creative industries.

2.2 Whilst this investment is having a positive impact on the appearance of the town, statistics demonstrate that significant challenges persist in relation to the health and wellbeing of local people.

2.3 Hartlepool continues to be one of the most deprived areas in England - ranked 18th out of 326 local authority areas – and several council wards are amongst the 10% most deprived in the country. The town has some of the highest levels of child and family poverty in the country (recent figures put it at 31%) and a significant number of people live in households where no-one works.

2.4 Increasing numbers of people have complex care needs caused by illnesses such as dementia, chronic obstructive pulmonary disease and diabetes, and this situation is unlikely to improve given that 1 in 4 people will be over the age of 65 by 2032 and the number of people over the age of 85 will have doubled to more than 4,000.

2.5 We are making this submission to highlight the disproportionate cuts in Government funding faced by Local Government over the last nine years. This issue has been highlighted by many organisations, including the National Audit Office, the Public Accounts Committee and the Local Government Association.

2.6 A report published by Cambridge University a few months ago confirmed that between 2010/11 to 2015/16 cuts in Local Government were 50% - the highest for all areas of public spending. Next highest was Work and Pensions at 35%. They also confirmed that grant dependent areas were the most severely cut i.e. Northern England, Liverpool/Leeds corridor and London - these are areas with highest deprivation. This is a point we have pressed the Government on for many years. The Cambridge University report shows Hartlepool 24th worst affected. Neighbouring authorities also faced significant cuts, for example South Tyneside was the 3rd worst affected, Gateshead 7th, and Middlesbrough 18th.

2.7 We are making this submission to highlight the risks to future service provision to some of the most deprived communities if the Spending Review and Local Government funding system do not provide the appropriate and necessary sustainable government funding from 2020/21 for all Local Authorities.

Detailed submission

3.1 The Council welcomes the opportunity to make a submission to the inquiry and hopes that the inquiry will help Parliament, the Government and the public understanding the impact of austerity and the significant financial challenges facing the sector in 2020/21 and future years.
3.2 We believe that the Local Government Association has highlighted the financial challenges facing local authorities, particularly in relation to Adult Social care and Children’s Services. However, we are concerned that introduction of the Adult Social Care Council Tax precept does not address the financial pressures facing these services. Furthermore, these arrangements are a post code lottery as they provide less resources for Authorities with a low Council Tax base and these authorities typically have higher levels of deprivation and demands on Adult Social care. Continuing with this policy is not sustainable and it is extremely disappointing that the Adult Social care Green Paper has been delayed again.

3.3 The Council Tax base post code lottery also affects the overall resources individual councils can raise by increasing Council Tax and the impact this has on Core Spending Power. Over the period 2015/16 to 2019/20 Core Spending Power for Unitary Authorities has varied significantly. Over this period 23 out of 54 Unitary Authorities have seen a higher increase in Core Spending Power than the average for Unitary Authorities of 4%. The highest increase being nearly 12%.

3.4 However, 31 Unitary Authorities have not been able to offset Government funding reductions through increases in Council Tax income to the same extent and have actually seen increases in Core Spending Power below the average over this period. Hartlepool Council’s Core Spending increase over this period is 2.7%, compared to the average of 4% and the highest Unitary Authority increase of nearly 12%. The range of Core Spending Power changes is summarised below:

![% Change in Core Spending Power from 2015/16 to 2019/20 for Unitary Authorities](image)

3.5 In relation to Children’s Services we have significant concerns that the Government does not understand the impact of the issues being managed by councils and the significant additional costs being borne by councils, within reducing overall budgets. This means that protecting Children’s Services is reducing the resources available for all other council services.
3.6 **Future Funding arrangements**

In relation to the future local government finance system we believe that the following key issues need to be addressed:

**Issue 1 – Recognise that individual Unitary Authorities fund significantly different proportions of Core Spending Power from Council Tax.**

3.7 As highlighted in the table below individual Unitary Authorities fund significantly different proportions of Core Spending from Council Tax. The highest funds 83% of Core Spending from Council Tax, compared to an average of 61% and Hartlepool 48% (the 10th lowest out of 53 Unitary Authorities).

![2019/20 Council Tax as % of Core spending power for Unitary Authorities](image)

3.8 The main reason Hartlepool funds a low proportion of spending from Council Tax is because the area has a low Council Tax base, i.e. 72% of properties are in bands A and B, compared to 44% nationally.

3.9 Unitary Authorities which fund a low proportion of Core Spending from Council Tax are more exposed to future reductions in Government funding as they cannot offset these cuts by increasing Council Tax. Therefore, these Unitary Authorities may have to make further cuts in services if Government funding cuts continue in 2020/21 and future years.

3.10 Depending on the scale of future Government funding levels and how the total is allocated to individual Unitary Authorities there is a real risk that some authorities may not have sufficient financial resources to continue to provide services.

3.11 **Suggested Action to address this issue** – the total funding envelope for Unitary Authorities needs to provide appropriate funding and the formula for distributing this funding to individual authorities needs to reflect risk, deprivation and the different ability of individual authorities to fund services from Council Tax.
3.12 Issue 2 – Staff pay awards

Owing to the nature of services provided by Unitary Councils pay costs are one of the largest areas of expenditure, whether this is on directly employed staff or staffing delivering services provided by partner organisations.

3.13 Nationally agree pay awards, including increases in the national living wage, impact on all authorities. However, as has highlight in issue 1 individual authorities have significantly different ability to fund these increases through Council Tax owing to the size of their Council Tax base. Therefore, unless this position is addressed on a sustainable basis through the funding formula and total funding envelope for Local Government, many authorities will not have the financial resources to fund future increases in pay costs.

3.14 This is an annual recurring issue and for those authorities which raise a lower than average proportion of resources from Council Tax, owing to their low Council Tax base, they face the prospective of having to made further annual recurring budget cuts. This will continue the situation which has already existed for many years. However, for many authorities and their communities, this position is not sustainable owing to the impact of the cuts implemented in previous years.

3.15 At a national level pay increases generally result in addition income tax and national insurance being received by the Government.

3.16 Suggested Action to address this issue – the inquiry considers the implications of nationally agreed pay awards, including changes in the national living wage, and asks the Government to commit to providing the appropriate necessary additional and sustainable government funding within the 2019 Spending Review.

April 2019