Executive Summary

North East Lincolnshire Council is a Unitary Authority based on the South Bank of the Humber Estuary. Despite the current financial uncertainties within the Local Government sector, the Council remains committed to the achievement of long term financial sustainability by embracing the area’s economic potential and by growing its local tax base. This is the only way the Council can become self-sufficient and generate the resources necessary to maintain and reinvest in quality public services.

With our Council’s continued challenge to meet the funding contraction we have seen since 2010, we are pleased the Committee has provided the opportunity for us to contribute to the review of local government funding in advance of the Spending Review 2019 (SR2019).

The Spending Review will be vital for our local services and securing financial sustainability for North East Lincolnshire is the top priority. We value our local services and the SR2019 must reflect the funding needed. Financial sustainability of local government is not just about providing statutory services at a minimum level. We are seeing pressures continuing to grow in children’s services and adult social care, with over two thirds of net budget spend in these areas, this is leaving increasingly less money to fund our discretionary services, such as maintaining the area’s parks and open spaces, keeping the borough clean and cultural heritage activities.

In summary we will highlight:

- The lessons we can provide from past changes to local government funding, the current financial situation of the Council, and how this has affected our ability to deliver services and generate funding.
- 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.
- 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.

The Detail

1. Being provided with stability through the 4 year settlement approach, even in light of reducing resources has been welcomed and provided a baseline upon which to undertake medium term service and financial planning. However, the overall reduction in resources the sector has felt has meant that demand pressures in the system have been addressed centrally on a one-off/short term basis, for example winter care pressures in November 2018, social care grant in December 2018, this was maybe as a consequence of having a 4 year settlement but does little to support financial planning and stability in complex service provision. There should be a managed and long term approach to new funding streams such as with Improved Better Care to avoid unnecessary service delivery cuts.

2. A fundamental issue we face is that local taxation has had to take on the burden of addressing the funding cuts we have seen, yet is controlled through the referendum principles. Therefore, not providing the freedom to assess local need
and levy local taxation appropriately in response. Although, ever increasing council tax, as a methodology to address funding issues is limited as an approach, as increasingly our local population struggle to make the link between the services they receive and the council tax they pay. Demographics and our ability to raise local taxation with less Band D and above property profiles impacts regressively on us as RSG disappears. Furthermore, there are no safety net or tariff /top up protections in the council tax system, which if there were would provide some risk mitigation for what is the most significant funding stream of the council. To provide context, we have seen the proportion of our funding from all local taxation moving from 61% in 2013/14, to forecast 86% in 2019/20. With our Government Funding (within Revenue Spending Power), seeing a -53.5% reduction between 2010-11 and 2017-18 (Based on real terms in 2016-17 prices).

3. The Adult Social Care precept has compounded the over reliance on council tax. It is not really a precept due to the mechanics and bill implications and again has used local taxation as a means of funding demand pressures, whilst increasing the reliance on Council Tax as a funding stream, which is not transparent to the public. The increasing use of such precepts to mitigate central funding changes cannot be a sustainable long-term solution for us.

4. The Business Rates mechanism operated has inherent flaws. We have seen increasing volatility, and the recent economic instability has not delivered the growth that nationally was anticipated. We do not have significant influence of the system around business rates and primarily our role is to administer it with some discretion around reliefs, although with a short term funding models these are difficult to target in a meaningful way. The system was designed with the right intentions but ultimately councils cannot fully influence the amount they generate and retain, due to appeals, multipliers, reliefs and valuations. A key example of this for North East Lincolnshire is the on-going issues on revaluations on a complex site. Multiple appeals has seen a financial impact measured in millions of pounds of reduced business rates that could not have been foreseen or influenced but has affected the funding available to the council at a local level with no central adjustment or relief for us. Reliance on Business Rates as a funding stream presents increased risk in North East Lincolnshire as 41% of our listed total Rateable Value comes from just 10% of the local hereditaments.

5. An observation is that Inspectorates are pre disposed to tell us where more resource investment is needed or delivery unsatisfactory, yet the ability to fund this and easily flex or re prioritise resources when basic services are under pressure becomes increasingly more difficult. There is a disconnect between Government department expectations of delivery and the reality of the funding we have available.

6. The current and forecast funding needs of local government need to bring simplifications and transparency. Introducing a methodology based on fairness and reflecting key drivers of demand as consulted on as part of the fair funding review. The concept of minimum service provision including discretionary delivery would be welcomed. With an increasing proportion of funding directed to social care the other services cannot be forgotten about, this is particularly important
when demonstrating the local taxation charged is contributing to local services that the majority of the population consume.

7. All consultations so far have been about allocating the same quantum of central resources in a different way. However, the real issue is the resource pot is insufficient. Activity and demand levels nationally are increasing, this is acknowledged through external reviews and studies by the National Audit Office, the Children’s Commission for example, where we are seeing continuing increased demand for vital services, for example in North East Lincolnshire Children’s Social Care has seen an increase of spending by 40% since 2010/11, moving from £134 per person to £174 per person in 2017/18. There has been a large increase in the number of children being looked after from 145 in 2010/11 to 354 in 2017/18, which is a rise of 144%. There is no acknowledgment that more long term resource needs to go into Local Government. Providing proper funding for councils is the only way to ensure councils can continue to provide all of the valued local services which make such a positive difference to communities and people’s lives. This should be reflected in the baseline funding need of local authorities, and not just achieved through the inefficient one-off grants that are a characteristic of the current funding regime.

Conclusion

If the Spending Review fails to adequately fund local government as a local authority it is likely we will reach the point where we have only the funds to provide statutory responsibilities and it will be the local communities and economy that will feel the consequences.

With the right mix of funding and powers, we can continue to shape our local areas, improve our residents’ lives, and manage demand for public services whilst providing value for money for the taxpayer. The 2019 Spending Review will be vital for the future of local government services.

April 2019