



**London's local services:
investing in the future**

**LONDON
COUNCILS**

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Introduction

Following almost a decade of massive funding reductions, rising demand for services and cost shunts from central government departments to councils, local government has changed out of all recognition - and many of London's local services are at a critical point.

By 2020 councils in London will already have absorbed a reduction in core funding of 63 per cent (over £4 billion) in real terms since 2010.

These reductions and rising demand for services have created significant pressure on local government services. Since the last Spending Review in 2015, the government has had to make six major emergency funding interventions to stave off a crisis in Adult Care Services and its knock on impact across the NHS.

The pressure is set to continue with London boroughs needing to make £2 billion more savings in the next four years to balance the books.

After eight years of efficiencies, transformation programmes, sharing services, reducing back office functions, outsourcing and a 25 per cent reduction in staff, some are reaching the limit of what is possible without putting vulnerable residents at risk, and stretching other public services to breaking point – the NHS, the police, and schools.

There is another way: we could invest in the future not just to avoid crisis but to create growth.

April 2020 represents a crossroads for London's local services, but it is not clear what direction the government will push us towards. Spending Review 2019 will determine how much money local government as a whole receives from then on; the ongoing Fair Funding

Review will determine how that unknown amount is distributed to councils across the country; and the new 75 per cent business rates retention scheme will determine the extent to which councils, including the London boroughs, will benefit from local economic growth.

London Councils is united with the rest of local government in calling for the Spending Review to find more funding for local government overall and to put local government funding on a sustainable footing over the long term. This is essential: to avert a crisis in the vital services councils deliver for vulnerable children and adults; to help manage demand for other key public services such as health and policing; and to allow us to invest in the future of our residents and businesses.

More widely, we believe the government must work with council leaders to set out a new vision for local government. This must recognise the diversity of places and give local leaders the powers, freedoms, and flexibilities to create appropriate solutions to the challenges they face locally. They must be empowered to raise the resources required to invest in economic growth and be held accountable for providing excellent and sustainable public services. The final section of this report includes proposals that would support the government in achieving this.

KEY FACTS & FIGURES

£4 billion

cut to core funding for local services in London between 2010 and 2020

2.4 million

Londoners are living in poverty after their housing costs are taken into account

A decade of austerity

Local government has taken more than its fair share of austerity since 2010.

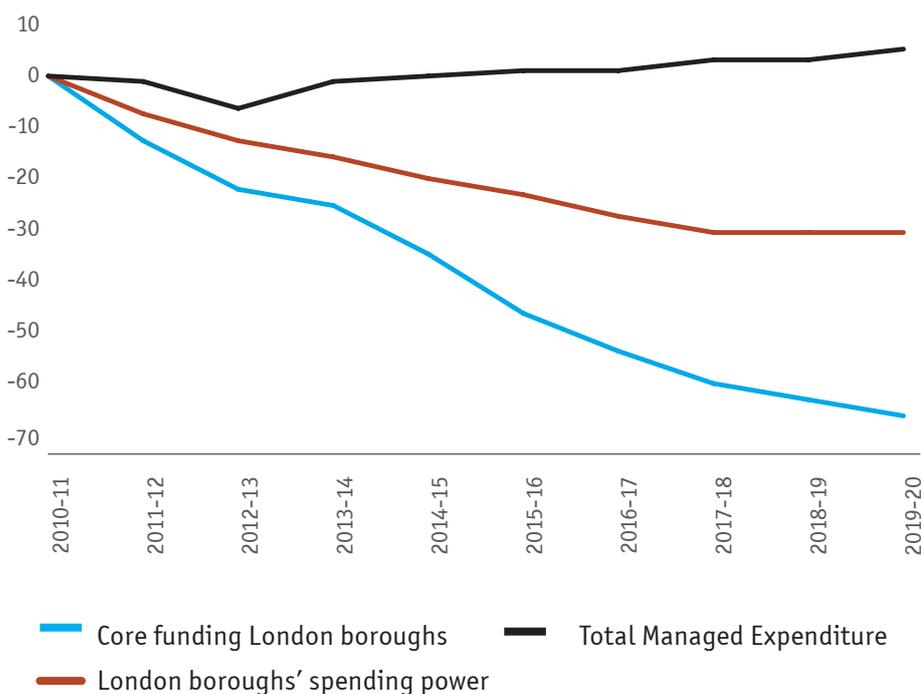


Over the decade to 2020, while overall public spending (Total Managed Expenditure) will have increased by 5 per cent, London local government will have seen the core funding it receives from government reduce by 63 per cent in real terms¹.

Even after allowing for grants from government and Council Tax, boroughs' 'spending power' will have fallen by over a third (37 per cent in real terms per person, compared with 29 per cent across the rest of England).

Local government funding has been disproportionately cut compared with the rest of public sector

Cumulative like-for-like real terms % change in public spending - 2010-2020



KEY FACTS & FIGURES 2010 - 2020

63% real terms cut to core funding from central govt to London local government between 2010-2020

overall public spending has increased by

5%

1. This is the cumulative like-for-like comparison with the previous year – as set out by MHCLG in the local government finance settlement each year. 'Core funding' is defined as Formula Grant up to 2012/13 and Settlement Funding Assessment from 2013/14 onwards.

Rising demand

Over the same period, London's growing and changing population has had a significant impact on demand for services in the capital.

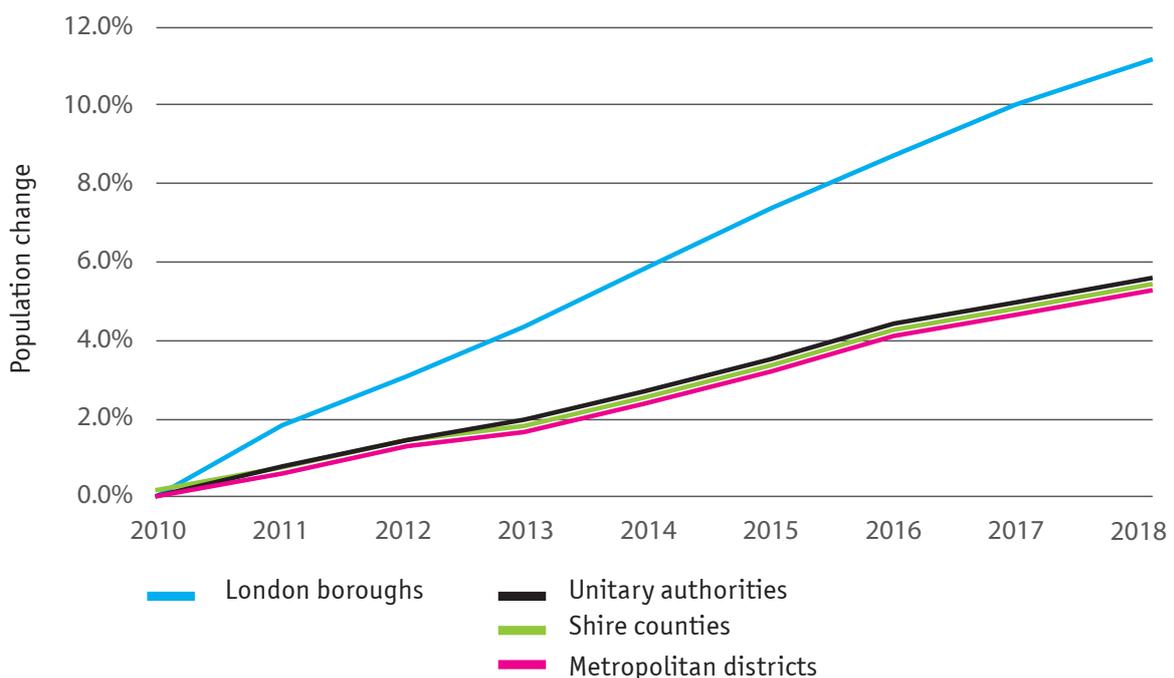


London's population has grown by around 900,000 people (11.2 per cent) since 2010 (roughly the population of Norfolk) and more than double the rate of growth across the rest of England (5.5 per cent). As the funding formula has been effectively fixed since 2013/14, London boroughs have had to provide services to an additional 500,000 people without additional funding.

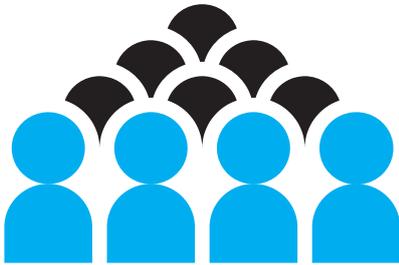
This underlying growth in overall population has driven rising demand for universal services like waste, road maintenance and public health.

More specific demographic changes, changing levels of deprivation, the impact of welfare reform and the unaffordability and lack of housing have had huge impacts on homelessness and demand for temporary accommodation. At the same time, changes in medical and social care practice, policy and legislative changes have had a particular impact on demand for children's services and for working age adult social care.

Total population change 2010-2018 by authority type



In London since 2010:



The population has increased by **11%** (900,000 people); the child population has increased by 14%; the working age population by 9% and **the over 65 population by 18%**



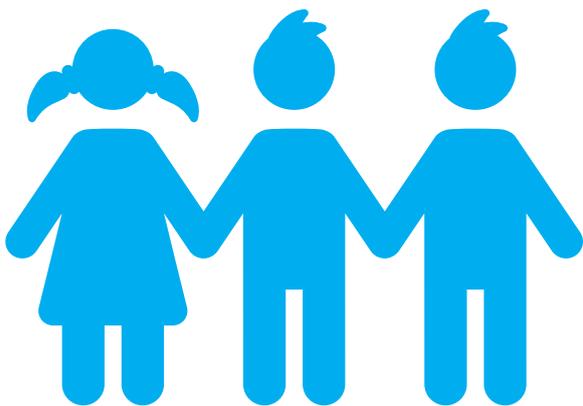
The number of **households** in London has increased by **15%** (480,000 households)



The number of people who are **homeless** and in priority need has risen by **52%** (5,000 people)



The number of people in **Temporary Accommodation (TA)** has risen by **52%** (19,000 households)



- The number of **children with a statement or EHCP** has increased by **48%** (17,000 children)
- The number of children subject to a **protection plan** has increased by **40%** (3,000 children)
- The number of **children in need referrals** has increased by **13%** (11,400 referrals)

Cost shunts and unfunded burdens

Since 2010 London boroughs have also been asked to deliver more services. Government has transferred responsibilities without sufficient funding and has failed to recognise existing unfunded burdens. This is further compounding the financial challenge for London local government.



KEY FACTS & FIGURES

annual impact of cost shunts and unfunded new burdens on London local government by area:

COUNCIL TAX SUPPORT £220M

PUBLIC HEALTH £190M

**TEMPORARY ACCOMMODATION
£170M**

HOMELESSNESS ACT £66M

**NO RECOURSE TO PUBLIC FUNDS
£50M**

**UNACCOMPANIED ASYLUM
SEEKING CHILDREN £18M**

NATIONAL LIVING WAGE £170M

**INCREASED NATIONAL
INSURANCE CONTRIBUTIONS
£75M**

Responsibility for Council Tax Support (CTS) transferred to local government in 2013/14 with a 10 per cent cut in funding. Since then, government funding has been cut by a further 36 per cent. Councils in London have had to find an additional £220 million to ensure spending has only been cut by 17 per cent. Despite this, 35,000 fewer pensioners and 159,000 working age adults received Council Tax Support in 2017/18 than in 2013/14.

Public Health was transferred to local government in 2013/14. Since then, like for like funding has been cut by more than 5 per cent. Over the same period, NHS funding has risen by almost 20 per cent. Had Public Health Grant increased in line with the NHS budget, London boroughs could expect to receive around £190 million more in 2019/20.

Other examples include the:

- transfer of responsibility for Local Welfare Provision in 2013/14, funding for which effectively ended in 2016/17 (a cut of over £30 million in London);
- underfunding of homelessness and temporary accommodation (creating a cost shunt to boroughs' general funds of over £170 million per annum);

- the Homelessness Reduction Act 2017 – the cost of which is estimated at around £80 million a year in London while only £14 million of new burdens funding was awarded to London boroughs;
- unfunded costs of supporting people with No Recourse to Public Funds (NRPF), estimated to be in excess of £50 million a year across London;
- costs of supporting Unaccompanied Asylum Seeking Children (UASC) up to the age of 25 – creating a further gap of around £18 million a year;
- additional costs resulting from the National Living Wage - the financial impact for London local government could be in the region of £170 million a year by 2019/20;
- increasing national insurance contributions from 2016/17 - estimated to have increased NICS costs for London boroughs by between £50 million and £100 million a year;
- Deprivation of Liberty Safeguards (DOLS) is costing at least an additional £10 million a year across London.

How have London boroughs coped?

London boroughs have gone to great lengths to protect their most vulnerable residents from the consequences of austerity, but with so many in need this has had a significant impact on other important service areas.



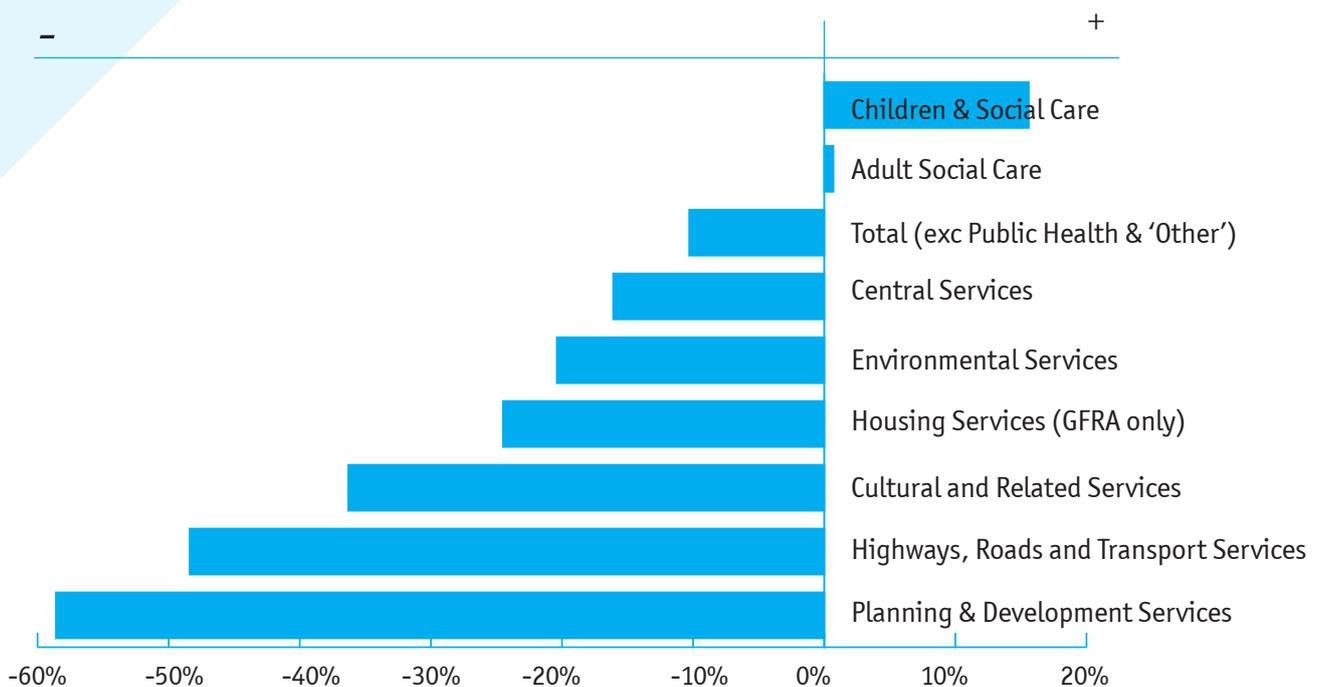
London boroughs have continued to invest in children's services and have protected spending on adult social care as far as possible. However, other areas have seen major cuts in spending; for example, planning and development, and highways and transport services have seen cuts of over 40 per cent.

London boroughs have shown considerable ingenuity and adaptability in response to the requirement for local government to deliver a disproportionate share of deficit reduction.

In order to protect services as much as possible, they have already:

- Reduced the number of employees by 25 per cent since 2010.
- Implemented radical restructuring and transformation plans.
- Invested in demand reduction.
- Renegotiated contracts.
- Shared services.
- Amalgamated back office functions.
- Implemented IT programmes.
- Engaged in a wide range of commercial activities.

Change (%) in expenditure on services by London boroughs 2010/11 to 2018/19



With so much already done, and with so many of these providing only one-off savings, the sector is fast running out of options. Reserves can only be spent once. Transformation and streamlining programmes can only be done once. Staff roles can only be deleted once.

KEY FACTS & FIGURES

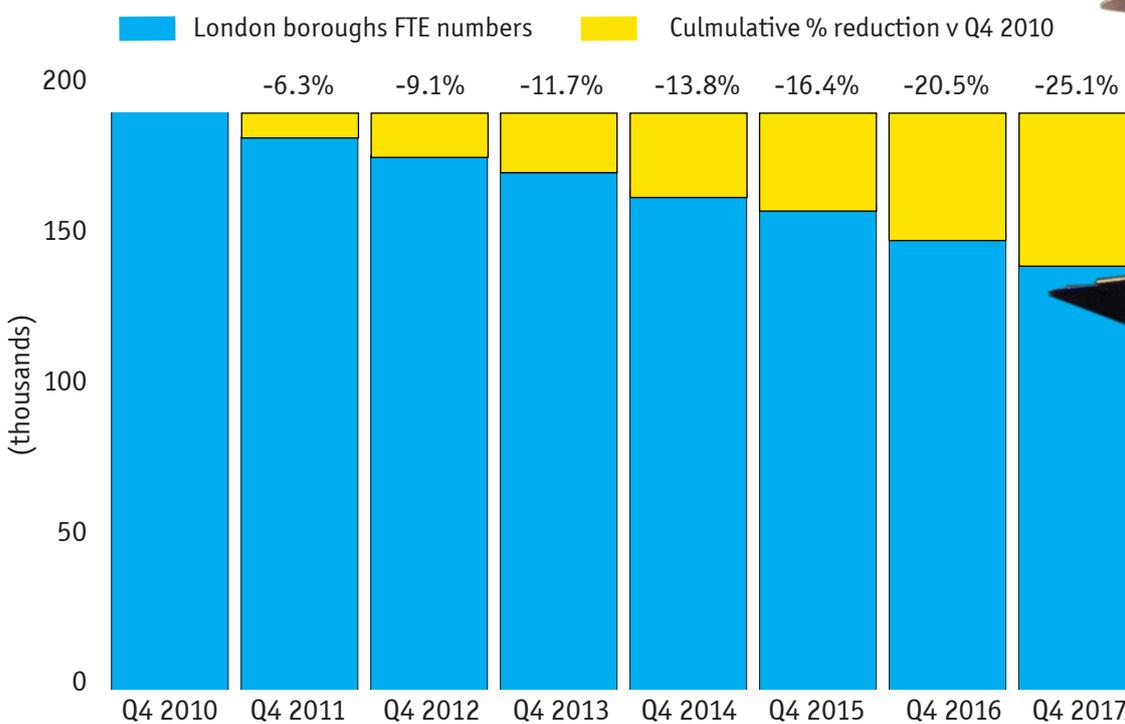
46,464

fewer people worked for London boroughs in 2017 than in 2010

25%

reduction in overall workforce in London boroughs since 2010

Reduction in London local government employee numbers (FTE) 2010 - 2017



The future financial challenge

The combined impact of further funding reductions and rising demand is likely to leave London boroughs needing to make estimated savings of around **£2 billion** over the next four years. Over the same period, boroughs also plan to use around a third of their earmarked reserves to balance their budgets. This is not sustainable.



KEY FACTS & FIGURES

£4bn

cut from core funding for local services in London between 2010 and 2020

£2bn

more savings required in the next four years for London boroughs unless more money is made available in the spending review

London is not alone. The Local Government Association estimates local councils in England will face a funding gap of £7.8 billion by 2025, and this assumes local authority services ‘stand still’, only having to meet additional demand and deal with inflation costs. It does not include any extra funding needed to improve services, meet unfunded burdens or to reverse any cuts made to date.

A growing number of authorities are experiencing extreme and increasingly well publicised financial distress as a result of a decade of ever intensifying pressure. There has been one high profile financial failure and many others are openly discussing drastic funding controls and service cuts.

Research by PwC found that over a quarter (28 per cent) of respondents to the survey lack confidence that they will be able to make the necessary savings while delivering quality services and outcomes over the next year². The same survey found that three quarters (74 per cent) of respondents expect some councils to get into serious financial crisis in the next year, up from 54 per cent last year.

A further survey by the New Local Government Network (NLGN) found that two-thirds of councils believe they will only be able to deliver minimum services required by law within five years³.

The National Audit Office’s 2018 report on the financial sustainability of local authorities in England concluded that the financial position of the sector has “worsened markedly” since its previous analysis of the issue in 2014. The subsequent report of the House of Commons’ Committee of Public Accounts concluded more and more local authorities are now showing signs of financial stress such as overspending on services.

It is clear there is a significant and growing gap between the duties placed on local authorities, and the total quantum of resources available with which to fulfil them.

While the Fair Funding Review provides the opportunity to improve the effectiveness with which these resources are distributed, the maintenance of local services at current levels will require the 2019 Spending Review to deliver a significant and sustained increase in overall resource.

2. PwC, “The local state we’re in: PwC’s annual local government survey 2018,” June 2018, p5.

3. www.nlgn.org.uk/public/section/research-projects

Greater self sufficiency

Simply transferring more funding from central to local government, on its own, is not enough.



The Public Accounts Committee noted that: “If the Department is not able to secure sufficient funding for local authorities from the Spending Review, alternative means of ensuring that local authorities remain financially sustainable will be needed.”

London Councils has long called for greater financial self-sufficiency for local authorities.

We believe that councils are best placed to take decisions about their local residents and should be further empowered to do so. Councils play a vital role in driving growth but could do much more given the opportunity.

The London Finance Commission 2017, which showed that London is heavily reliant on financial transfers from national government when compared with other international comparator cities, recommended that London Government should have access to:

- a greater range of taxes including control over the full suite of property taxes, including Business Rates, Council Tax and Stamp Duty;
- a proportion of national taxes, such as income tax and VAT (where all control over tax rates, allowances and

thresholds would remain with the Treasury, but a share of the yield would support devolved service responsibilities and infrastructure investment);

- granting permissive powers to raise alternative taxes and levies such as Apprenticeship Levy; VED; Air Passenger Duty; and explore a tourism levy, health-related levies and a community levy.

The way we raise and spend taxes – and the accountability for the decisions we make about both – are central to our democracy, and to the quality of our public services. We believe that towns, cities and local councils that are more responsible for their own destiny and more accountable for their own success, would design better taxes and provide better services.

Looking to the longer term, this is the only way London will be able to cope with the expected growth in demand for public services as the population grows to over 10 million in the next 20 years.



“If the Department is not able to secure sufficient funding for local authorities from the Spending Review, alternative means of ensuring that local authorities remain financially sustainable will be needed”

Public Accounts Committee

Our priorities for the 2019 Spending Review

The biggest funding pressures for local government are within the big demand-led services - children's services and adult social care - which together represent £4 billion, or 56 per cent of non-schools spending in London.



Nationwide pressures: Children's Services



Overspending on children's social care is potentially the biggest financial issue facing local government. Since 2013/14 there has been a worrying growth in the overall level and proportion of authorities overspending. In 2017/18, London boroughs overspent by more than £100 million. This is not a London-only issue: all local authorities are facing growing pressure on their children's budgets. Around 90 per cent of councils in England overspent in 2017/18 (up from 50 per cent in 2010/11).

Population growth is a contributory factor, as is the growing complexity of looked after children (LAC) placements. London Councils' 2018 survey found that the number of children requiring more costly external residential placements increased by 16 per cent between 2014/15 and 2017/18, while spending on these placements increased by 46 per cent.

The shortfall of funding within the High Needs block of the Dedicated Schools Grant for pupils with Special Educational Needs and Disabilities (SEND) is another huge pressure facing councils.

London has 54,000 children and young people on a statement or education, health and care plan (EHCP): an increase of 48 per cent since 2010. The growth in recent years is partly a result of the impact of the Children's and Families Act 2014, for which there was insufficient new burdens funding.

Last year (2017/18) there was a shortfall of £75 million across London despite funding increasing by 8.5 per cent that year. This year (2018/19) funding has only increased by 2.3 per cent and a shortfall of £100 million is expected.

case study

Jim* is a 17 year-old male in local authority care with a long history of violence and other criminal behaviour. He is subject to the most rigorous, non-custodial intervention available for young offenders, and has had to be placed in a specialist facility because of the threat that he poses to other people. These placements - staffed 24 hours a day in a 2:1 ratio - cost more than £195,000 per person per year.

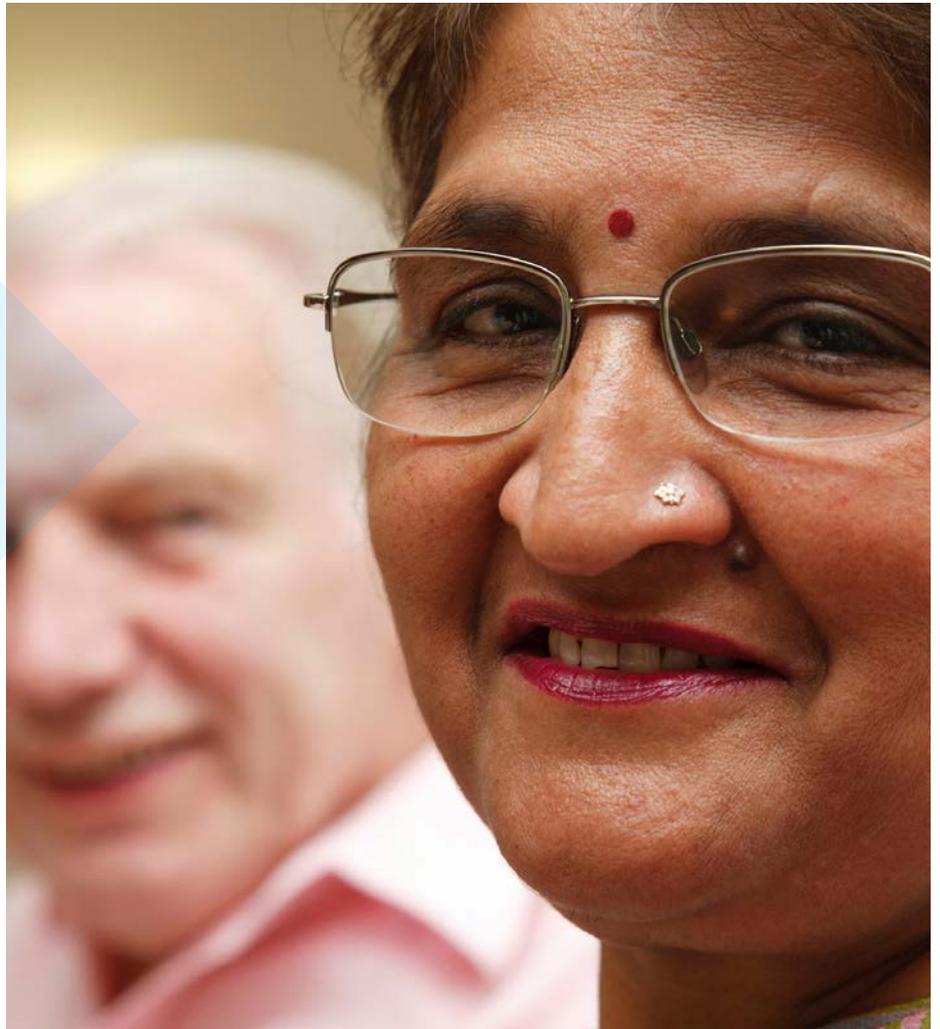
Other children suffer from severe disabilities that require complex care. A recent London Councils' survey suggests that London boroughs have an average of 10 children on an EHCP who cost more than £100,000 each to support.

Expenditure on high cost individuals reduces the funds available to invest in prevention and early intervention activities that can produce better outcomes for families, as well as save tax payers money by reducing pressure on other public services.

Nationwide pressures: Adult Social Care

The scale of the funding crisis in Adult Social Care in recent years has now required six major policy interventions in three years, including more funding announced in the Budget of £650 million for social care in 2019/20. Despite this extra cash, a funding gap of up to £100 million is forecast in London next year. As the biggest area of spend for the sector, the Adult Social Care Green Paper must find a long term funding solution to put the care sector on a stable footing and meet the expected growth in demand over the next 10-20 years.

The National Audit Office's recent report into financial sustainability found the government as a whole has not had a clear and united vision for local government funding, citing these short term funding interventions within Adult Social Care as symptomatic of this wider approach.



London-specific pressures

While the pressures in children's and to some extent adult social care are nationwide problems, London faces some unique pressures because of its different demographic profile, high levels of deprivation, population churn and the higher cost of delivering services in the capital.



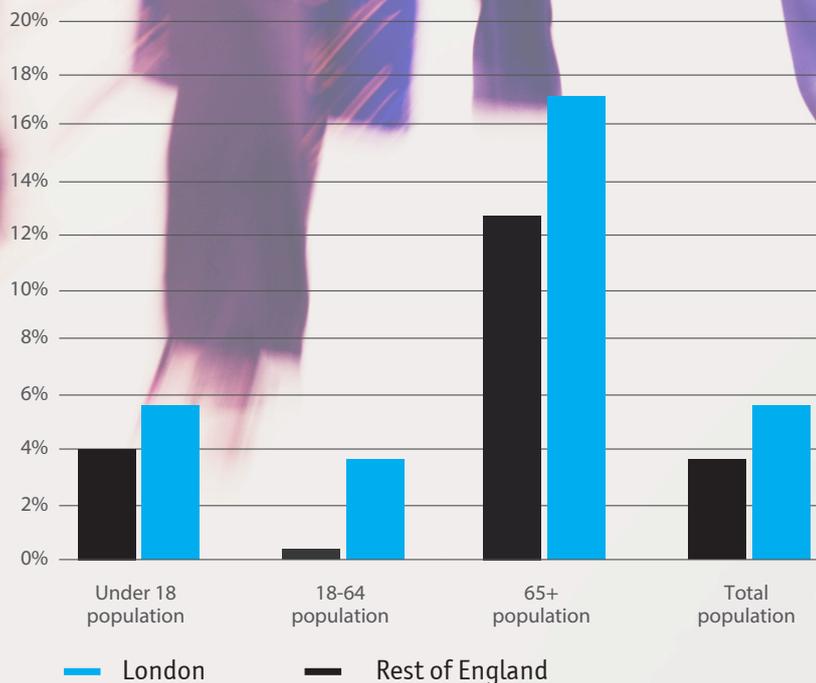
Population growth

There are some unique and hidden service pressures that have a hugely disproportionate impact on London that must be addressed in the Spending Review.

London's population growth is forecast to continue into the next decade with growth of almost 6 per cent between now and 2025 compared with under 4 per cent across the rest of England. London's growth will outstrip that of the rest of England across all of the major age cohorts: the child population, working age adults and those over 65. Delivering this growth and the consequent rise in demand for public services that this will drive in a sustainable way is one of the biggest challenges facing London.



**Projected population growth (%) - 2018-2025
London v Rest of England**



Housing

The existence of a housing crisis in England has been widely accepted for some time: nowhere is this more acute than in London, with its combination of rapid population growth and churn, high levels of deprivation, and significant constraints on providing additional accommodation.

KEY FACTS & FIGURES

55,000

homeless households in Temporary Accommodation in London (68% of the England total)

The government states that London requires an additional 72,000 homes per year to meet the demand of the rapidly growing population. Despite the welcome extension of the Affordable Housing Programme, and the recently announced removal of the HRA borrowing cap, London is approaching the limits of what is possible by cross subsidising genuinely affordable homes. The GLA estimates a further investment of £2.7 billion is needed to address this challenge. The cutting of social rents since 2015 has meant £800 million in lost revenue income (equivalent to the cost of around 4,000 new homes). The return to indexation of CPI plus 1 per cent from 2020 to 2025 is welcome, but longer term rent certainty is essential if these house building targets are to be met.

Homelessness

In 2017 London had 55,000 households in Temporary Accommodation (68 per cent of England total). This has risen by 19,000 (52 per cent) since 2010. London has 15,000 people homeless and in priority need (27 per cent of the national total). The number has risen by 5,000 (52 per cent) since 2010. We estimate that London boroughs are spending at least an additional £170 million per annum from their general funds to meet this demand.

This pressure is driven by a complex mixture of factors including the rapid rise in house prices and private sector rents, cuts to benefits, rising in-work poverty and a significant increase in the duties owed by local authorities to a broader range of individuals in need of help.



Working age adult social care

Adult social care is not just about looking after the elderly. Over half (57 per cent) of identifiable spending on adult social care goes on working age adults (compared with 43 per cent on people over 65) in London.

Some of the most vulnerable adults in our society are of working age but are in need of care because they suffer from physical and/or mental disabilities. Others need support because they have been subjected to child sexual exploitation, human trafficking or have fled persecution in another country.

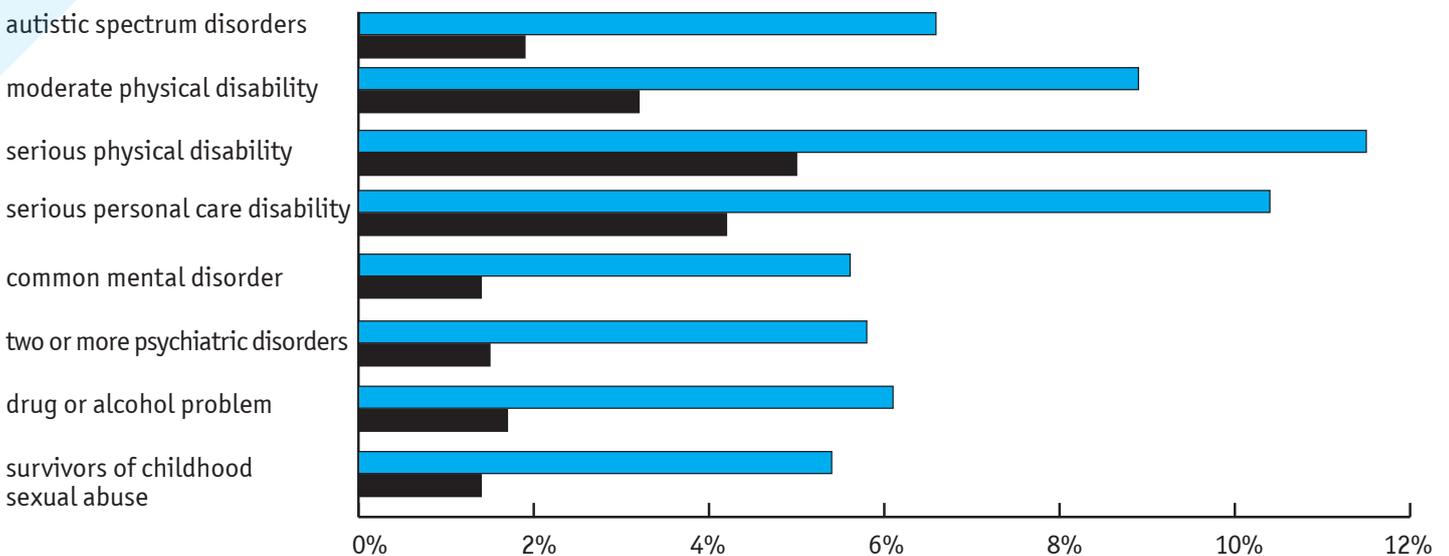
The number of working age adults with social care needs is expected to rise disproportionately in London compared with England between now and 2025.

case study

Boroughs report having to reduce their mental health services to balance their budgets. This has had a life changing impact on a range of individuals and those around them. One example is John* - a vulnerable man who had previously been living successfully in supported community accommodation with on-site support staff who were able to protect him from exploitation, prevent him becoming isolated and ensure that he was able to follow his full course of medication for his underlying condition. Following the withdrawal of council-funded community accommodation support, John had to be admitted to a psychiatric hospital to ensure he was safe. He has now been in psychiatric hospital for 272 nights. This was not good for John and not good for the public purse. His secure accommodation has so far cost the NHS £136,000 compared to £25,000 which it would have cost through local authority commissioning arrangements. (*name changed to protect anonymity).

London England

Projected rise in demand for different measures of working age Adult Social Care - London v England 2018 - 2025



No Recourse to Public Funds

The Immigration and Asylum Act 1999 states that people who are 'subject to immigration control' will have 'no recourse to public funds'.

There are groups of people who, by law, have no entitlement to the majority of welfare benefits, and many are not allowed to work either. However, the nature of their plight means that many are entitled to local authority assistance, often under the provisions of the Children Act 1989.

Research by London Councils indicates that London boroughs spent approximately £53.7 million in support of around 2,881 households with NRPF in 2016/17. These households included approximately 3,000 children.

With no direct funding for this responsibility from government this was met entirely from councils'

own budgets, either directly or through the London Councils Grants Programme.

In the first six months of the current London Councils Grants Programme, specialist providers supported over 600 people with No Recourse to Public Funds who had experienced sexual and/or domestic violence, or were at risk of homelessness. Support included emergency refuge accommodation, counselling and advice for those with a range of complex needs and disabilities and women trafficked into the UK for prostitution.



Unaccompanied Asylum Seeking Children

London is home to more than one in three of all Unaccompanied Asylum Seeking Children in England.

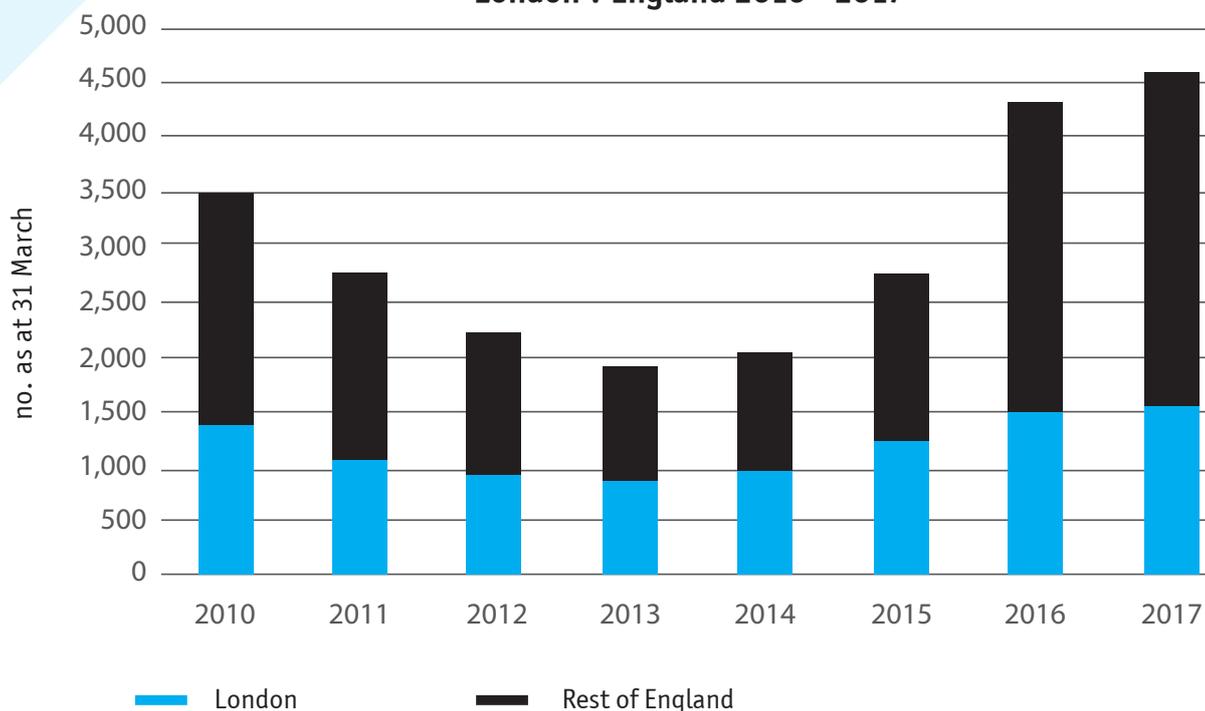
The impact of growing numbers of Unaccompanied Asylum Seeking Children also has a disproportionate impact in London with 34 per cent of all such children in England found in London.

These are some of the most vulnerable people in the world and London local government is not going to turn its back on them. However, there is currently a substantial shortfall between the funding local government receives and the actual cost of caring for these children, estimated to be around £18 million a year.

case study

Abdul* was 13 when his parents had him smuggled out of Afghanistan rather than see him forced to fight for the Taliban. As he had no responsible adult to care for him, the local authority had a duty to do so in line with their obligations to all vulnerable local children in need. The gap between Home Office funding and the cost to the local authority of his placement is nearly £14,000 per year. By his 18th birthday, the authority will have cared for him for five years, at a net cost to the Children's Services budget of £70,000. (*name changed to protect anonymity).

Change in no. of children who were unaccompanied asylum seekers London v England 2010 - 2017



Our asks of government

London Councils is calling on the government to acknowledge the essential role played by local authorities as the primary deliverers and convenors of local public services that provide vital support to local communities and vulnerable people. The government, working with local council leaders, must therefore set out a clear vision for local government in England.



After a decade of funding cuts, London Councils is calling for an overall increase in funding for local government in next year's Spending Review. This must be informed by a full assessment of spending pressures facing the sector based on information from across all government departments that fund local government.

In particular, sufficient funding must be made available for children's services, adult social care and homelessness. Without this, local public services, and particularly the wellbeing of the most vulnerable people in society that depend on them, will be put at risk.

More widely, the government needs to understand and prioritise investment in areas where local government activities and services reduce demand for more expensive services delivered by other parts of the public sector, and where investment supports future wealth creation and revenue generation.

Specific asks

Children's Services

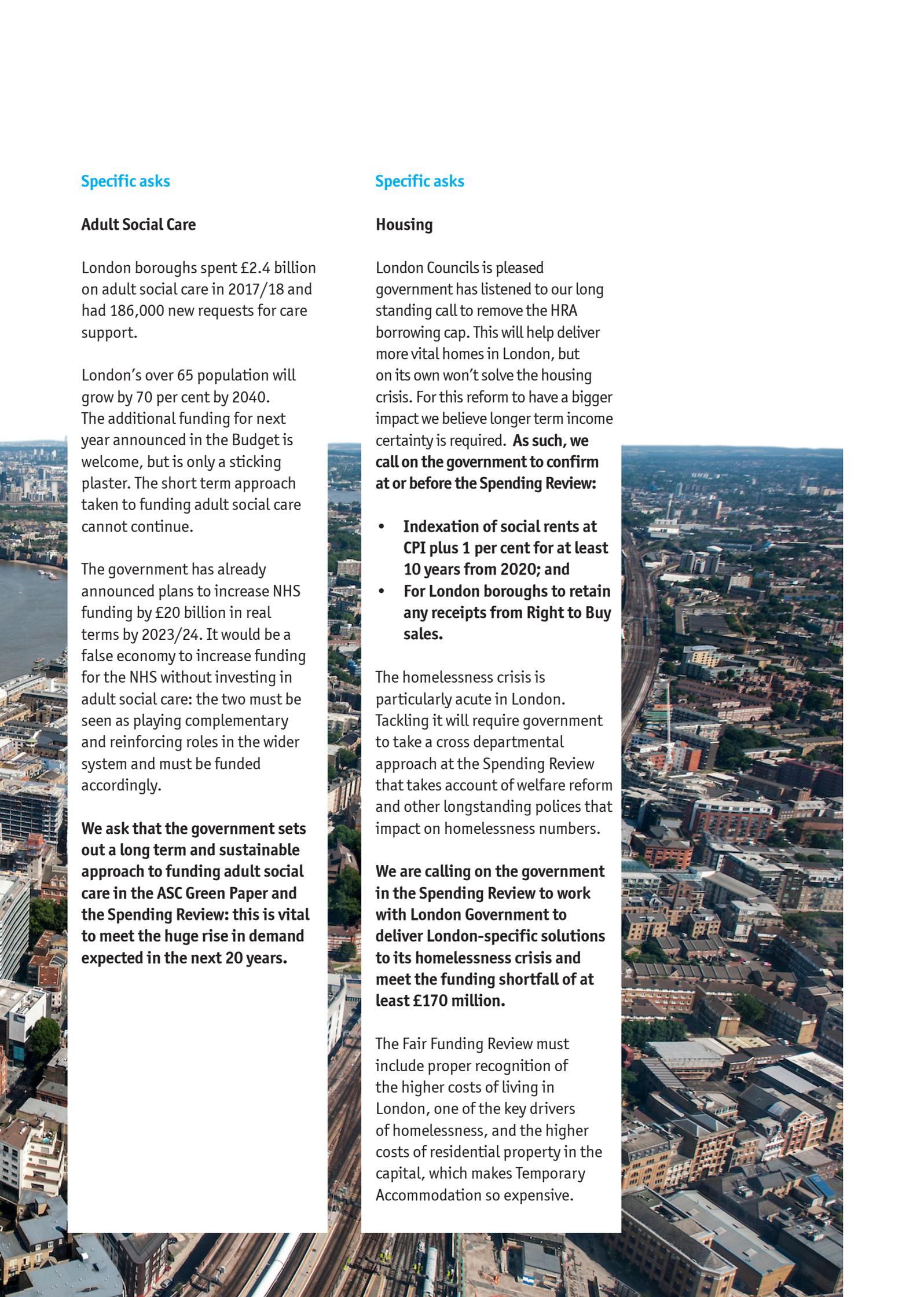
With 700,000 children living in poverty in London, over 15,000 children in care each year, over 1,500 unaccompanied asylum seeking children, and having seen a 40 per cent rise in children on protection plans since 2010 – adequate funding for children's services is the number one priority for London Councils in the Spending Review. These are some of the most vulnerable people in society and it is the duty of local government and the government to ensure there is enough funding to support them.

We ask that the government uses the Spending Review to:

- meet the annual funding shortfall of over £100 million by providing sufficient funding for children's social care; and
- ensure the High Needs block of the Dedicated Schools Grant has an increase in funding that reflects the increase in children on plans - to avoid the escalation of a funding crisis for children with Special Educational Needs and Disabilities.

The future of London's, and the country's success, is in the hands of the next generation. Without proper investment in these vital services, the future success of the capital will be in jeopardy.



An aerial photograph of a city, likely London, showing a river, railway tracks, and dense urban development. The image is used as a background for the text on the left side of the page.

Specific asks

Adult Social Care

London boroughs spent £2.4 billion on adult social care in 2017/18 and had 186,000 new requests for care support.

London's over 65 population will grow by 70 per cent by 2040. The additional funding for next year announced in the Budget is welcome, but is only a sticking plaster. The short term approach taken to funding adult social care cannot continue.

The government has already announced plans to increase NHS funding by £20 billion in real terms by 2023/24. It would be a false economy to increase funding for the NHS without investing in adult social care: the two must be seen as playing complementary and reinforcing roles in the wider system and must be funded accordingly.

We ask that the government sets out a long term and sustainable approach to funding adult social care in the ASC Green Paper and the Spending Review: this is vital to meet the huge rise in demand expected in the next 20 years.

Specific asks

Housing

London Councils is pleased government has listened to our long standing call to remove the HRA borrowing cap. This will help deliver more vital homes in London, but on its own won't solve the housing crisis. For this reform to have a bigger impact we believe longer term income certainty is required. **As such, we call on the government to confirm at or before the Spending Review:**

- **Indexation of social rents at CPI plus 1 per cent for at least 10 years from 2020; and**
- **For London boroughs to retain any receipts from Right to Buy sales.**

The homelessness crisis is particularly acute in London. Tackling it will require government to take a cross departmental approach at the Spending Review that takes account of welfare reform and other longstanding policies that impact on homelessness numbers.

We are calling on the government in the Spending Review to work with London Government to deliver London-specific solutions to its homelessness crisis and meet the funding shortfall of at least £170 million.

The Fair Funding Review must include proper recognition of the higher costs of living in London, one of the key drivers of homelessness, and the higher costs of residential property in the capital, which makes Temporary Accommodation so expensive.

Specific asks

Unaccompanied Asylum Seeking Children and No Recourse to Public Funds

The financial impact of Unaccompanied Asylum Seeking Children and people who have No Recourse to Public Funds on London boroughs is substantial – driving around £70 million of unfunded costs each year that councils are meeting themselves.

If London boroughs are to continue to be able to support these extremely vulnerable people, the government must provide additional support in the Spending Review.

Specific asks

Fiscal Reform

London Councils urges the government to use the Spending Review to put local government finance on a long term sustainable footing.

Not only does this mean appropriate levels of funding, it means taking a longer term consideration of the appropriateness of council tax and business rates as the primary funding mechanisms for local government.

We believe local government can deliver much more if central government devolves more powers and resources to it. We support the recommendations of the London Finance Commission 2017, which advocated devolution of a range of property and other taxes to London Government, and are equally applicable to other cities and city regions.

This year's London business rates retention pilot has shown that London Government is capable of working together to take collective decisions about the distribution and investment of business rates income, delivering over £800 million of additional strategic investment in growth projects that will benefit Londoners for years to come that would not have happened otherwise.



But why don't you...?

Ask for resources to be allocated more effectively?

We are. We have asked the government's Fair Funding Review to take into account the key factors that force local authorities to spend, such as population growth, levels of deprivation and area specific costs. However, the main problem is that there isn't enough money in the system to meet demand. Any improvement to the way in which not enough money is distributed, doesn't change the fact that there is not enough money. The only way that the Fair Funding Review can match resources to needs, is if there is enough money to meet need in the first place.

Use the extra business rates that you said you will get from 2020?

Because the 75 per cent business rate retention scheme is what the government calls "revenue neutral", this means that the gains from keeping a greater proportion of business rates income will simply cancel out the collective loss of grants.

Increase business rates?

Business rates are set by central government. In any case it is questionable whether they could be raised without damaging the economy as the business rates system is fundamentally flawed. The problems are many, but the most obvious one is that it was designed before the rise of online retail.

Increase council tax?

The amount by which local authorities in England can increase council tax each year has been limited since the beginning of 2012/13. Even if it were not, the increase in Council Tax rates that would be required in order to fill

the current funding gap could not be borne by most residents. The funding crisis in local government has been allowed to grow to such proportions that local taxes in their current form cannot meet demand.

Become more efficient?

We have. After eight years of transformation programmes, sharing services, reducing back office functions, outsourcing, and a 25 per cent reduction in staff, some are reaching the limit of what is possible without putting vulnerable residents at risk. Furthermore, these options are one-off measures: reserves can only be spent once; transformation and streamlining programmes can only be done once; and staff roles can only be deleted once.

Dip into your reserves?

We are. The problem is that this is also a short term fix. The combined impact of funding reductions and rising demand will leave London boroughs needing to make savings of £2 billion to balance their budgets over the four years 2018/19 to 2021/22. In doing so, boroughs plan to use more than a third of their earmarked reserves. Clearly this trend is not sustainable. Both the National Audit Office and the Public Accounts Committee agree.

Increase your fees and charges?

We have, so far as we are allowed to. The reality is that most fees and charges are heavily regulated by central government, and are usually capped at the rate required to recover the cost of providing the service for which they are charged.



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