

# Leaders' Committee

## Pledges to Londoners - Update on Progress with Funding London

Item no: 9

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**Date:** 8 October 2019  
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**Summary:** This paper provides an update on the "Funding London" pledges agreed by Leaders' Committee as part of its wider Pledges to Londoners.

**Recommendations:** Leaders' Committee is asked to note and comment on this report.







# Pledges to Londoners – Update on Funding London

## Introduction

1. As part of the Pledges to Londoners, London boroughs have committed to work together to ensure that each London borough is better resourced across the full range of public services; to ensure that London receives its fair share of funding; to win more freedom for Londoners to decide how they raise funds for services and to guarantee continuous efficiency improvements in how Londoners' money is spent.
2. The Pledges previously adopted by Leaders within the Funding London policy area were as follows:
  - Lobby to deliver an end to austerity in local government and try and ensure that no London borough loses from the Spending Review 2019.
  - Highlight the vital role of cities in funding UK public services by driving economic growth, where London contributes £32.5 billion in taxes after funding its own public services.
  - Press for government recognition of the unique cost demands on Britain's cities which in London include 34% of all unaccompanied asylum-seeking children, two thirds of all people in temporary accommodation and £54 million on those with no recourse to public funds.
  - Press for London's fair share of the Fair Funding Review and recognition that dramatic increases in the costs of supporting SEND are creating unsustainable deficits across local authorities.
  - Lobby for the extension of business rates retention and its conversion into a genuinely devolved tax.
  - Argue for greater fiscal devolution to London, in line with the London Finance Commission, so that the city can fund the foundations for future growth.
3. The delivery of these pledges is being overseen by the Chair of London Councils as the Executive member for Finance and Resources. They reflect shared pan-London priorities for Leaders over the next three years, but the list does not reflect the entirety of London Councils' work on local government finance.



## Progress Update

### Spending Round 2019

- i. *Lobby to deliver an end to austerity in local government and try and ensure that no London borough loses from the Spending Review 2019.*
  - ii. *Highlight the vital role of cities in funding UK public services by driving economic growth, where London contributes £32.5 billion in taxes after funding its own public services.*
  - iii. *Press for government recognition of the unique cost demands on Britain's cities which in London include 34% of all unaccompanied asylum-seeking children (UASC), two thirds of all people in temporary accommodation (TA) and £54 million on those with no recourse to public funds (NRPF).*
4. There has been good progress against the first pledge; with less success so far in delivering on pledges 2 and 3.
5. London Councils has undertaken a range of activities intended to raise the profile, credibility and influence of the organisation in the lead up to Spending Round 2019 (SR19) through the *Investing in the future* campaign. Following briefings published last November and in January, a number of Leaders wrote to their local MPs over the summer setting out our key priorities for SR19. When it was confirmed that the SR would cover one year, London Councils' lobbying messages to government focussed on financial certainty and the most immediate priorities which were conveyed in a letter from the Chair to the new Chancellor in August.
6. A detailed representation was submitted to HM Treasury on 30 August, which included a short "key points" document<sup>1</sup>, and a longer detailed submission which also included longer-term ambitions for next year's full Spending Review. The key asks were for:
  - An above inflation increase in funding next year
  - The need for immediate certainty over funding for next year
  - An extension of the London BRR pilot to 2020-21
  - Urgent funding to address London's most acute service pressures within children's social care (including UASC), SEND, adult social care, homelessness, and to support people with No Recourse to Public Funds; and
  - The need for investment in schools, skills (including confirmation of UKSPF), and roads maintenance, to help safeguard London's economy.

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<sup>1</sup> Available here: <https://www.londoncouncils.gov.uk/node/36154>



7. The outcome from SR19 was very positive, with local government receiving a 6% increase in funding: the biggest annual increase in the last decade. As no borough will lose from the SR, this meets the first funding pledge. The continuation of all the funding streams within Core Spending Power (CSP) and confirmation of intended council tax principles (2% main CT and 2% adult social care precept) provides the certainty London Councils had called for. Despite the increase in CSP of £400 million across London, boroughs had been planning to make almost £600 million of savings next year, meaning there is still an estimated funding gap of £200 – even assuming all boroughs raise council tax by the maximum permitted amounts.
8. With regard to pledge 2, some of the direction of travel appears to be towards rebalancing funding away from London to other parts of the country. This was reflected in the approach taken to certain distributional issues in terms of Government funding and the focus for the additional £241 million announced for the Towns Fund within the SR. Setting out the case for continued investment within London, as well as in other parts of the country (pledge 2) will become increasingly important in the context of the full Spending Review next year that will include zero based review of capital funding.
9. Finally, there was little recognition of the specific issues that set London apart from other areas of the country: its high levels of homelessness and the disproportionate impact of pressures relating to higher migration levels, which drives high spending on NRPF and UASC. Further progress is required to meet the objectives of Pledge 3.
10. Looking ahead to Spending Review 2020, it is proposed to continue the *Investing in the Future* campaign, and to intensify the pressure on government for a sustainable and comprehensive settlement, with a specific focus on the areas of importance for London boroughs.

#### Fair Funding and SEND

- i. *Press for London's fair share of the Fair Funding Review and recognition that dramatic increases in the costs of supporting SEND are creating unsustainable deficits across local authorities.*
11. The Government recently confirmed that the outcome of the review will be postponed by a year to April 2021. This at least has the benefit of providing certainty for boroughs for next year and allows more time to influence the outcome of the Review.



12. London Councils' key priorities will continue to be to ensure the review accurately takes account of London's higher living costs in any deprivation measures; London's hard-to-count population; has a separate formula for homelessness; and that the ACA excludes any unevidenced measures, such as remoteness as is currently proposed.
13. With regard to High Needs funding for children with Special Educational Needs and Disabilities (SEND), officers have worked very closely with directors of finance and children's services in presenting a joined up and clear message regarding the increasingly difficult financial position boroughs face.
14. The announcement of £700 million of additional funding for SEND in the Spending Round, as part of a wider £2.6 billion of funding for schools next year, was therefore very welcome. However, while allocations are yet to be confirmed, the new funding is unlikely to be enough to eliminate accumulated deficits across London, with London borough accounting for a third of the national total. The national review of SEND announced after the SR, that will conclude by Easter 2020, is very welcome and was one of our key asks. With funding beyond 2020-21 still uncertain, we will continue to push for a sustainable solution to the significant funding pressures in this area.

#### Fiscal Devolution

- i. *Lobby for the extension of business rates retention and its conversion into a genuinely devolved tax.*
  - ii. *Argue for greater fiscal devolution to London, in line with the London Finance Commission, so that the city can fund the foundations for future growth.*
15. There has been limited progress against these two pledges.
16. It had been hoped the London business rates pilot would provide a platform for both extending further retention of business rates in the capital and for arguments about greater fiscal devolution to London Government. Unfortunately, as set out in detail on item E1 on the agenda, the government has chosen not to extend the London business rates retention pilot next year.
17. London Councils has consistently set out the need for longer-term reform of business rates as a tax and reiterated our broader ambitions for fiscal devolution within our strategic submissions and consultation responses over the last 9 months. The detailed SR submission called for the Government to commit to reforming council tax and business



rates in next year's full Spending Review, which provides an opportunity for the Government to devolve more to areas that have a track record of collaborating across boundaries. It emphasised that cities are well placed to take advantage of smaller specific taxes that will directly support local economic growth, such as a Tourism Levy, Vehicle Exercise Duty, or the Apprenticeship Levy.

18. It is proposed to continue to work with the GLA and other Mayoral Combined Authority areas to develop more detailed arguments regarding specific taxes that may be more suitable for devolution or greater local discretion ahead of SR20.

### **Next Steps**

19. London Councils officers and Executive members will continue to work on supporting the implementation of the pledges as outlined in this report and will keep Leaders updated on a regular basis.

**Recommendations:** Leaders' Committee is asked to note and comment on this report

### **Financial implications for London Councils**

None

### **Legal implications for London Councils**

None

### **Equalities implications for London Councils**

None