

# London Councils

The voice of London local government

## Autumn Statement briefing

### Introduction

London Councils has made a submission to the Chancellor ahead of the Autumn statement. In it, we say we believe that local government, with its firm democratic mandate, is best placed to respond to the needs of its local residents – albeit within the Government’s overall aims of deficit reduction and economic growth. In the forthcoming Autumn Statement, London Councils urges the Government to:

1. Protect local government from further cuts to those already outlined in Spending Round 2013;
2. Adopt a more ambitious approach to local public services, devolving power and responsibility to English cities and beyond to deliver more integrated and cost effective services.

In the sections below, we set out how London boroughs are experiencing reductions in core funding at the same time as an increased demand for services. We believe that the current finance system is unsustainable and that powers and responsibilities, including fiscal devolution, must be devolved to help deliver a range of local services.

### London local government has made a significant contribution to the deficit

- Between 2010-11 and 2015-16, London local government will have seen a real terms reduction in core funding of 44 per cent. This trend is set to continue. Over the three years to 2018-19, it is estimated core funding will fall by a further £1 billion (29 per cent) in real terms.
- This means a 60 per cent real terms reduction in core funding between 2010-11 and 2018-19 compared with a real terms cut of just 3 per cent for the whole public sector over the same period.
- At the same time, London local government employed 30,000 fewer staff in 2013 than it did in 2010. Over the same period, the number of people working in central government has actually increased by 23,000 (*figures from Office for National Statistics - Quarterly public sector employment survey and Statistical bulletin: Public Sector Employment, Q2 2014*).
- London local government’s contribution to the Government’s deficit reduction programme outstrips the contribution required of the vast majority of Whitehall departments.
- Government must ensure that no further reductions are made to the 2015-16 funding levels for local government.

### London local government faces growing demand for services

The impact of declining levels of funding will be compounded by significant growth in demand for services. This stems from a growing and ageing population with increasingly complex demography. Current projections suggest the population will rise to 10 million by the early 2030s. By 2020 London local government faces a financial pressure of over £3.4 billion on revenue expenditure.

As examples of the increased demand on services, London local government faces :

- The need to build 809,000 new homes by 2021,
- A requirement to provide 133,000 additional school places by 2018, and
- A potential cost increase of £1bn in adult social care from a combination of demographics, inflation and the Care Act.

## **The current local government finance system is unsustainable**

To manage the scale of financial pressure London Councils believes that consideration must be given to how local public services are funded. The system of local government funding is becoming unsustainable in its current format. There is a lack of a clear strategy; it is too complex and opaque and the lack of funding stability undermines long-term planning and fails to properly support authorities to promote economic growth.

## **Fundamental change – Preparing for CSR 2015**

The scale of the challenge ahead for the public sector finances is significant. The Government has already set out plans to cut departmental spending by £8.7 billion in 2015-16, and to achieve the longer term objectives of the deficit reduction programme, further savings of close to £38 billion will be required by 2018-19. The Government must devolve power and responsibility to English cities to help deliver more integrated and effective local services across a range of services including:

### **Employment, Skills and Welfare to work**

There are almost half a million long-term unemployed people in the capital. London Councils believes that as part of a local approach believe that employment support programmes and a range of welfare management programmes should be devolved to London government.

### **Complex Needs: Troubled Families and offender rehabilitation**

London Councils would seek a single funding pot for services and support for offenders in London, achieved by devolving elements of the criminal justice budget, as well as other departmental budgets, to deliver community-based crime prevention and rehabilitation.

### **Health**

In 2012-13, public spending on health in London was £17 billion with a further £4 billion spent on social care. Given the rising demand for services, London Councils believes further consideration should be given to the commissioning of integrated health and care services and strengthening the role of Health & Well-Being Boards as the foundation for developing the health service locally.

### **Fiscal devolution and greater financial autonomy**

In London, locally elected leaders have control of just 7 per cent of the taxes required to fund public spending in London. This can be compared to 66 per cent that other world cities like New York, Tokyo and Paris enjoy. Greater fiscal autonomy for London government is vital to enable long-term planning, management and investment of resources in the services, schools, homes and transport London needs. Scotland has been given significant fiscal devolution and the government is planning similar powers for Wales.

Change must start with a review of the Barnett Formula. Furthermore, London Councils believes that the Government should devolve the full suite of property taxes to London government. We reiterate the recommendations of the London Finance Commission that any arrangement must be fiscally neutral position for the Exchequer and the rest of the country at outset of any reform.

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*London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership*