

# London Councils

The voice of London local government

## Spending Review 2013

House of Commons, Wednesday 26 June

### Overview

In advance of the Spending Round announcement, London Councils sent a submission to HM Treasury, setting out London's current position and making suggestions on how local government can continue to deliver much needed services whilst driving economic growth. In it London Councils is calling on the government for:

- Greater local leadership for skills provision and employment support schemes,
- The unnecessary cap on Housing Revenue Account borrowing to be removed,
- London local government to have full discretion over local taxes, fees and charges,
- Further exploration, in the light of Spending Round decisions, with government on a wider framework for accelerating growth through devolution to London government.

London boroughs play a crucial role in supporting the conditions to ensure London's economic performance and its contribution to the wider economy. We are best placed to provide strategic oversight to some of the key drivers of growth and competitiveness. In this context, we welcome recent reports from both Lord Heseltine and the London Finance Commission which both place an emphasis on strong, local leadership and consider how greater financial devolution and autonomy can be a springboard for growth, jobs and necessary infrastructure.

We believe that this spending review announcement signals a timely opportunity to re-assess how London local government can best contribute to these goals. Our submission to HM Treasury contained a nine point call for change. This and other points are set out below. Further detail can be found within the full submission which you can see on our website (see link from email). Page references below refer to the pages in our submission to HM Treasury.

If you would like any further information, please do get in touch - our contact points are at the foot of the document.

### London Councils' nine point call for change (pages 9 - 19)

#### Business Rates Retention (page 9)

Local government should be able to retain a greater proportion of local business rates (local share) so that it has clear and strong financial incentives and rewards for delivering economic growth.

### **Council Tax (page 9)**

The UK has the most centralised taxation system in the world. The government should remove the requirement for council tax referendums and London local government should have the freedom and flexibility to set council tax discounts locally without central government proscription.

### **Capitalisation (page 10)**

Local government should have the freedom to capitalise one-off revenue costs without needing government approval and without a reduction in local government control totals.

### **Housing Investment (pages 10-12)**

In London, demand for housing has long outstripped housing supply and this demand will increase further as a result of London's growing population.

London Councils believes that the additional cap on use of HRA borrowing ability should be removed.

### **Skills and Worklessness (Pages 12 – 17)**

The current approach to both skills provision and employment support is too centralist and there should be greater local leadership.

How these services are designed and delivered will need to reflect meaningful functional economic areas and this is likely to be at the level of boroughs or groups of boroughs.

### **Transport Investment (page 17)**

Local authorities should have greater authority to commission and invest in major transport and other infrastructure projects, which currently sit solely under the remit of the Mayor of London.

### **Local Authority Fees and Charges (pages 17-18)**

There is too much government proscription. There should be greater deregulation in the setting of fees and charges and the freedom for boroughs to set full cost recovery and in some cases, market rate fees.

### **Health and Social Care Integration (pages 18-19)**

Government should consider spending on health and social care together in its spending plans and enable easier shifting of money between the two to incentivise and support more joined up, person-centric approaches to health and wellbeing.

### **Devolution and Leadership of Public Services (page 19)**

Boroughs or groupings of boroughs should have the power and freedom to tailor activities and interventions across particular geographies that are most likely to boost jobs, skills, competitiveness, infrastructure and homes – all within a more autonomous local government finance system.

Whilst formally the City Deal approach may not apply in London, we believe that London government should have an overall framework that allows those boroughs and groups of boroughs, in negotiation with the Mayor of London, to move in this direction should they wish to do so.

## Three special factors concerning London

### **London local government has made a significant contribution to deficit reduction (page 4)**

- At the beginning of the current SR period, local government faced a disproportionately higher level of savings than other sections of the public sector – 28 per cent in real terms over the four year period compared to 8 per cent on average for central government departments. The number of subsequent incremental cuts to local government funding has meant that this figure is now closer to 35 per cent.
- Local government has been repeatedly asked to deliver cuts on behalf of other Whitehall departments (e.g. Council tax benefit localisation, the Social Fund and Children-on-Remand). These are volatile areas of spend which are demand-led and subject to wider economic performance. As such, central government is not only transferring cost and responsibility, but significant financial risk too.

### **London local government faces rising pressure on services (pages 5 & 6)**

- The combination of inflation and costs driven by population and demography means that total net revenue expenditure in London will face an increased cost pressure of over £0.7 billion (+8 per cent) by 2020.
- Since 2001, London's population has grown at a faster rate than any other region and by 2020, its population will exceed 9 million residents.

### **The pursuit of growth – London has a crucial role (pages 7 & 8)**

- London has a unique position within the UK economy and a crucial role in promoting economic growth.
- Independent research consistently shows that over time, London contributes more to the UK public finances than it receives through its share of public spending.
- London's growth supports, funds and drives the UK economy, but we do not believe that economic success in London should be at the expense of other regions.
- Armed with a strong democratic mandate, London boroughs, in conjunction with the Mayor of London and others, play a crucial role in supporting the conditions to ensure London's economic performance.

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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*