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SPENDING REVIEW 2021: SOUTH EAST COUNCILS SUBMISSION

1. Introduction

- 1.1 This response is from South East Councils (SEC) a cross-party, voluntary membership association recognised as a regional group by the Local Government Association (LGA). SEC brings together District, Unitary and County councils to promote the views and interests of all tiers of local government across the South East. The majority of the 70 local authorities across the region are members of SEC.
- 1.2 SEC welcomes the opportunity to provide representation to the Treasury's 2021 Spending Review.
- 1.3 During the coronavirus pandemic, councils the length and breadth of the UK have adapted, and risen to, the challenges brought about by Covid-19, by continuing to provide essential services to residents and leading on local recovery efforts. Councils have demonstrated that if you put faith in local leaderships they will deliver. This is demonstrated with over two-thirds (67%) of respondents to our South East 1,000 poll having confidence in their local council in making the right decision for their respective area¹.
- 1.4 It should be noted that this response is both a compendium of feedback received from our member councils and extracts from our recently launched 'Towards A Greater South East Agenda', which is supported by polling of business decision-makers, members of the public and councillors.
- 1.5 If any clarification or further detail is required on any point raised, the SEC secretariat would be delighted to help facilitate this. Our response summarises the views of our members and of SEC as an organisation more broadly.

¹ South East Councils, South East 1,000 Biannual Regional Monitor (Spring)
<https://www.secouncils.gov.uk/media/2021/05/South-East-1000-Monitor-Spring-21-circulation.pdf>
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2. Executive Summary

- 2.1 **Our representation to Spending Review 2021 (SR21) highlights SEC asks regarding financing of local government, Health and Social Care, Business Rates, Skills investment, the New Homes Bonus and Climate Change.**
- 2.2 This contribution to SR21 highlights how the South East, given the appropriate level of support from government, can continue to build on its successes, as well as supporting the United Kingdom's economy going forward, especially as the country embarks on its road to recovery following the Covid19 pandemic.
- 2.3 As a net contributor to the UK economy and a premier global trading hub, the South East region has entered a new decade that began with the UK forging new trading relationships across the globe, as a newly independent trading nation. This decade is expected to end with the population of the South East forecast to be in excess of 10 million people.
- 2.4 To secure economic growth and prosperity, local authorities need to be empowered with greater ability to meet challenges arising from Covid-19 recovery, new relations with the European Union and Climate Change. Therefore, we advocate that the South East should be able to retain more regional revenues and transferring more powers and responsibilities from Whitehall to the region is vital².
- 2.5 SEC also seeks to collaborate with others to enable existing wider regional strengths and harness the untapped regional potential – creating a greater South East to support a thriving UK – notably through our work with the wider South East³, including London Councils, the Greater London Authority, and the East of England Local Government Association.

3 Local Government Finance

- 3.1 It is widely acknowledged that council finances across the county have been hit hard as a result of the Covid19 pandemic, which in turn places a significant strain on local authority finances and undermines their ability to deliver essential services to residents.
- 3.2 Member council representatives have made it clear that continuing the current annual funding settlement is unacceptable, as this brings with it an added element of uncertainty and undermines councils ability to plan for the longer term.
- 3.3 The South East acting as the gateway to the world, positioned on the doorstep of the European Union, with major bases of world-class commerce and industry, the South East is second only to the capital in terms of total value of goods exported. Additionally, the South East is home to world class universities, tourist attractions, nationally significant infrastructure – ports and airports for instance – and is one of the most productive regions in the country.
- 3.4 With the Levelling-Up agenda increasingly prominent in Government policymaking, as can be seen by the newly named Department for Levelling-Up, Housing and Communities (previously the Ministry of Housing, Communities and Local Government), the South East must also be factored into the Government's decision-making process. While it widely acknowledged that the South East is a prosperous and affluent part of the UK, it must also be recognised that

² South East Councils News Release: "Time for Boris to deliver more Town Hall, less Whitehall" – 16 July 2020
<https://www.secouncils.gov.uk/news-release-time-for-boris-to-deliver-more-town-hall-less-whitehall>

³ <https://www.secouncils.gov.uk/wider-south-east-engagement>
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the region is home to some of the most deprived areas of the country⁴, for example, Gosport, Hastings, and Thanet, and also has its own set of unique challenges, notably surrounding migration (given the region’s relative proximity to continental Europe), as well as the availability of affordable housing and skills gaps, and poor educational attainment. Therefore, the Government must ensure that sufficient financial support is provided to councils across the region, to ensure they are equipped to meet these ongoing challenges, but also the challenges of tomorrow. In our view, this will enable to the South East to play its part in the UK’s recovery from the pandemic, while benefitting the wider economy going forward.

- 3.5 Therefore, it is absolutely vital that this SR21 provides – at a minimum – a three-year funding settlement for local authorities, so that councils are better able to plan for the future and continue to deliver essential services to residents.
- 3.6 With the South East among three regions in the United Kingdom to make a net contribution the Treasury, we urge Government to provide further support to the region, so that, collectively, the region can play its part in UK’s economic recovery, which will help build on the region’s assets and strengths, outlined in paragraph 3.3 above.
- 3.7 SEC is of the opinion that, as well as transferring additional powers and responsibilities from Whitehall to the region’s councils, devolution of finance would allow the South East to invest in its future, rather than having to lobby Whitehall to get our own taxpayers’ money back.
- 3.8 Our Spring South East 1,000 poll revealed a different level appetite for setting various levies and taxes at a local, regional, or national level – as figure 1 below illustrates.

Fig. 1

Financing local government

The inaugural edition of the South East 1,000 monitor, last autumn, probed respondents views on certain taxes or levies being managed or raised at either the local or national level. For the spring 2021 edition, respondents were given the opportunity to indicate local, regional or national level preference.

There are clear indications that respondents have an increasing preference for certain taxes or levies not to be set or managed at the national level.

- A greater number of respondents would prefer the **Apprenticeship Training Levy** (46%), **Business Rates** (64%) and a **Tourist Tax** (61%) set and managed at either local Council or Regional level.

Interestingly, there is a real debate to be had on **Stamp Duty** as while 45% prefer national level setting, 21% prefer regional level and 20% wish it to be set at local council. 14% of all respondents either do not mind or are unsure.

- Notably, overall, over half (55%) of respondents do not see Stamp Duty as a matter that should be a national level competency.

		Set and manage at Local Council level	Set and manage at Regional level	Set and manage at National level
VEHICLE EXCISE DUTY (CAR TAX)	TOTAL	11%	13%	64%
	Public	11%	14%	57%
	Businesses	11%	16%	62%
	Councillors	10%	6%	80%
APPRENTICESHIP TRAINING LEVY	TOTAL	22%	24%	36%
	Public	16%	23%	37%
	Businesses	18%	24%	41%
	Councillors	38%	25%	29%
BUSINESS RATES	TOTAL	39%	25%	25%
	Public	30%	25%	29%
	Businesses	30%	34%	28%
	Councillors	69%	16%	13%
STAMP DUTY (HOUSE TAX)	TOTAL	20%	21%	45%
	Public	20%	19%	42%
	Businesses	18%	25%	45%
	Councillors	22%	22%	51%
AIR PASSENGER DUTY (FLIGHT TAX)	TOTAL	7%	12%	64%
	Public	7%	13%	60%
	Businesses	12%	11%	64%
	Councillors	4%	11%	74%
A LOCAL TOURIST TAX (HOTEL TAX)	TOTAL	34%	27%	23%
	Public	25%	26%	28%
	Businesses	27%	34%	25%
	Councillors	62%	19%	12%

⁴ English Indices of Multiple Deprivation 2019 <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

3.9 A number of member councils in submitting their representations to us, have advocated for the removal of council tax referendum limits, which would provide greater freedom and flexibility, in addition to removing restrictions over fees and charges that are set by statute. Finally, they have also expressed a desire for there to be no further tightening of capital spending and/or borrowing controls, which many councils will need going forward.

4 **Health and Social Care**

- 4.1 Despite the recent announcement of a Health and Social Care levy in order help fund Social Care, and to address the substantial – and growing NHS waiting lists – SEC remains unconvinced this will help address the increasing crisis, especially in Social Care.
- 4.2 We were concerned by analysis conducted by the Institute for Fiscal Studies which revealed that residents in the South East will suffer the second biggest drop in income as a result of the new levy set to be introduced next year⁵. More so, since only a small fraction of the new levy is expected to actually go to supporting Social Care. As an immediate measure, the Government should allocate a significant uplift to the Social Care Grant for adults and children’s services.
- 4.3 Evidence from polling conducted of business decision-makers, members of the public and councillors across the South East revealed that over half (54%) of respondents wanted their respective council to assume primary responsibility for Social Care⁶. We therefore welcome the Government’s commitment to work alongside local government leaders, prior to the publication of their White Paper for reforming Adult Social Care.
- 4.4 We argue that the Government has to rebalance national spending to underpin an integrated care system that harnesses local authority experience and local NHS expertise in order to meet what will continue to be, growing demand.
- 4.5 Ultimately, the Government needs to provide a long-term viable solution to funding Social Care, especially given the county’s ageing population profile. Not to mention, the yet to be fully realised, ramifications of long-Covid, which will inevitably place an even greater burden on Social Care, and the NHS more broadly.

5 **Business Rates**

- 5.1 A member district council has stated that the Government must make a commitment to fully fund the Collection Fund losses due to the impact of Covid19 in 2022/23. Furthermore, this particular district council argues that there needs to be a review of the business rates baseline to reflect those Covid19 losses. Furthermore, they argue if there is to be a reset of business rates growth, transitional arrangements will need to be in place, and front loaded to avoid a cliff edge.
- 5.2 On the Business Rates reset, another member councils also expressed concern in terms of its timing, nature, and the extent of this reset. Councils need to be able to plan for the budgetary impact of this reset, and this cannot currently be done, with the absence of information. However, there is a worry that the South East will inevitably bear the brunt of this – alongside

⁵ Institute for Fiscal Studies analysis: <https://www.standard.co.uk/news/london/boris-johnson-tax-increase-national-insurance-income-loss-b954270.html>

⁶ <https://www.secouncils.gov.uk/whitehall-should-avoid-grabbing-health-and-social-care>

London. We one district council arguing that this region cannot keep propping up the rest of the country, at the expense of its own residents and level of service provision locally.

6 **New Homes Bonus**

6.1 While we appreciate the recent consultation on the New Homes Bonus earlier this year, member councils are concerned that outcome of this is yet to be published. With councils having factored this into their respective budgets in years past. It is critical, if this is to continue in some form, that clarity is provided by the Government as soon as possible, and the Councils remain to be incentivised for the delivery of new homes in their local areas.

6.2 Though, one member councillor, representing a unitary authority argued that the New Homes Bonus should be retained, otherwise there would be a significant cliff-edge effect for the South East, where housing is concentrated. Adding: if the New Homes Bonus is removed and quickly followed by a reset of business rates, as is currently proposed, ramifications for councils based in the South East will be significant.

7 **Skills Investment**

7.1 As we have argued before, notably following the Prime Minister's 29 September 2020 "Skills Speech", an essential component of the UK's economic recovery from Covid-19 will be ensuring that businesses have a sufficient supply of suitably skilled workers and are able to adapt to changing demands.

7.2 In a poll of 275 councillors in the South East on what should be the government's future investment priorities in terms of Covid19 recovery, it was clear skills and employment should feature as a "high priority" for government's economic recovery plans⁷.

7.3 Further to this, local areas will have specific skills needs, meaning that a centralised, uniform approach is not suitable, and is therefore unable to optimise local potential. Empowering local councils to collaborate with independent providers to design and deliver training tailored to local economies is recommended. In order to achieve this, over half (51%) of those polled during our Autumn South East 1,000 poll⁸ revealed that they want local councils to have responsibility for apprenticeship.

7.4 Apprenticeship levy funds should also be examined to see if they could be better managed and supported at the local or regional level, including non-levy allocation and unspent funds. In addition to exploring the feasibility of the funds expiry date, which we argue should be extended to provide a broader training access window.

8 **Climate Change**

8.1 In the context of Cop26, and with Climate Change likely to dominate the political agenda for foreseeable future, it will more important than ever for councils and government to collaborate going forward.

⁷ Snap poll of 275 councillors, conducted July 2020 by SavantaComRes asked: What should be a high priority for future investment priorities for Covid19 recovery; 89% Employment; 82% Schools; 55% Higher education and universities. <https://www.secouncils.gov.uk/polling-of-south-east-england-councillors>

⁸ South East Councils, South East 1,000 Biannual Regional Monitor (Spring)
<https://www.secouncils.gov.uk/media/2021/05/South-East-1000-Autumn-2020.pdf>

- 8.2 Polling for our Spring South East 1,000 revealed that 97% of councillors surveyed knew about measures being taken locally to mitigate the impacts of Climate Change⁹, with councils increasingly planning and preparing for climate adaptation. With this in mind, and to capitalise on this awareness and activity from councils, we would strongly urge the Government to provide additional funding to support councils across the region and beyond, as they continue efforts to tackle and mitigate the impact of Climate Change. This will also help the Government's ambition to Build Back Better from the pandemic.
- 8.3 With nearly (49%) of respondents to our South East 1,000¹⁰ poll ranking carbon reductions from transport to net-zero by 2050 as the highest priority for their area, it is clear the government needs to step up its support for councils, in order speed up the acceleration from diesel and petrol driven vehicles to electric and low emission vehicles.

⁹ Ibid

¹⁰ South East Councils, South East 1,000 Biannual Regional Monitor (Autumn)
<https://www.secouncils.gov.uk/media/2021/05/South-East-1000-Autumn-2020.pdf>
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