REPORT TO:	Executive Board
DATE:	23rd May 2013
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	Liverpool City Region Submission to the 2013 Spending Review
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To seek agreement to the Liverpool City Region submission ahead of the Government's 2013 Spending Review.

2.0 RECOMMENDED: That the Liverpool City Region submission to the 2013 Spending Review as set out in the Appendix, be approved.

3.0 SUPPORTING INFORMATION

3.1 The Spending Review is an HM Treasury-led process to allocate resources across all government departments, according to the Government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department. It is then up to departments to decide how best to manage and distribute this spending within their areas of responsibility.

3.2 The 2013 Spending Review will be published by HM Treasury on June 26th 2013. The spending review will be effective from 2015/16 but no confirmation has been given to how many years it will cover.

3.3 The last Spending Review was published in October 2010 and covered the period 2011/12 to 2014/15. It was reported at the time that Local Government would suffer from budget cuts of 28% over the four year period with the majority of the cuts being front loaded ie. larger cuts in the first two years. In reality Local Government has had to deal with cuts of 33% in real terms over four years.

3.4 The Chancellor announced in his 2013 budget report, that the themes driving the 2013 Spending Review will be growth, efficiency and public service reform. He confirmed revenue expenditure will continue to fall to 2017/18 at the same rate as the 2010 spending review.

3.5 The Liverpool City Region submission has sought views from Finance and Policy leads in the six Councils, along with Merseyside Police & Fire Services, Merseyside Recycling and Waste Authority and Merseytravel.

3.6 The submission has been drafted to emphasise the level of cuts the region has had to deal with before and during the 2010 Spending Review. In particular it stresses how the more deprived Councils, such as Halton, are more reliant upon Government grant funding and have therefore suffered disproportionately from the large cuts in such grants compared to their budget requirement.

3.7 Both financial and policy concerns are covered by the submission, as these are inextricably linked. As such the outcome of the Spending Review will have significant implications for both Halton and the whole of the Liverpool City Region's local priorities and policy objectives.

3.8 The submission sets out the key areas of concern and risk for the Liverpool City Region authorities, including;

- Localisation of Council Tax Support
- Council Tax Referenda
- Protection of Specific Grants including Public Health Funding
- Increasing costs of Adult Social Care
- Business Rate Retention
- New Homes Bonus
- Scope for Further Cuts

3.9 The submission will be presented to the Liverpool City Region Cabinet on 24th May 2013. It will then be sent to HM Treasury and the local MPs. It will also be provided to the LGA, Sigoma, LGIU and NLGN for consideration as part of their submissions.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 The Council's revenue and capital budgets are part-funded by Government grant and support the delivery and achievement of all the Council's priorities.

6.0 RISK ANALYSIS

6.1 There is a financial risk to the funding of the Council's budget if Government funding cuts continue at the current pace. The Council's Medium Term Financial Strategy provides a mechanism for identifying and managing funding changes in a managed way.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

8.1 There are no background papers under the meaning of the act

APPENDIX

Liverpool City Region Submission to 2015/16 Spending Review

1. Introduction

In advance of the 2015/16 Spending Review announcement, this submission sets out the collective ‘asks’ of Government and views from Liverpool City Region Director’s of Finance and Liverpool City Region Policy Leads, who represent the following organisations:

- Knowsley Metropolitan Borough Council
- Halton Borough Council
- Liverpool City Council
- St. Helens Metropolitan Borough Council
- Sefton Metropolitan Borough Council
- Wirral Metropolitan Borough Council
- Merseyside Police & Crime Commissioner
- Merseyside Fire & Rescue Service
- Merseyside Recycling and Waste Authority
- Merseytravel

2. Background

2.1 About the Liverpool City Region

The Liverpool City Region (LCR) comprises the boroughs of Halton, Knowsley, Sefton, St. Helens, Wirral and the City of Liverpool. It is home to 1,506,935 people, of whom 980,326 are of working age. The region has a long history of partnership working across shared policy objectives and a proven track record in delivering results through LCR wide programmes.

Driving economic growth is a central priority for the City Region. Substantial progress has been made over the last decade in restructuring the economy through reinforcing existing high value sectors and attracting new investment, however significant challenges remain.

The percentage of working age residents with qualifications (all levels) has improved since 2007, but closing the gap with the national average remains a challenge, particularly for the over 24s. In August 2012, there were 176,830 residents (18.1%) claiming key out-of work benefits, although this follows a pattern of improvement since 2005, the rate is still significantly higher than both regional and national averages (14.4% and 11.8% respectively). There is a distinct imbalance between the total number of jobs in the LCR local economy and the number of economically active residents, representing a jobs deficit of around 90,000. Such imbalances are common across the UK, though the deficit in the City Region is more pronounced than elsewhere. The impacts of the welfare reforms are also a serious and growing concern, with research showing that the Liverpool City Region is one of the worse affected areas[1].

2.2 Financial Overview

The Government is aware that the largest contribution to its national deficit reduction plan has come from local government. In the current Comprehensive Spending Review period, local government funding has fallen by 33% in real terms. The impact of these cuts within local government has varied with the most deprived communities facing the largest cuts. Indeed, the last grant settlement for the authorities in the Liverpool City Region over the two year period demonstrated that the most deprived authorities, such as Liverpool - the most deprived borough per the Index of Multiple Deprivation 2010, were being subjected to above average cuts. However, the Liverpool City Region authorities have sought as far as possible to protect the frontline services the local community values and rely upon.

The Liverpool City Region is disappointed that the Chancellor, in the 2013 Budget, has already opened up the two year local government finance settlement to reduce the local government funding by 1%. This cut is unsustainable without impacting on service delivery. It follows that further reductions in 2015/16 are equally unsustainable. Finally, there is a risk that the services through which local government promotes growth will be hardest hit and there will be cost impacts on other public services.

Our submission outlines what we believe the Government can do to ensure that the Liverpool City Region is not further disproportionately affected by the deficit reduction programme. The LCR remains strongly committed to driving economic growth and supporting community resilience, and there are several important measures that the government can take to support this.

3. Spending Review Proposals

3.1 Localisation of Council Tax Support

The Liverpool City Region was disappointed that the Government has pushed ahead with the transfer of Localised Council Tax Support into the Revenue Support Grant (RSG) element of the Business Rates Retention System. The City Region believes that the allocations of **Localised Council Tax Support should remain transparent and protected** to ensure areas in receipt of RSG do not receive cuts to its Localised Council Tax Support Grant. In previous consultation responses the Liverpool City Region have outlined this as the most significant risk to the future funding of authorities, such as those in the Liverpool City Region, reliant on RSG and with a high proportion of Localised Council Tax Support Schemes to net revenue budgets.

Sefton has assessed that if the Localised Council Tax Support Grant is funded by RSG, within six years the funding provided by the Government will diminish to

[1] Sheffield Hallam University, (April 2013), *Hitting the poorest places hardest: The local and regional impact of the Welfare Reforms*.

the point where Sefton cannot fund, in full, the national scheme for pensioners (see table below):

Year	Council Tax Support Funding	Change %	Cost of Pensioner Claimants (November 2012)	Available for Working Age Claimants
2013/14	£24,202,400	-13.3%	£13,302,400	£10,900,000
2014/15	£21,733,700	-10.2%	£13,302,400	£8,431,300
2015/16	£19,516,900	-10.2%	£13,302,400	£6,214,500
2016/17	£17,526,200	-10.2%	£13,302,400	£4,223,800
2017/18	£15,738,500	-10.2%	£13,302,400	£2,436,100
2018/19	£14,133,200	-10.2%	£13,302,400	£830,800
2019/20	£12,691,600	-10.2%	£13,302,400	Nil

The Government has claimed that it has not cut the amount of Council Tax Support Grant i.e. the quantum provided to local government. **However, the mechanics of the Business Rates Retention System as it stands does actually result in cuts via overall RSG cuts**. Therefore, the Government should allocate the grant as a **Specific Grant** to ensure transparent allocations of the Council Tax Support Grant.

Most local authorities have had no alternative but to pass on the savings they require onto working age adults previously in receipt of Council Tax Benefit. However, there is an alternative (that the Liverpool City Region has previously proposed); if the Government remains committed to the policy of localising support for Council Tax it should give local authorities the autonomy and funding required to design and deliver local schemes. This should include powers to make decisions about who should be protected within such a scheme, as well as **local control over the award of discounts and exemptions, including single person discount.**

3.2 Council Tax

The Liverpool City Region does not feel that the introduction of a referendum for excessive Council Tax rises was an improvement on capping. Indeed, it adds an unnecessary extra burden on councils over and above the normal democratic processes. As has been stated by the LGA, in their Spending Review submission to HM Treasury, local authorities feel that true localism should be reflected in the ability of local communities to decide whether a referendum is appropriate and at what level.

If the Government is to persist with Council Tax referendums as a policy for controlling Council Tax then it is important that local authority short and medium-term financial planning is supported by the advance publication (multi years) of the proposed percentage and methodology to be used in the calculation. Also, the power to set the percentage should be removed from the Secretary of State and as a minimum be linked to cost pressures (indexation) faced by local authorities.

The Liverpool City Region also believe that the Government was not fully aware of the way in which budgets have been balanced year-on-year, inclusive of levies, by some authorities. Whilst the Government's intention to alleviate the pressure on authorities where levies are rising was acknowledged, this should be done in a manner which does not penalise authorities where levies are falling.

3.3 Merseyside Fire & Rescue Service - Flexibility Around Council Tax

Liverpool City Region notes that Government did afford flexibility to a small number of Fire and Rescue Authorities, with the lowest quartile of Council Taxes, in relation to the referendum limit for 2013/14. Liverpool City Region believes that the Government should consider affording the same flexibility to all Fire and Rescue Authorities in future years.

(i) The Council Tax levels for all Fire and Rescue Authorities is relatively low with nearly all lying within plus/minus 20% of the 2012/13 national average council tax of £64.12;

(ii) Council Tax levels for Fire and Rescue Authorities are as much an accident of historical decisions and policy choices by previous Governments dictated by two previous decisions by predecessors of the Secretary of State in 1996/97 and 2003/04, which effectively endorsed / caused large Council Tax increases; and

(iii) The Liverpool City Region believes the Government should take account of longer term restraint around Council Tax increases as much as the absolute level (which is to some degree arbitrary) in deciding any freedoms.

3.4 Council Tax Freeze Grant

There is a concern that Council Tax Freeze Grants reward high tax-base authorities at the expense of low tax-base authorities, such as those in the Liverpool City Region that also have higher relative needs. This will become a permanent feature of the new local government finance system as the proposal is for the Council Tax Freeze Grant to be included in the baseline funding i.e. it is not based on needs, but on tax base.

If the Government persists with the policy of Council Tax freeze grants the **funding should be permanent and additional** to the local government control total.

3.5 Police and Crime Commissioner

The Merseyside Police Crime Commissioner (PCC) supports the points made above, around the Localisation of Council Tax Support, the Council Tax Referendum and the Council Tax Freeze grant. In respect of the freeze grant and the referendum, the PCC recognises the importance of minimising Council

Tax increases for Council Tax payers in the current economic climate. However, the City Region believes that it undermines the democratic mandate of recently elected PCCs. If additional funding is available for police (i.e. freeze grant), the PCC believes this should be included in the core funding for police; leaving PCCs to make decisions on Council Tax changes, free from the constraint of the Government.

It is also important to highlight that overall cuts to police budgets will necessarily see the police cutting back in areas, such as neighbourhood policing and multi-agency preventative work, as they need to focus a larger proportion of shrinking budgets on the key risks of threat and harm. This could see local Community Safety Partnerships experience increasing pressure to fill gaps around multi-agency provision on areas such as low level Anti Social Behaviour and Integrated Offender Management. In light of these points, the Liverpool City Region asks that the Spending **Review does not mean further significant reductions to police and community safety partnership resources**.

3.6 Business Rates Retention System

The Liverpool City Region supports the retention of the Small Business Rate Relief scheme during these difficult economic times. Currently, 12,790 businesses benefit in the Liverpool City Region from £19m. Indeed, the City Region would support the **Small Business Rates Relief remaining outside the Business Rates Retention System** and funded by the Government as part of the 2015/16 Spending Review to deal with the ongoing economic crisis and treated on a similar basis to transition relief.

Mandatory Reliefs are set by the Government and cover matters over which local authorities have little control and only marginal influence. This has already been referred to in previous Liverpool City Region responses to consultation on the Business Rates Retention System. Therefore, **Mandatory Reliefs should be taken outside of the Business Rates System** as they will unfairly affect authorities. For example, there is a significant risk that local authorities will pick up the bill for future reliefs allowed that they have no control over, including Government policy, such as school conversions into academies across the Liverpool City Region, which will eventually cost more than £7m.

Another example of the significant risk faced by local authorities was the Magistrates' Court decision in Cheshire to approve as legal a scheme whereby a vacant office building was let to a charity, the Public Safety Charitable Trust. Through this scheme, the charity housed a Wi-Fi installation and the charity claimed 80% charitable relief

The Liverpool City Region would also like to remind the Government that there is still uncertainty around future appeals and empty property relief that are passed onto Council Tax payers. However, due to the funding arrangements these can only be delivered by further cuts in front line services. The Liverpool City Region also have concerns going forward about what would happen if there are a number of successful appeals following revaluation and interest payments increase. For example, an adjustment was required to Sefton's national non-domestic rate (NNDR3) data to remove backdated rates issued to the occupiers of Port properties transferred on to the Council's rates list in 2008/09.

3.7 New Homes Bonus

The New Homes Bonus rewards local authorities that have available land and demand for housing, especially for large homes in high council tax bands. This policy therefore tends to reward wealthier areas at the expense of more deprived communities where developers are less likely to want to build, or where land can be more expensive to redevelop. This is of concern to the Liverpool City Region given that the region contains a comparatively high proportion of deprived communities. Furthermore, the resources now identified (£2bn) by the Government to fund the New Homes Bonus is double that proposed in the current Comprehensive Spending Review, which inevitably leads to even greater top slicing of resources in the new Business Rates Retention system.

For example, a projection of future New Homes Bonus likely to be received by 2018/19 and of funding lost as a result of an eventual £2bn top slice shows Liverpool City Council could lose over £26 million as a result of the funding being distributed as part of New Homes Bonus rather than forming part of the start up funding allocations under the Business Rates Retention System.

The National Audit Office has also stated that the policy has failed to deliver its policy objectives. Therefore, the Liverpool City Region believes that the **New Homes Bonus should be revoked** as part of the Spending Review. If the Government persists with the scheme, it should as a minimum be funded outside the local government finance system to stop the top slicing of resources allocated on a needs basis. To redress the balance, the scheme should also offer developers more incentives to build homes in areas that require affordable housing and regeneration.

3.8 NHS Funding for Social Services

The integration of Health and Social Care is critical to the delivery of services that make the best use of resources to support people effectively. The Liverpool City Region is pleased that the Government throughout the current Comprehensive Spending Review period has acknowledged that funding for health and social care services are at risk from the ongoing cuts by continuing with the NHS grant funding until 2014/15. The purpose of this funding is to mitigate against an increase in admissions and costs to the NHS budget.

This funding now supports essential social care budgets and is funding that the NHS has not required. Therefore, the Liverpool City Region supports the **permanent transfer of this funding** from the Department of Health control total to the Local Government control total as part of the Spending Review.

However, it is important that any treatment of Department of Health resources subject to transfer to local authorities as part of the Spending Review is protected like all other Department of Health resources and that **funding also increases to accurately reflect the demand for adult social care services**. Along with demographic pressures, the policy to deliver care closer to the home is placing additional financial demands on community based services such as social care and reablement.

3.9 Adult Social Care Reforms

Liverpool City Region authorities are doing what they can to constrain increasing costs in adult social care. The Government's proposed reforms in adult social care (Dilnot proposals) will mean little if the system itself is not adequately funded to take account of the ongoing pressures posed by rising demand and increasing costs. The Liverpool City Region does not consider this to be just an issue about the increase in the number of older people, but also increasingly includes working age adults living longer with disabilities. The levels of savings in adult social care achieved by local authorities in the current Comprehensive Spending Review are not sustainable going forward.

The City Region asks the Government to continue the reform of adult social care with clear, transparent and meaningful dialogue on how social care will be funded in the future. **It is imperative that policy changes are fully funded to ensure that they can be implemented without impinging further on already stretched adult social care budgets**.

3.10 Public Health Grant

The Liverpool City Region is concerned about how this grant will be treated in the forthcoming Spending Review and also about the workings of the future allocation formula proposed by ACRA in last year's Department of Health engagement on Public Health funding.

The Liverpool City Region believes that the Public Health Grant should be:

- A Specific Grant that is adequately weighted to take into account levels of need and deprivation;
- Protected alongside other Department of Health funding;
- Progressively increased in real terms to help control expenditure on high cost health care in the future;
- Subject to a slow and long term pace of change; and
- That the introduction of payment by results should be delayed.

The Liverpool City Region would welcome early discussions on the health premium incentive. We believe that financial incentives need to be balanced with additional resources to support individuals that have the least assets and the greatest challenges in relation to health improvement.

3.11 Specific Grants

The Liverpool City Region continues to support the **use of Specific Grants for new Government initiatives or new burdens** on local authorities. This method of grant allocation helps local authorities to meet the demands of the Government.

The Liverpool City Region believes a number of grants within the Business Rates Retention System should be reverted to Specific Grants in the Spending Review to ensure they cannot be subject to generalised cuts in funding in future years as RSG is cut by the Government, for example:

- Concessionary Fares - It is not possible to determine how much individual authorities receive for concessionary fares to ensure the costs of the national scheme are fully funded by the Government in accordance with the new burdens regime.

3.12 Waste

The Liverpool City Region authorities are disappointed that the Government has withdrawn the Waste Infrastructure Credits for the region's waste project, worth approximately £6m per annum over the life of the contract. The project to date has incurred significant investment by the district authorities and future savings that could be made are going to be more difficult to achieve in future years. The Liverpool City Region authorities ask the Government to provide recompense for costs incurred by the Liverpool City Region that could then be used to support operational cost pressures faced by authorities in the region that limits improvements in recycling.

Despite the withdrawal of government funding, the region has agreed to continue the project and has confirmed the preferred bidder for the Resource and Recovery Contract. The contract will run from 2016 and will mean that 90% of the waste stream will be treated, reducing landfill to only 10%.

It is in our view that the landfill tax escalator has now served its purpose and has provided sufficient incentive for authorities to divert waste from landfill. From a Liverpool City Region perspective, further increases to landfill tax will not deliver any further environmental benefits, but may only serve to raise new income to the Treasury. The City Region recognise locally, that our efforts now need to focus on resident behaviour change, for example by making it easier for people to recycle and incentivising change.

3.13 Scope for Further Cuts

The Government has already made it clear that it expects pay restraint in the public sector through 1% pay awards and cessation of incremental progression and has stated that as part of the Spending Review it will adjust the funding control totals accordingly. The Liverpool City Region is concerned how this translates into the funding control total for local authorities as previous pay restraint has meant reductions to the overall local government control total, not based on employee costs. This unilateral approach is not appropriate, especially now funding is distributed via the Business Rates Retention System.

In the recent Budget, the Chancellor announced significant changes to how pensions will be funded, including the cessation of **contracting out of National Insurance** for employees and employers. The changes will save HM Treasury significant costs that were previously saved by local authority employers. Therefore, the Liverpool City Region ask that the Government makes the equivalent transfer to ensure the overall **transfer is cost neutral** to local authority budgets.

Liverpool City Region authorities are doing what they can to constrain increasing costs in adult social care. The City Region asks the Government to be **honest about what services are actually being cut** as part of the Spending Review such as core services i.e. adult social care, and children's services plus Tailored Grants like Supporting People. For example:

(i) The Government claims it has maintained the localisation of Council Tax Support Grant quantum within the Business Rate Retention System, which actually means services supported by RSG were cut in 2013/14 by 23% and not 17%; and

(ii) In 2011/12, the Government claimed that the cuts to Supporting People were not as great as claimed by some local authorities after taking account of Floor Grant. However, damping was never applied to this specific area and was only provided in general terms, which did expose Supporting People budgets to large cuts in funding.

The Liverpool City Region would support the review of any other primary legislation that could be amended to allow local authorities to recover costs of services from the private sector to contain future liabilities they face, especially in the context of cuts in funding. For example, highways maintenance budgets continue to receive significant cuts in funding, which make it more difficult for local authorities to maintain the condition of the public highway. However, if Section 38 of the Highways Act 1980 was amended to make it clear that local authorities could charge developers for commuted sums for highways maintenance this would allow local authorities, if they so wish, to adopt new highways with full budget provision received against future liability and thus not increase the pressure on current highways maintenance budgets.

3.14 Roll-out of Community Budgets

The Liverpool City Region is keen to see the extent to which the four whole place community budget pilots could deliver local public service reforms, and significant financial benefits over the longer term. However, it is felt that this will only be **achieved with the complete buy in from all Whitehall departments**. Indeed, since the majority of the financial benefits of integrated local approaches to public service delivery would accrue to the Department for Work and Pensions, Department of Health, the Home Office, and the Ministry of Justice, the Liverpool City Region feel it is essential that these departments benefiting from the approach share in the upfront investment needed to deliver it in each area.

The **Government also needs to ensure that the right pre-conditions are in place that will help to facilitate budget alignment and data sharing** across local government organisations and Whitehall departments. The Liverpool City Region remains concerned that the differential treatment of VAT between local authorities and other public agencies remains as a barrier to limit the most effective delivery of services across Government departments in the region. Therefore, the Government should allow other public agencies to receive VAT exemptions to enable shared services and efficient cross sector working.

3.15 Dedicated Schools Grant

Liverpool City Region local authorities have sought to protect early intervention services from the full effect of budget reductions, due to the positive impact that these services have on tackling child poverty, improving life chances and reducing costs to statutory services in the long-term. However, this position is difficult to sustain, given the restrictions to how schools can contribute to early intervention through the Dedicated Schools Grant. Indeed, the most recent reforms have also stopped Schools Forums from entering into 'pooling' arrangements of this sort.

Without increased flexibilities, there is a risk that schools and services such as child protection and children social services will bear a greater financial burden in future years, as problems that present later are typically more complex and costly.

The Liverpool City Region, therefore, ask the Government to:

- Change the rules on the use of the Dedicated Schools Grant to allow schools to work with councils to support early intervention;
- Commit to finding ways to provide local authorities with a stable funding outlook and support effective financial planning including funding for schools and removing ring-fences in children's services; and
- Formalise the School Forums' flexibilities and responsibilities to enable them to best meet local needs.

3.16 Capital

The Liverpool City Region was disappointed that the Government top-sliced the Local Government Finance Settlement by £100m in 2013/14 to support capitalisation across local government. This seems primarily to be a central government financial accounting issue as local authorities already pay for capitalisation out of future revenue streams. Therefore, the Liverpool City Region would like future **capitalisation to be allowed without any further top-slice of local authority funding**.

Accessing capitalisation resources usually comes with stringent conditions with an emphasis on authorities using reserves first. Clearly, this will pass immense pressure onto Council budgets and will impact the delivery of local services. The Liverpool City Region would also like the Government to be more flexible than it has been previously with regards its approach to capitalisation, such as allowing unsupported borrowing for all aspects of capitalisation. In addition, the Government could allow capitalisation beyond redundancy, for example short term invest to save schemes that will deliver the efficiencies and savings required to balance their budgets i.e. shared services investment.

Local authorities have seen significant reductions in capital allocations during the current Comprehensive Spending Review. The Government should acknowledge the role it must play in helping areas, such as the Liverpool City Region to grow. London and the South East has benefited significantly from investment for the Olympics and Cross Rail. A review is needed to ensure that **more capital support is directed to the regions.** The Liverpool City Region believes that a significant proportion of the increased capital expenditure (£3bn per annum) announced by the Chancellor in the Budget should be allocated to local authorities or partners in the region (i.e. Local Enterprise Partnership (LEP) and Integrated Transport Authority).

3.17 Promoting Growth

The Liverpool City Region has a long history of partnership working on economic development. We believe that greater decentralisation through local growth deals will support the Liverpool City Region to make a step change in the performance of its economy. The government's decision to devolve more growth funding to a single pot at LEP-level is a significant step towards this. However, the policy detail is still unclear.

The Liverpool City Region asks that the **Government creates a cross-government single investment pot for LEPs with a long period of budget certainty.** The broadest and largest possible pots will give regions the best opportunity to accelerate economic growth. Also, any process for allocating funding takes into account the significant jobs deficit in the Liverpool City Region of around 90,000 and impact of welfare reforms on the local economy (as detailed below).

LCR local authorities are keen to benefit from growth through business rate retention as this funding can help to protect and sustain front line services. In light of this, we ask that **any increases in the local share of business rates be retained by local government**, and that Government considers ways of increasing the local share.

The Liverpool City Region would also support HM Treasury to work closely with the LGA to develop a local authority bonds agency to provide alternative sources of public finance [capital].

3.18 Single Property Board

The LGA has prepared its own submission to government ahead of the Spending Review announcement. The Liverpool City Region is largely supportive of the response; however it does have concerns about the proposed Single Property Board. The LGA suggests that the model for local growth deals could incorporate a Single Property Board that would set the strategy for the use and disposal of local and national public sector land and assets.

This may have potential to bring some benefits, for example, it could encourage a more strategic approach to the release of public land for development across an area. However, there are also many risks and uncertainties attached to the proposal. For example, how would the Single Board fit with existing local authority level governance and political decision making processes? Could a Single Board serve to add another level of bureaucracy? **The Liverpool City Region would welcome further discussion on the value and purpose of a Single Property Board**.

3.19 Transport

The Liverpool City Region welcomes the proposal to devolve transport funding into a Single Growth Pot. The principle of devolution is a fully supported and established policy position in the Liverpool City Region. The City Region has recently created a Local Transport Body (LTB) to manage policy making and funding decisions. It includes senior representation from the LEP, the Merseyside Integrated Transport Authority, and all local authorities. The LTB demonstrates the Liverpool City Region's commitment to joint working on major transport schemes and that governance arrangements are in place to support the funding process for the Single Growth Pot.

The Liverpool City Region has concerns about the national proposals to reduce the role of the Highways Agency and to engage the private sector in the maintenance of the strategic network. There is a risk that this could lead to a reduction in the level of infrastructure investment (due to the focus on profit generation) and regional differences in the charge for maintenance work. **The Liverpool City Region ask the Government to ensure that the DfT Feasibility Study addresses these concerns.**

In line with our commitments to localism and devolution the Liverpool City Region also supports:

- Greater local flexibility across the English National Concessionary Travel Scheme – The concessionary scheme prescribes who is eligible for a travel pass, the times it can be used and on what form of transport. Increased local flexibility would enable local authorities to use the limited funding more effectively to meet local demands;
- Greater Powers through the Traffic Management Act (Part 6) – Greater powers to allow local authorities to determine parking restrictions locally without applying to the Secretary of State would enable local areas to manage issues such as traffic congestion more efficiently and effectively; and
- More local influence over future rail franchises and the targeting of funding –Liverpool City Region believe that increased local control over rail services, by devolving greater responsibility for commissioning and managing franchise arrangements, will support activity to drive economic growth. Government will recall that this is also an 'ask' in the Liverpool City Region Growth Deal.

3.20 Skills

The Liverpool City Region authorities are committed to raising the level and relevance of skills to reflect employer demand and boost productivity. This is being progressed on a City Region scale through the LEP and Employment and Skills Board. However, current skills policy and funding is fragmented across age groups. This can hinder efforts to establish a responsive and effective skills system. **The Liverpool City Region would welcome greater devolution of skills policy and funding to the Liverpool City Region Skills for Growth Bank.**

The Liverpool City Region supports that local authorities and their partners should:

- secure employer led place based mechanisms to set and deliver skills priorities;
- become the default commissioners of all programmes seeking to get the most disengaged young people up to 24 years old back into work training and education;
- build on pilots that deliver outcome based funding to provide incentives to providers to focus that provision that is mostly aligned to economic outcomes;
- coordinate Information, Advice and Guidance resources and services to maximise the impact on Raising the Participation Age and NEET;
- co-design, with Jobcentre Plus and Work Programme providers, joint packages and employment programmes for hardest to reach young people and ensure that these link to the £100m Big Lottery Talent Match programme; and
- commission wage subsidies announced as part of the Youth Contract, engaging small and medium enterprises and targeting young people with most to gain from public subsidies.

The Liverpool City Region also asks that government also consider the re-introduction of some form of targeted maintenance allowance to encourage young people into education and training where there are financial barriers to engagement.

3.21 Welfare Reforms / Universal Credit

The Government has implemented significant welfare reforms over the last couple of years, in advance of the introduction of Universal Credit in 2013. Evidence shows that the reforms have had a disproportionate impact on the Liverpool City Region authorities. It is estimated that when the welfare reforms come into full effect, the average loss per working age adult in Britain will be £470 a year. In the Liverpool City Region, this loss rises by more than £190, to £663 per working age adult. In terms of the wider economic impacts, the reforms are projected to take £650m away from the City Region economy; this is equivalent to 2.7% of the local economy[2].

The welfare reforms place significant new burdens on local authorities and their partners such as housing providers. The Liverpool City Region seek a commitment from the Government that **all additional costs faced by local authorities and their partners as a result of welfare reform, both direct and <u>indirect</u>, are fully met through new burdens funding.**

For example, early feedback on the implementation of Local Welfare Assistance Schemes suggests that wider council services (such as debt advice, social care and children's services) are experiencing increased demand, as those that administer assistance are able to identify problems and signpost residents to a wide range of appropriate support services. However, this indirect cost is not recognised in the Social Fund allocation.

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[2] Sheffield Hallam University (April 2013) Hitting the poorest places hardest: The local and regional impact of the Welfare Reforms.

Greater freedoms and flexibilities for DWP to share information with local authorities will also help to reduce the administration costs of Local Welfare Assistance. For example, basic details on whether a client has previously applied, been awarded or rejected from support by DWP could help Local Authorities to speed up the application process.

The Liverpool City Region also asks that the Spending Review **commits funding for Local Welfare Assistance schemes after 2014/15**.

The change to **Universal Credit will also place significant new burdens on local authorities** to deliver the large scale transfer of millions of claimants between 2013 and 2017.

For example, public access to IT via libraries and one stop shop services where residents can access the internet at low or no cost, plus guidance on how to use IT will be a fundamental requirement of the Government's Universal Credit proposals – implemented by digital default. However, an estimated 204,200 adults in the Liverpool City Region have never used the internet[3]; national evidence suggests that a significant proportion of these residents will be RSL tenants. Therefore, local authorities will be required to support these residents; the increased demands in services must be reflected in the funding for Universal Credit.

The Liverpool City Region accepts that as claimants transfer to Universal Credit there will be reductions in the number of Housing Benefit claimants and there will be a requirement for Government to reduce the Housing Benefit and Council Tax Benefit Administration Grant. However, the City Region authorities do not agree that the current methodology should continue to be used because local authorities will be left with fixed costs that will not reduce as claimant numbers dwindle. Indeed, costs could remain within local authorities for several years after the last Housing Benefit claimant transfers onto Universal Credit and the Government must ensure that adequate funding is still provided.

4. Conclusion

The Liverpool City Region was concerned by the significant level of risk transfer from central government to local government in the current Comprehensive Spending Review period. Currently, there is a rising level of risk that local authorities are expected to resolve, without the resources available to the Government i.e. taxation powers or borrowing. The examples of risk transfer that have, or will, occur are:

a. Moving away from a 'needs' basis for allocating resources;
b. Requiring large savings without commensurate flexibilities to implement them i.e. capitalisation;
c. The changes to the Business Rate regime;
d. Welfare Reform (i.e. Universal Credit);
e. Council Tax capping; and
f. Council Tax Benefits localisation, a reduction in funding, and an inability to share that reduction across the whole population.

[3] City of London Digital Inclusion Dashboard Tool (2012).

In areas, such as the Liverpool City Region, the above changes represent an unprecedented fiscal challenge, threatening the livelihood of the community and essential services. The Government has not quantified or acknowledged the varying cumulative impact by region or authority, of these combined initiatives. Therefore, the Liverpool City Region asks the Government to engage with authorities on evaluating this regional impact prior to the Spending Review and seek to mitigate the impact of the changes to date on the worst affected areas in the Spending Review.

Finally, the Liverpool City Region believes that there should be an Equalities Impact Assessment of the collection of changes made by the Government in the current Comprehensive Spending Review period plus its proposed Spending Review plans for 2015/16 and beyond to determine the effects on wider outcomes, for example, health, child poverty, vulnerable groups and educational attainment.