The fiscal and funding outlook for 2020 and beyond

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Councils have faced a continuing squeeze

Between 2009-10 and 2015-16, English councils’ spending on services fell around 18% in real terms (22% per person)

Cuts slowed in recent years

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Plans for 2020 & beyond still to be determined

Spending Review
- Overall spending envelope set in Spring Statement?
- Departmental allocations (inc. MHCLG) by time of Autumn Budget

Business Rates Retention
- Consulting now, with full plans after Spending Review

Fair Funding
- Consulting now, with full plans (inc. transition) after Spending Review

Social Care Green paper
- Imminently???????
The end of Austerity?

Real increase of £18.9 billion between 2018–19 and 2022–23

Compared to a £7.6 billion real cut implied by Spring Statement plans

Note: RDEL refers to Public Sector Current Expenditure in Resource Departmental Expenditure Limits (PSCE in RDEL).

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Not exactly...

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Indexed values (2018–19 = 100)

Protected RDEL (inc NHS)

Real RDEL

Unprotected RDEL

£3.5 billion by 2023–24 extra to keep at 2019–20 level
£6.5 billion by 2023–24 extra to keep at 2019–20 level per person

Note: RDEL refers to Public Sector Current Expenditure in Resource Departmental Expenditure Limits (PSCE in RDEL).
How could these plans change?

How will government respond to student loans re-classification?

• Changed *nothing* in reality, but will increase reported deficit by £17 billion (0.8% national income) in 2023-24
• Change fiscal targets?

The B word

• Chancellor indicated extra money if ‘good deal’
• No deal could also be accompanied by a spending boost to support economy, but in long-run likely mean more spending cuts / tax rises

Positive or negative shocks to economic outlook

• Recently spent windfalls but borrowed to cover shortfalls – risky?
What about local government in particular?

75% rates retention and abolition of general grant funding due in 2020

- Stronger local financial incentives for property development/growth
- A more financially self-sufficient local government sector?

Govt will still have levers to give to / take from councils though

- Choice of retention rate and grants/responsibilities to be rolled in
- Net tariff or top-up to system to remove/add funding
- Level of any remaining grants, and whether other taxes devolved

Councils will face a range of spending pressures

- Ageing population and increasing needs; rising labour and other costs
Tax revenues unlikely to keep pace with costs

Without additional funding, this would imply further cuts to other services
The Fair Funding Review

Update the distribution of funding between councils

• Could have significant impact on individual councils’ budgets
• Proposed ‘foundation formula’ likely to benefit more affluent rural/suburban areas over more deprived urban areas
• Impact of changes to social care formulas still unknown and is important

An opportunity to bargain for more funding for local government?

• Losers likely to make more political noise than winners
• Recent precedent: additional funding found for schools to help implement national funding formula
Summary

Current plans imply further cuts for unprotected services after 2019-20

• Changes to plans more likely to increase funding in short-medium term
• Long-term outlook depends on economy: Brexit impact, productivity

Continued above-inflation increases in council tax would mean councils budgets likely to grow in real terms

• But unlikely by enough to meet rising costs/demands of services
• Reduce services? Keep & increase grant funding or devolve additional taxes?

Fair Funding Review is formally about distribution not level of funding

• But will additional funding be provided to compensate losers?
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