



The picture so far

The Government is failing to recognise the cumulative effects of the funding reductions and budgetary changes it has made since the emergency budget in 2010. Taking all Government measures into account, it is startling to see the differences in funding between regions which have appeared. For example SIGOMA found that by 2012:

- London and South East budgets grew by £235million over the last three years, whilst the rest of England has shared a net loss of £4.5bn.
- The East Midlands lost £160 in funding per head compared to London which saw a gain of £45 in funding per head.
- SIGOMA members make up 15 of the 20 authorities worst hit by funding changes.

The Government has shifted its policy away from funding authorities according to need, instead distributing funding according to business growth and new house build. This leaves those authorities with the highest costs and some of the weakest economies at serious risk of being underfunded, almost to breaking point. This point is reinforced by the impact of individual policies highlighted below:

Revenue cuts

- When the incoming coalition government made emergency cuts in 2010, 46 of the 50 most deprived authorities in the country suffered a reduction in funding above the English average.
- The average English local authority suffered a 0.65% cut whereas SIGOMA authorities suffered a 0.9% loss in direct revenue funding in 2010- 11.

New Homes Bonus Scheme

- SIGOMA authorities are suffering an 11.8% shortfall in funding following the redistributive effects of the New Homes Bonus¹. For example, in the North West this is a 6.4% shortfall compared to South East authorities who, on average, are gaining a 7.3% increase in funding.

Council Tax Freeze Grant

The Council Tax Freeze Grant provides relief to the tax bills of residents.. However the grant leaves authorities with low tax bases and low value housing at a disadvantage compared to a grant based on cost of services. For example:

- Manchester is estimated to lose around £11.6m under the Freeze Grant system, yet Essex will gain £8m.

Health funding

When local funding for health care is analysed against assessed spending need, it becomes clear that past spending has not done enough to address the significant health inequalities across the country. Future spending on public health and primary care must seek to reduce this gap, rather than widen it.

- Kensington and Chelsea have been allocated a primary care budget that was 21.7% more than its assessed needs, whereas Stoke on Trent had a shortfall of 5.2%.

¹ The New Homes Bonus Scheme (NHB) is funded through top slicing of needs-based funding and then local authorities are paid according to the number of new houses that are built.

The future looks bleaker

A further 15% real term cut in the budget available to local government for 2015-16 was announced in the June Spending Review and estimates in the table below show that the poorest areas are set to suffer the most.

When combining the estimated impact of cuts to authorities with the cumulative impact of welfare cuts the differences, outlined below, are dramatic. Research by Sheffield Hallam University has already concluded that there is a clear and unambiguous relationship between a more deprived local authority area and the level of impact of welfare reforms.

Region	Loss of funding to local authority area per head		
	Loss of funding by 2012	Estimated loss of funding by 2017/18 excluding Welfare Reform	Estimated loss of funding by 2017/18 including Welfare Reform
South East	£18	£92	£305
Eastern	£109	£178	£427
London	+ £45	£70	£436
South West	£107	£177	£444
England	£85	£188	£487
East Midlands	£160	£252	£535
West Midlands	£141	£265	£571
Yorkshire and Humberside	£138	£257	£571
North West	£126	£267	£627
North East	£146	£305	£665
SIGOMA authorities	£158	£318	£685

A fair future

The Autumn Statement may deliver further cuts to local authorities. The Local Government Financial Settlement as well as the allocation of funding for Clinical Commissioning Groups (CCGs) may well widen further the division between the better-off and poorest areas.

SIGOMA knows that there is a need for cost savings to be made within local government and authorities should be incentivised to improve council service but policies must be implemented fairly so all areas in the UK can flourish. To do this SIGOMA asks Government to:

- Undertake an **evaluation of the holistic impact of the cuts** and funding changes, since 2010, including welfare reform.
- Re-establish a **link between the cost of services and the funding** provided to run them.
- Ensure that health funding reflects the aim of government to **reduce health inequalities**

SIGOMA

Special Interest Group of Municipal Authorities
(outside London) within the LGA

SIGOMA is the collective voice of urban areas representing most of the large towns and cities in the Northern, Midland and South Coast regions of England.

SIGOMA's membership comprises 33 Metropolitan Districts and 12 major Unitary Authorities with similar characteristics. The combined population of SIGOMA authorities amounts to over a quarter of the population of England and its member account for over 25% of English local government expenditure.

Projected impact of local government finance cuts by 2017-18

