

Report of:	Elected Mayor & Executive Member for Finance and Governance, Strategic Director of Finance, Governance and Support
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AGENDA ITEM 10

Submitted to:	Council, 5 December 2018
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Subject:	Fair Funding Review - Tees Valley Chief Executives briefing paper (extract)
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Summary

Proposed decision(s)

That the Council notes the extract from the briefing paper prepared by the Tees Valley Chief Executives regarding the Government's Fair Funding Review.

Report for:	Key decision:	Confidential:	Is the report urgent?
Information	No	No	No

Contribution to delivery of the 2018-22 Strategic Plan

Business Imperatives	Physical Regeneration	Social Regeneration
None, as the report is for information only.	None, as the report is for information only.	None, as the report is for information only.

Ward(s) affected

The proposals have no direct impact on wards within Middlesbrough.

What is the purpose of this report?

1. This report presents to Council for information an extract from the briefing paper prepared by the Tees Valley Chief Executives regarding the Government's Fair Funding Review.

Why does this report require a Member decision?

2. The report does not directly require a member decision, but provides essential context for the members when considering the most recent iteration of the Council's Medium-Term Financial Plan (MTFP), which is set out in the *Strategic Plan Update, Medium-Term Financial Plan, Budget Proposals 2019/20, and Investment Strategy Review* report to be considered by this meeting of Council.

Report Background

Fair Funding Review - Tees Valley Chief Executives briefing paper (extract) 21 November 2018

Summary

3. The impact of austerity cuts has meant a direct increase in deprivation in the population, coupled with a severe decrease in funding and new demands on services emerging, in particular in children's services; and this has had a disproportionate effect on the people of the Tees Valley compared to more affluent areas.
4. Despite the impact of funding reductions, Tees Valley authorities have continued to promote economic growth in their areas and to transform their delivery models to innovate so that they can continue to deliver for the most vulnerable in society. Gross Value Added across the Tees Valley has increased substantially since 2010. Had the funding regime since 2010 been fairer to the increased needs of Tees Valley authorities – and even if the cuts to local government budgets had been shared more equitably – there would have been much more potential to grow the area further.

Tees Valley Picture – funding levels and impact of austerity on the population

5. The LGA has said there is a £3.9bn funding gap across the sector to fund existing services which rises to £7.8bn by 2024-25.
6. Figures obtained from the National Audit Office via Freedom of Information suggest that there has been a clearly disproportionate effect of the austerity cuts on local authorities in deprived areas such as the North East compared to national averages and to more affluent areas such as Surrey and Berkshire. Some comparators are set out below.

Authority	Budget change in real terms since 2010-11
National	-29%
Darlington	-28%
Hartlepool	-37%
Middlesbrough	-36%
Redcar and Cleveland	-35%
Stockton	-31%

Surrey	-15%
Wokingham	-16%

7. The impact of austerity has also led to a direct impact on the population of the Tees Valley through an increase in the levels of deprivation. More people are now in receipt of welfare benefits; and more people have fallen below the poverty level. This is true in both absolute terms and in relative terms for the Tees Valley compared to elsewhere in the country.
8. Three of the Tees Valley authorities have moved negatively in relative poverty as measured by the index of multiple deprivation since 2010. Middlesbrough is now the 6th most deprived local authority area overall and Hartlepool is now the 18th most deprived local authority area.
9. While funding has been cut disproportionately, the demand for services has also increased disproportionately in the North East as a whole and in the Tees Valley in particular. There has been a 50% increase in the rate of Looked after Children from **61** per 10,000 children in 2010 to **92** per 10,000 children in 2017 (which is now the highest rate of any region). The North East has seen a 50% increase in numbers of looked after children in the last 8 years at a time when the national increase has been less than 15%. In both Stockton and Redcar the proportionate increase is over 80%. Middlesbrough and Hartlepool have some of the very highest rates of looked after children nationally.
10. The growing gap between funding and demand is disproportionately impacting on the most deprived areas of the country such as the North-East. Some cuts have inevitably therefore had to be made in the region in non-statutory areas of the children's social care budget and heavy cuts elsewhere in council budgets.

Impact on police

11. Cleveland Police funding has decreased by £39m in real terms since 2010-11, a reduction of 36%, while demand has risen.
12. Cleveland Police is the area with the 5th highest level of victim-based crime in the country (out of 43) and the 9th largest reduction in funding in the country in percentage cash terms. Similarly, Durham Police has the 6th highest victim-based crime rate in the country and the 5th largest reduction in funding in the country. Some examples of relative reductions and link to victim-based crime are set out below:

Force	Victim based crime per 1000	Rank victim based crime	Cash cut since 2010	Rank Cash Cut since 2010
Cleveland	98	5	-10%	9=
Durham	96	6	-12%	5=
Metropolitan	92	7	-19%	1
Greater Manchester	121	1	-12%	5=
Northumbria	103	4	-15%	2=
North Yorkshire	47	43	-3%	33=
Surrey	62	33=	+1%	43

Impact on NHS

13. The South Tees CCG has seen an approximate 8.3% increase in spend per capita between 2013/14 and 2017/18 taking its total expenditure from £397.482m to £437.017m. Much of this is demand-led and reflects the increase in demand across a range of health services from the population, which again is a potential effect of austerity.
14. Expenditure on mental health services has increased much more quickly than that, increasing by 19.7%, which may reflect a greater need from the population to access these services in times of austerity.
15. The South Tees CCG is now in special measures. In the face of a recent projected £17.3m overspend in 2018-19 (including an agreed £5m deficit) it is planning to deliver £22m of savings in 2018-19 across a range of areas.

Impact on outcomes

16. This has had an impact across a wide range of key measures given the link between deprivation; reductions in funding and outcomes. For example:
 - Child poverty in the Tees Valley area has increased from 28.7% in 2013 to 31.3% in 2017 and the gap against the national average has widened by 3.3%; and
 - Between 2009 and 2015 the gap in healthy life expectancy between the national average for men and the worst performing local authority area in the Tees Valley effectively doubled to 12.4 years; and for females it more than trebled to 14.9 years.

Economic Growth in the Tees Valley

17. Despite the clear impact of austerity on the people and the local authorities and other public authorities of the Tees Valley, local authorities have continued to promote economic growth successfully. According to the Office for National Statistics, Gross Value Added in Darlington per head of the population increased by 20% between 2009 and 2015 and increased substantially in all other areas.
18. Authorities are delivering housing growth in the Tees Valley with ambitious plans in each authority area. In the past five years, 8650 homes have been built across the Tees Valley and the annual rate of build is planned to rise from an average of 1730 to 2160.
19. And there are some fantastic examples of transformative economic projects in the Tees Valley:
 - Central Park, Darlington is being regenerated as a strategic mixed use site including housing, jobs, education and innovation;
 - Queen's Meadow Business Park in Hartlepool has been successfully developed as part of the Tees Valley Enterprise Zone;
 - Middlesbrough has worked with Tees Valley Combined Authority and invested in the Tees Advanced Manufacturing Park which will regenerate the area, bring up to 1000 new jobs and make a commercial return;

- Kirkleatham, Redcar and Cleveland is being developed as an inspirational place with a walled garden and catering and horticultural academy; and
- Stockton has remediated the North Shore site including the development of the iconic Infinity Bridge and enhanced connectivity via major highway improvements.

Conclusion

20. These levels of economic growth have occurred despite the pressures caused by funding reductions in local authorities, the impact of economic shocks such as the closure of SSI and the impact of austerity on the wider population. It is clear that had these pressures not constrained the efforts of local authorities then economic growth would have been even better.

21. Our case to the Fair Funding Review is therefore that if we get the necessary radical overhaul of the funding regime which properly reflects need in the Tees Valley we will be able to deliver even more benefit to the people of the Tees Valley and support the economic growth of the country as a whole.

What decision(s) are being asked for?

22. That the Council notes the extract from the briefing paper prepared by the Tees Valley Chief Executives regarding the Fair Funding Review.

Why is this being recommended?

23. So that members are aware of the issues arising from the Government's Fair Funding Review and the response of the Tees Valley Chief Executives to the consultation on this.

Other potential decisions and why these have not been recommended

24. Not applicable.

Impact(s) of recommended decision(s)

Legal

25. Not applicable, as the report is for information only.

Financial

26. Not applicable, as the report is for information only.

Policy Framework

27. Not applicable, as the report is for information only.

Equality and Diversity

28. Not applicable, as the report is for information only.

Risk

29. Not applicable, as the report is for information only.

Actions to be taken to implement the decision(s)

30. None, as the report is for information only.

Appendices

None

Background papers

No background papers were used in the preparation of this report.

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