



**SOUTH WEST
COUNCILS**

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Dear Robert

Financial lobbying for local government across the South West

We are writing as Leaders across the SW about our financial position in the context of the Covid-19 crisis across the region. Whilst I appreciate that individual councils have lobbied you regarding funding, the financial situation is so critical that we are united in also lobbying as a region, with one voice regardless of tiers of local government. We have led our communities through the coronavirus crisis to protect the most vulnerable, support local businesses and try and keep normal services running. In parallel we play a vital role in now supporting our communities through recovery and into renewal of our regional economy. This will bring further challenges driven by increased unemployment, business failure, demands for children's social care and mental health, fragility in the adult social care markets and our leisure industries and further pressure to our high streets, to name a few. We want to continue to provide local leadership to recovery, however this will be difficult to help drive forwards if we have to rebuild our finances. It is therefore critical that councils emerge from Covid financially strong and enabled to provide this place-based leadership. This is vital for our long-term recovery but even in the short term the region has a particular role to play in helping to regulate the return to normal, we provide a welcome retreat for citizens from other regions whilst needing to carefully manage the consequences of that.

SW Economic research

South West Councils commissioned Oxford Economics to review the impact of Covid and the outcome forecasts a potential loss of 13% productivity and unemployment of 7.4% on average across the region, with a gradual recovery from 2020/21 and return to previous performance only by 2027. It also highlighted that the areas most impacted are Tourism, Retail and Manufacturing. We are determined to work with national government to achieve the regeneration of the SW region, combatting the impact of Covid-19 on our communities and businesses and mitigating these forecasts. Our region is clear that the employment and skills agenda, so crucial to economic recovery, needs leadership and pace. We remain focused on keeping businesses afloat and people in work, however we need your support to achieve this:



INVESTOR IN PEOPLE

- skills devolution,
- data flow linked to the Job Retention Scheme so we can target sectors, businesses and individuals,
- funding for short-term interventions for delivery over the next two to three months focused, amongst other things, on re-skilling and creating employment opportunities within sectors with growth potential.
- long term investment in infrastructure

Latest financial forecast for the SW based on recent returns

The financial position, despite two welcome tranches of funding from government, is unsustainable. The latest MHCLG returns shows a financial challenge of over £1 billion across the region with six councils worried about running out of cash by the end of the summer. This is a financial challenge on a scale and a timescale we have not faced before. Only by concerted action between central and local government can we meet this challenge and protect our communities and economy. We need further funding and financial flexibilities in the weeks and months ahead to meet ongoing Covid-19 pressures and to keep services running normally.

Spending pressures are a significant element of the £1 billion cost, totalling over £440m across the region. The most significant cost pressures are in Adult Social Care, Children's Social Care and Education, totalling over 60% of the cost. This reflects fragile markets with providers experiencing extraordinary staffing and PPE costs and voids in residential homes.

In the SW, as across the country, councils have dealt with austerity by a series of transformation, efficiency and savings programmes. Some of our transformation programmes have been delayed, representing a further 17% of the additional spend costs. This reflects capacity to transform as we focus on our response to the pandemic and indeed ability to transform some services such as Adult Social Care when the priority is again focusing on caring for vulnerable residents.

Cost pressures, whether Adult Social Care or delays in transformation, will continue into future years until programmes can be delivered, if they still can at all. This is a clear illustration that this is a medium to long term issue, not one that the level of support announced to date will solve.

In addition to our increased costs and demand pressures, we are also experiencing a significant drop in income, over £274m across the region. We rely on these diverse income sources e.g. car parking, leisure, longstanding rentals and charges to fund services, with some LAs disproportionately impacted by their loss. We are especially vulnerable to income loss in the SW, given that one of our key economic strands is tourism, which brings the significant revenues, to councils directly and to our communities that pay Council Tax and Business Rates. It is already clear that the 2020 summer season will not be "normal" in any way – the full scale of the damage is still emerging, and it will not be a quick fix.

We would want to stress that while some Councils in the SW have made recent commercial property investments to produce a surplus on the associated borrowing costs, this is only to a small degree, and is not material across the Region. From our analysis the commercial income we generate is overwhelmingly from regeneration projects and

from rental in traditional infrastructure. This is the kind of local authority investment that has helped our economy grow for many years and will be even more crucial to help us emerge from this crisis.

In his letter to Councils on 28th May Alex Skinner of MHCLG spelled out the priorities that government financial support to Councils is intended to meet. It must be recognised that the pressures on Councils from Covid go far beyond this narrow definition. In the May 2020 returns, over £350m of pressures in the SW (excluding Collection Fund) fell outside of this definition and this figure is likely to have risen in the latest returns. Councils will have to balance their budgets overall, not just by priority areas, e.g. large shortfalls in income we are seeing mean that base levels of all our services are under threat.

The impact on collection fund losses are estimated to exceed £293 million across the region, a significant source of council funding. This is a huge concern as we see employment and benefit claims rise and businesses cease. The pressure in 2020/21 is one thing, however it becomes even more challenging moving into 2021/22. When added to level of uncertainty we face regarding 2021/22 funding, it poses a significant financial risk to local authorities.

Implication of current financial position for local authorities

The financial concerns being experienced are culminating in emergency cabinet and council meetings across the SW with councils contemplating significant budget reductions to deal with this problem. Without further government funding and with a legal duty to balance our budgets, this will mean major cuts to key services, and a reversion to minimum interpretations of statutory duties. It will mean job losses and a reduction in our ability to help people, communities and employers at just the point that they need that support most acutely. The focus on balancing revenue budgets is likely to have a negative impact on capital investment, as councils review their borrowing costs, and other required investments such as transport, none of which support the economic recovery in the way we want to. This cannot be the right thing for the Region or the UK.

We are also concerned about the potential failure of particular sectors across the South West, for example Tourism attractions and our cultural sectors.

We are pleased that Government have indicated it is working on a comprehensive plan to address the ongoing financial challenges councils face this financial year. We urge the Government to bring forward details as soon as possible and ensure it addresses the key elements of the pressures facing councils – additional costs and loss of income including both non collection fund income and our income relating to business rates and council tax.

We also urge government to give some certainty to funding for 2021/22 and beyond, recognising the on-going pressures from Covid. Without certainty of future funding we will again face further cuts to balance budgets, particularly as the increased costs in social care markets are likely to remain and the strain on collection fund losses continues.

The role the SW can play in recovery and economic renewal

We recognise that the current crisis is different to that of 2008 and requires different interventions underpinned by quality local leadership. We have already demonstrated our importance as local leaders, collaborating and harnessing the power of place and operating in partnership at the local, regional and national level in joint endeavour to aid communities. There are many examples of recovery and renewal plans being developed

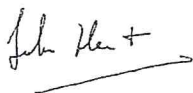
with growth at their heart. We are already working with government to attract investment and indeed identify opportunities to work collectively to de-risk potential investments to make them more attractive to investors, via our LEPs, Western Gateway and Great South West. We want our recovery to be growth led but recognise that investors are attracted by the ability of places to demonstrate resilience and so with government's support we can provide that place-making leadership across the SW to boost our local economies. We would welcome more place-based deals and tailored approaches to individual localities from Government, enabling us to maximise the benefit of our capital programmes, Government support and investor interest. Investment by Government to enhance fibre, digital and transport connectivity and ensure energy supply resilience are also all vital in underpinning investment confidence in our region. We need greater devolution around the skills agenda and related funding; infrastructure investment at the heart of the growth agenda; business support flexibilities at the local level so we can respond to local circumstance; and Government being more flexible in relation to funding, whether that is bringing support packages together to enable more cohesive approaches in what we are trying to achieve for our places or making funding available earlier e.g. already providing access to the first two or three years of the UK Social Prosperity Fund.

Summary

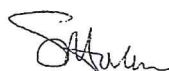
In summary, to continue our journey of recovery and renewal effectively we need immediate additional funding to cover our expenditure and income losses. Without this additional funding in 2020/21 and into 2021/22, vital services will be cut and some councils in our region may fail altogether. We also need greater flexibilities in many aspects of how we, as councils, operate in the months and years ahead. Without it, the foundations on which we need to build in our societies and economies simply won't be there.

We look forward to your response and immediate action.

Yours sincerely



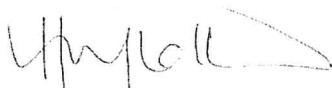
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Chairman SW Councils and
Leader Devon County Council



Cllr Stephen Jordan
Deputy Chair SW Councils and
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Cllr Spencer Flower
Vice Chair SW Councils
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Cllr Helen Holland
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Cllr Julian German
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