

What the Spending Review Means for Essex

Leader's Executive Statement to Full Council, December 8 2015

Mr Chairman, fellow councillors,

I would like to say a few words on the Government's recent spending review and what it means for Essex.

Two weeks ago, the Chancellor laid out the Government's long-term economic plan for the country and showed that it is working.

We're now have one of the fastest growing economies in the world. There are more people in jobs. And we are on track to be back in the black by the end of the decade.

Returning the country to surplus and paying down the debt inherited in 2010 is sound fiscal and economic management and absolutely the right thing to do for the country.

But while it is good news that health, police, schools, defence, and overseas aid were all protected from cuts, local government was hit the hardest again.

Local government knows we must play our part get our country back in the black.

Indeed that's exactly what we have done.

We are the most effective and efficient arm of government. In Essex, we have saved over £500 million in the last five years, while freezing council tax every single year.

As always, the devil is in the detail. But as that detail slowly trickles out, we are beginning to see a gloomy picture emerge.

Mr Chairman, it is true that there were some good things in there for local government.

The promise that councils will keep 100% of business rates is a hugely important shift in how local government is funded and something that we have long called for.

A £1.5 billion increase for the Better Care Fund will help with health and social care pressures.

We know now that funding will fall by almost a quarter by the end of the decade.

And we will only see the benefits of many of the good things contained within the spending review, like business rates, towards the end of the parliament in 2020.

Yet the revenue support grant is already being cut and increasing pressures are being felt now, such as the National Living Wage.

So things are going to get worse, before they get better.

We have found millions of pounds of savings and protecting, while improving frontline services by innovating and doing things in new ways. But we are not a bottomless pit.

We are not a reservoir that Whitehall can keep tapping and tapping.

As Lord Porter, Chair of the LGA, said: even if we stopped filling in potholes, maintaining parks, closed all children's centres and libraries, and turned off every street light local government will not have saved enough money to plug the financial black hole we face.

We need to be open and honest with the people of Essex. We will not be able to shield our communities from the impact of these cuts.

Mr Chairman, let me turn to the big announcement for local government that most people are talking about – the social care precept.

A lot of people are saying that the "social care precept" is a big win for local government.

But it's important to remember that the national funding void for social care is £7.9bn.

Even if every council raised a 2% social care levy, this would only plug 1.7bn of that void –less than a quarter of what is needed.

The same is true for Essex – a 2% social care levy on council tax would raise around £11m, while pressures from just the Living Wage are around £18m next year alone.

It is also worth considering that this would cover less than half of the cuts to local government.

The £1.5 billion for the Better Care Fund is certainly welcome news and we are pleased that the Government have listened to us and recognised the need to fund social care.

But the bottom line is even with both these measures we won't have enough money to pay for the rising cost of care.

So we will need to make some difficult decisions about what services we provide and how they are paid for.

Essex is a low tax county. We have frozen council tax for the last 5 years.

But clearly in the wake of the spending review, every council across the country is going to have to give serious consideration to increasing council tax next year.

Mr Chairman, people have said that councils should spend our reserves to plug our funding void.

But it's not as simple as that.

Firstly, most reserves *are* ring-fenced, meaning they have to be spent on contractual obligations that we can't avoid.

In Essex, this figure is 80%.

Second, you can only spend them once.

Our general reserve is just 6% of our budget and would only cover 23 days of council spending before it was completely gone.

And finally, local authorities are legally bound to deliver a balanced budget.

As the Institute for Fiscal Studies have said, keeping a modest level of reserves is simply responsible financial management.

But as with council tax, there is no doubt that councils across the country are going to have to look at this to make ends meet in the short-term.

So absolutely it was a difficult spending review for local government.

Mr Chairman, our council now faces some of the most significant financial challenges it has ever faced.

Essex will deal with these challenges over the next five years. We always do.

Through smarter working and cutting bureaucracy.

By innovating and transforming the way we deliver public services – being more targeted and focusing on prevention and early intervention.

And by working much more closely with our local partners – whether by joining up our health and social care services or coming together to win more powers from central government through devolution so that we have a greater say over the things that matter to our residents.

But we will need to make some very difficult decisions as well.

Some things we currently do will not be sustainable in their current forms.

Essex will remain a low tax authority, but we need to look at our revenue to ensure we can maintain outstanding care for the elderly and most vulnerable.

And we may need to look at our reserves in the short-term.

In conclusion, tough time are ahead. But we will manage the finances responsibly as we know the conservatives always do.