

## **SOUTH LONDON PARTNERSHIP SPENDING REVIEW 2021 SUBMISSION**

### **South London Partnership – who are we?**

The London Boroughs of Croydon, Kingston, Merton, Richmond and Sutton collaborate sub-regionally as the South London Partnership.

With a population of 1.2 million, our part of London is a fantastic place to live, work and visit. It offers a great quality of life, good schools, a broad housing offer, a network of open spaces and world class culture and leisure opportunities. Our diverse communities take pride in coming from or living in their part of the UK's capital.

With close proximity to central London and the UK's two busiest airports, our sub-region contributed £32 billion to the UK economy with 440,000 jobs in 2019. Connections within and beyond the sub-region are strong: 37% of our residents commuted into central London pre-pandemic, 47% worked within the sub-region and many commuted out of London to key economic hubs like Gatwick, while local businesses also relied on inward commuting from neighbouring boroughs and outside London.

High average resident earnings have always masked particular challenges in our sub-region – which have been exacerbated by disproportionate health and economic impacts of the pandemic:

- long-standing inequalities with areas and communities facing poverty and lack of opportunity, held back by multiple drivers of deprivation including low skills, poor or costly housing, and poorer health outcomes
- high levels of in-work poverty in all of our boroughs (the highest being at 44% of employees earning below the London Living Wage)
- poor connectivity with 65% of residents living in areas with the poorest levels of public transport accessibility
- a productivity gap driven by dominance of micro-businesses (93%), self-employment and the connectivity deficit.

### **Impact of the pandemic and actions to support recovery**

Like everywhere, the pandemic has had a huge impact on our residents and economy:

- unemployment rose significantly and while it is now falling 6% of our working age population were receiving Unemployment Benefits in May 2021, more than twice the level in March 2020. Young people, over 50s, ethnic minorities, and those who had previously faced challenges and barriers to work are disproportionately affected and expected to face ongoing challenges despite wider labour market shortages;
- financial pressures on poorer families have increased significantly with 15.3% of our working age population on Universal Credit in June 2021, nearly twice the rate in March 2020;
- pre-pandemic challenges of in-work poverty linked to high housing, transport and living costs have been exacerbated with 37.9% of our peak forecast Universal Credit claimants expected to be in work; and
- our sub-regional economy is estimated to have contracted by 12% in 2020 and to lose 32,000 jobs over 2020 and 2021, with our long-standing productivity and lower growth challenges meaning our economic recovery is expected to be slower than elsewhere. The significant economic impacts of the pandemic in central London, Gatwick and surrounding areas will also impact on our sub-region.

While each facing different issues, which they continue to respond to locally with a range of partners and innovations, our boroughs share some key challenges. We are committed to working together to tackle these and take full advantage of the many opportunities across our area to **tackle inequalities, support economic recovery and future growth, and address the climate emergency.**

Our SLP Economic Recovery Action Plan [[link<sup>1</sup>](#)] sets out our five priorities and actions:

1. *helping residents into good work*
2. *supporting innovation to stimulate jobs, growth and productivity*
3. *improving infrastructure connectivity*
4. *addressing the climate emergency*
5. *revitalising high streets and economic areas*

## Key Challenges for the Spending Review

The impact of the pandemic has seen Business Rate income fall, Council Tax recovery fall and total income losses continue. It is estimated that ongoing income losses after Government compensation will exceed £20 million for SLP boroughs in 2021/22 and the path to full recovery of these losses remains very uncertain. At the same time, we see rising pressure on children's and adult services, mental health services and already stretched housing and homelessness services. All our boroughs (like every local authority) have suffered a major "shock" to their finances. The ripples from that initial shock and the increased pressure that is likely to come on critical services will be felt for some time yet. However, we remain ambitious for our Boroughs' recovery and it is vital, particularly in the short and medium term, that this is not destabilised with further avoidable financial instability.

It is against this background that we set out a series of core challenges for the Spending Review:

1. **Funding levels for local government to be (as a minimum) sustained for at least two years** to ensure that the recovery programmes that are so important for the regional and national finances are not undermined. This would require the equivalent of a rollover "plus" of all existing funding (ie including time-limited funding that has been provided for refugee programmes, homelessness and mental health).

Beyond 2023/24 there should be a **long-term settlement for local government** that recognises the economic reality, reduces the burden on business rate payers and provides a secure funding base for critical adults and children's services which make up an average of 71% of our boroughs' budgets.

2. **Sustainable funding for adult social care immediately and on a long-term basis as part of substantial reform.** SLP boroughs are facing pressures of £30.3 million in adult social care for 2022/23. High costs of living and competition from within the sector and with other sectors are creating workforce challenges that are now critical, compounded by a large self-funder market that is creating upward cost-pressures meaning that we are facing system-wide threats for this winter. These will be exacerbated by wider economic factors including inflation, the extra 1.25% on National Insurance and share dividend tax. Our ability to meet the need of vulnerable adults and support NHS resilience through swift hospital discharge and preventative action to avoid unnecessary admissions cannot wait. But a sustainable long-term reform and funding plan for social care is also needed as soon as possible.

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<sup>1</sup> [www.southlondonpartnership.co.uk/slp-economic-recovery-action-plan](http://www.southlondonpartnership.co.uk/slp-economic-recovery-action-plan)

3. **Sustainable funding for children’s services including SEND, children’s social care and CAMHS to keep pace with the increasing demand.** SLP boroughs face an expected growth pressure of £13 million in children’s social care in 2022/23 and an estimated deficit in Dedicated Schools Grant that will reach £80 million by the end of 2021/22. This will be exacerbated by pressures on high needs budgets of a further £25 million in 2022/23. Additionally, all our boroughs are seeing already high demands for children’s mental health services further exacerbated by the pandemic (eg 43% increase in referral to CAMHS Tier 2 services in Kingston and Richmond in the last 12 months) with delays in access to preventative and NHS-led services presenting a real long-term risk to demands on the NHS as mental health risks are left to escalate. Sustainable funding that reflects the growing demand is vital to give all children and young people a good start in life, and should include full funding of the costs of any unaccompanied asylum seeking children.
4. **Reforming homelessness funding so that it more accurately reflects local need and area costs** including decoupling it from core funding, abolishing the caps on Local Housing Allowance and establishing a longer-term Rough Sleeping Initiative programme building on ‘Everyone In’. Poor and declining housing affordability (housing was 63% less affordable in 2020 than in 2009, compared to 24% across England, with an average SLP house price to median earnings ratio of 11.78) and historically high levels of homeless mean SLP boroughs face a ‘perfect storm’ of demand with pressures exacerbated by the need to support Afghan refugees and the unfurling impact of the end of the evictions ban, removal of additional support and the wider economic impacts of the pandemic.
5. **Investment to secure the economic recovery for all and future productivity and growth for the benefit of our sub-region, London and the UK as a whole.** Enabling us to fulfil the ambitions in our SLP Economic Recovery Action Plan, in particular by:
  - a. **securing sufficient provision of employment support with borough engagement, flexibility and capacity to tailor and join up provision to meet the needs of those facing the most complex and enduring challenges in finding work** to enable them to earn a decent living and support themselves and their families. For us, this would focus on young people, over 50s whose jobs will not return and need to reskill, the low skilled – to enter work or progress to better income, ethnic minority groups facing long-standing inequalities, and those with health or disability barriers to work;
  - b. **supporting local partnerships to stimulate business innovation, productivity and growth** including complementing our [BIG South London](#) initiative by:
    - i. increasing public innovation/R&D funding in South London (currently 39<sup>th</sup> of 41 areas across the whole UK for UKR&I and Innovate UK investment) to unlock productivity and growth. The CBI’s Regional Scorecards illustrate our innovation investment gap, with South London R&D spend at £129 per capita of workforce against a London-wide average of £661;
    - ii. reversing plans that will decimate south London universities’ funding, including the cut of 14% to teaching grants, and undermine their capacity to contribute to skilling our future workforce and to local economic recovery;
    - iii. ensuring that UK Shared Prosperity Fund regional allocations at least match former EU funding and, alongside skills and employment support, supports innovation adoption especially in micro-businesses (93% of SLP’s business base) to improve productivity and create new jobs and growth.

- c. **investing in transport, digital, housing and wider essential infrastructure**, particularly:
- i. addressing South London's long-standing public transport deficit to support economic recovery and avoid a car-led recovery:
    - a) committing the necessary investment to deliver the Brighton Mainline Improvements, Sutton Tram Link and dual-tracking of the train line to Belmont to unlock the London Cancer Hub
    - b) reversing South West Trains' proposals and preventing any others that would maintain reduced pandemic suburban train services, thus disincentivising the return to public transport – and developing a fully funded South London suburban rail plan to attract more passengers through increased frequency, reliability and accessibility of services
    - c) stabilising TfL's funding with a long-term financial deal so it can support south London's recovery including investing to stimulate further growth in walking and cycling and a return to and growth in public transport usage, addressing our long-standing public transport deficit
  - ii. accelerating the roll-out of digital infrastructure in south London to support economic recovery and address digital inequalities
  - iii. committing sufficient funding on a multi-year basis to Homes England or directly to boroughs to unlock the viability of significant development opportunities (eg Morden Town Centre)
  - iv. investing in our ageing key infrastructure, including flood defences to avoid the ongoing damage, disruption and costs seen in recent flash flooding incidents
- d. **investing in retrofitting, decarbonising transport and sustainable urban drainage** – for SLP and neighbouring Wandsworth the cost of retrofitting 644,000 properties will be £17 billion. To stimulate and support 'able to pay' residents to retrofit as part of wider housing renovations, SLP needs £1 million to set up a programme akin to *Warm Sussex* or *Cosy Homes Oxford* that would become self-funding within the lifetime of the Spending Review. In addition, 6,400 public electric vehicle charging points will be required and sustainable urban drainage will cost an estimated £35 million per borough.

## Conclusion

London is a vital and inextricable part of the UK economy. The South London Partnership sub-region made a significant contribution to the capital and the country before the pandemic. It has the assets, the potential and the partnerships to rebound and both continue and increase that contribution. But our boroughs need stability of funding and our people, economy and places need the right investment to overcome long-standing and exacerbated challenges and to ensure that our recovery is for all and contributes to addressing the climate emergency.

We have a plan for recovery and growth. We are committed to working in partnership with national government, with businesses, with universities and other anchor institutions and with our residents and communities, to deliver a strong, sustainable and inclusive recovery that benefits locally and makes a significant contribution to London and the wider UK.

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