Creating sustainable local government

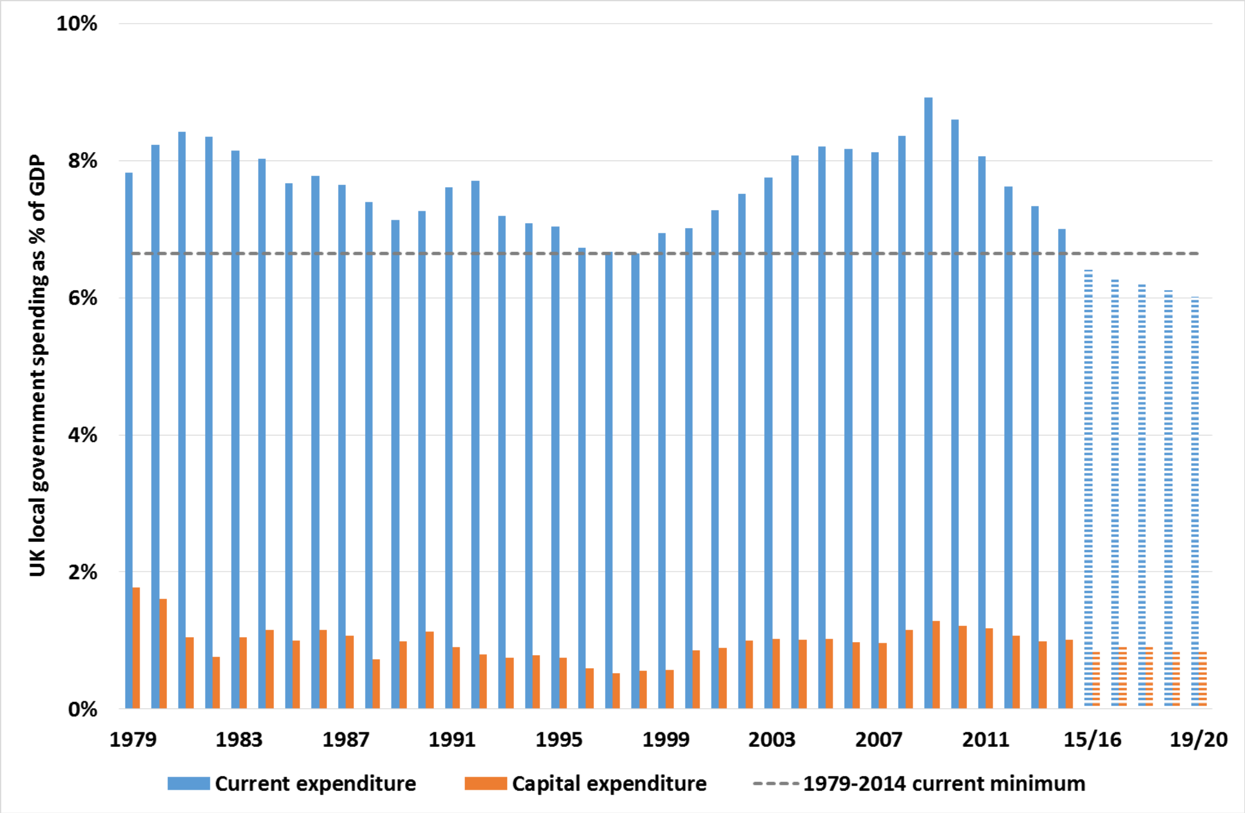
New Policy Institute for APSE

A bird’s eye view of local government

These statistics, from the Office of National Statistics and the Office for Budget Responsibility, measure the economic resources deployed by UK local government.

Cutting through the noise about devolution, they show that UK local government in 2015/16 is smaller than at any time since before 1979. By 2020, it will be smaller than at any time since before 1948.

UK local government spending as a share of GDP: current spending, already below the 1979-2014 minimum, is projected to go on falling to 2020



GRANT SETTLEMENT IN SCOTLAND

85% comes from Scottish Government

24% real term decrease 2010/11 to 2014/15

3.5% decrease 2016/17

£500m - £350m + £150m

9th year of council tax freeze

Localisation of business rates

GRANT SETTLEMENT IN WALES

- 80% still comes to local government from Assembly through RSG and NDR
- 3% decrease between 2010/11 – 2014/15
- Cash allocations to Wales' 22 councils with cuts ranging from 0.1% in Cardiff to 4.1% in Powys.
- local government revenue funding at £4.099bn.
- "This represents a decrease of 1.4% (£57m) compared to 2015-16. This is a considerably better settlement than local government was expecting and is good news for local services in Wales."

GRANT SETTLEMENT IN NORTHERN IRELAND

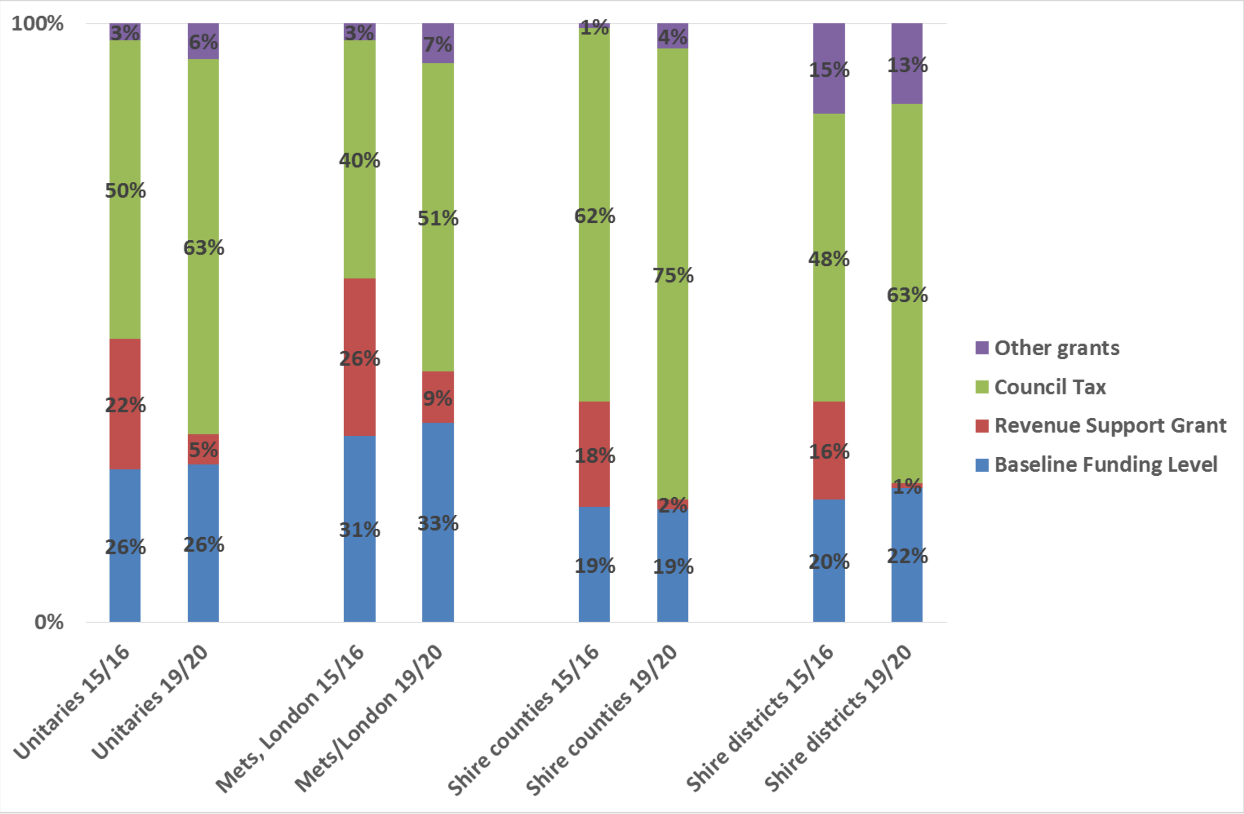
75% income collected through rates
12/13% decrease 2010/11 to 2014/15
£900m expenditure
Anticipated drop to £882m

The balance of funding

These statistics compare the components of "core spending power" in 2015/16 and 2019/20 for five LA groups. Fire authorities and the GLA have been left out. "Baseline funding" is a sort of central estimate of what will be raised through business rates.

By 2020, council tax will never have mattered more, everywhere contributing more than half of funding and in Counties, three quarters.

Balance of core spending power 15/16 and 19/20: as RSG shrivels beyond London and the Mets, most LA funding will come from council tax

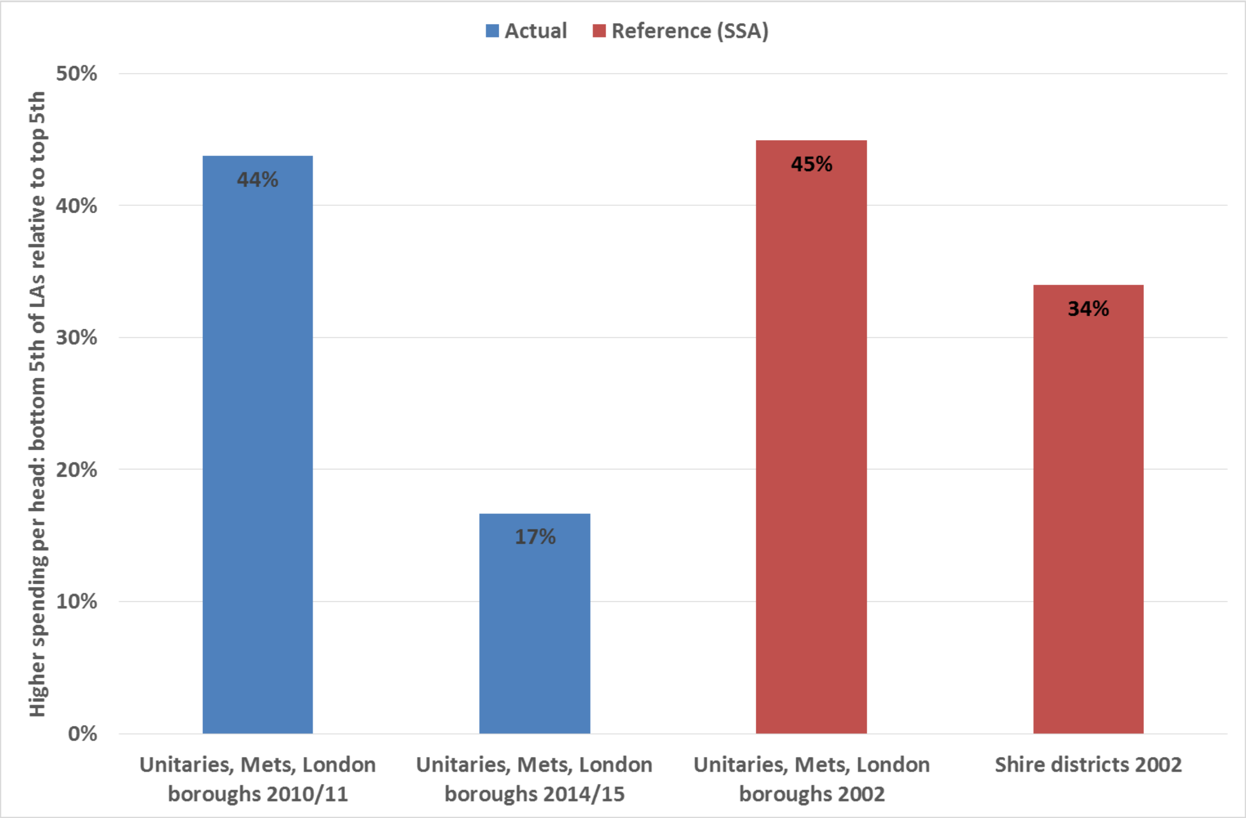


Extra funding to meet higher needs

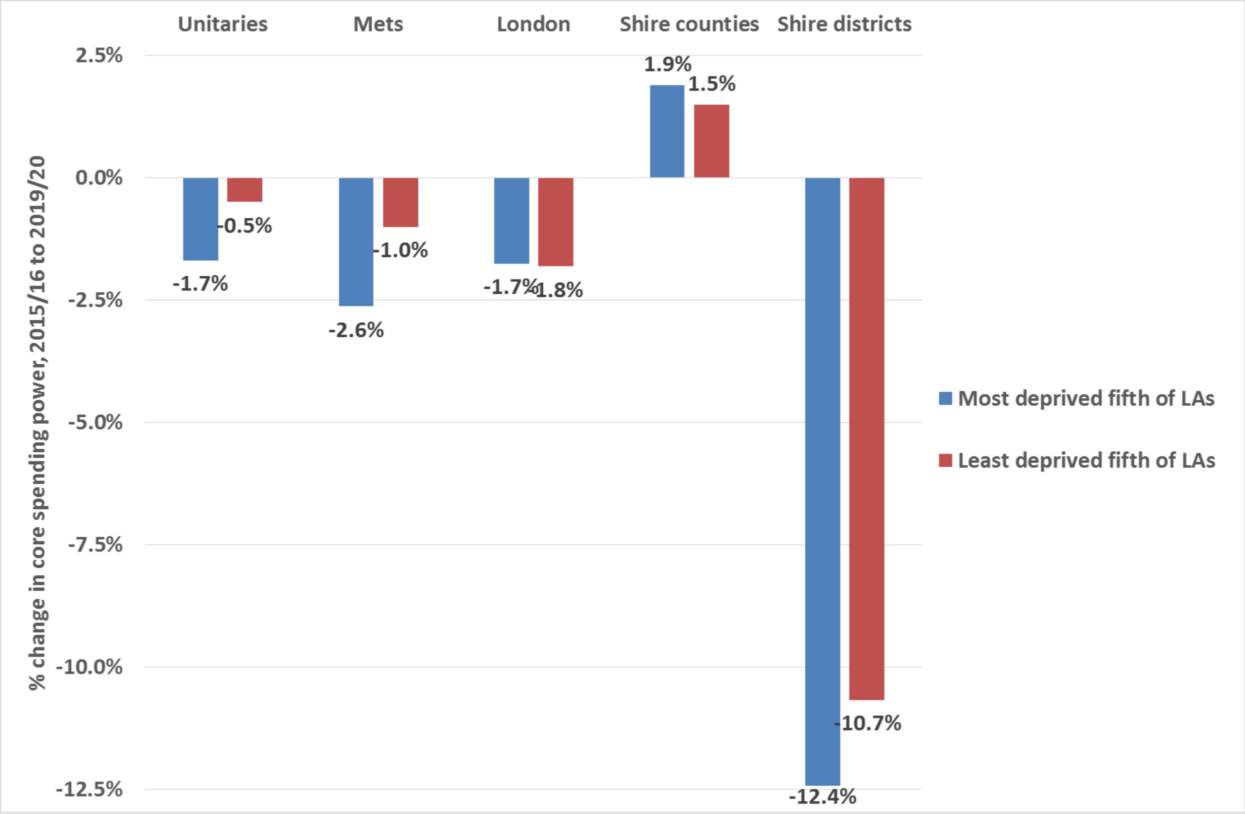
The extra funding for more deprived areas (measured by the IMD) fell sharply under the Coalition. Looking back, the first graph benchmarks the fall in per capita spending against the assessment of need that held for a decade from about 1994.

Looking forward, the second graph shows nearly uniform percentage spending cuts to 2020 for the most and least deprived LAs. The sharp fall in extra funding has therefore almost – but not quite – stopped

Additional spending per head in the most deprived 5th of "all purpose" LAs (Unitaries, Mets, London boroughs) has fallen way below pre-2003 norms



Percentage cuts in core spending power up to 2020 are still slightly bigger for Unitaries, Mets and Districts in the bottom 5th than in the top 5th

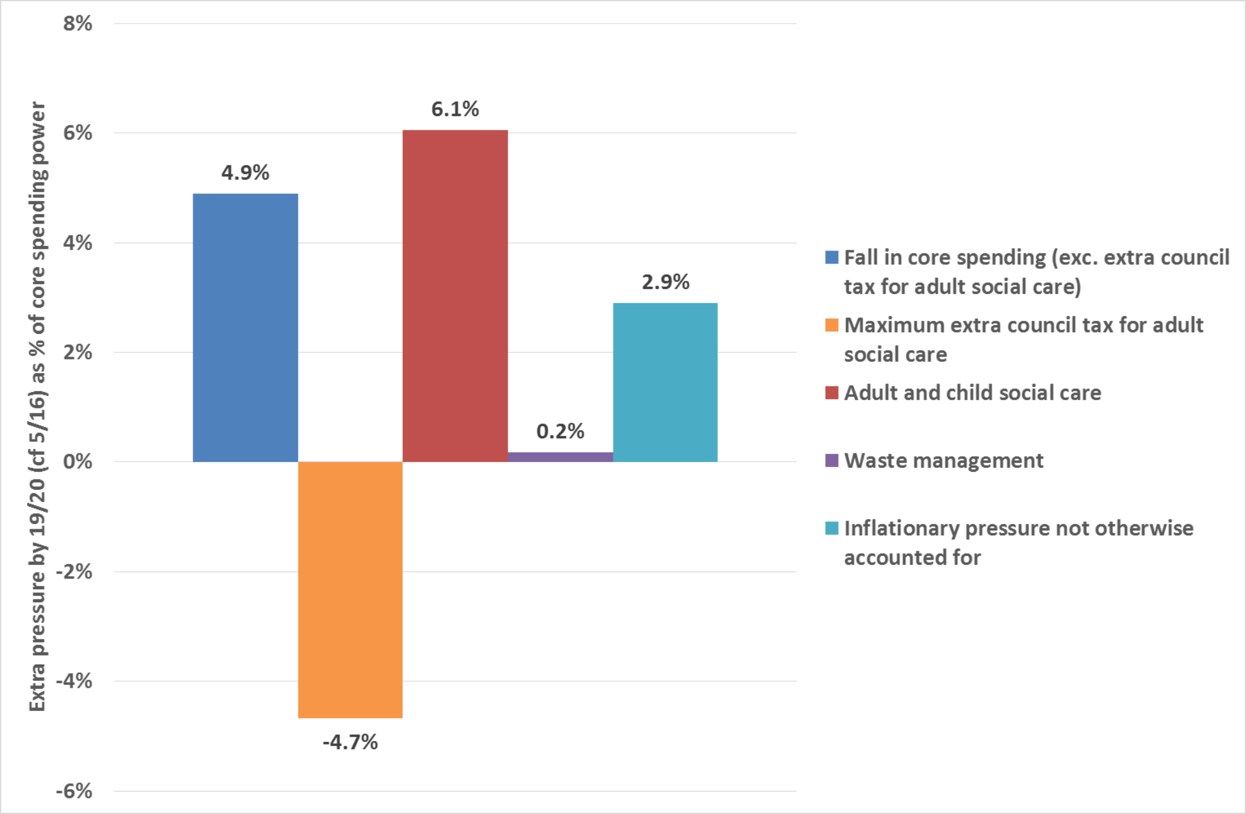


The jaws of doom to 2020

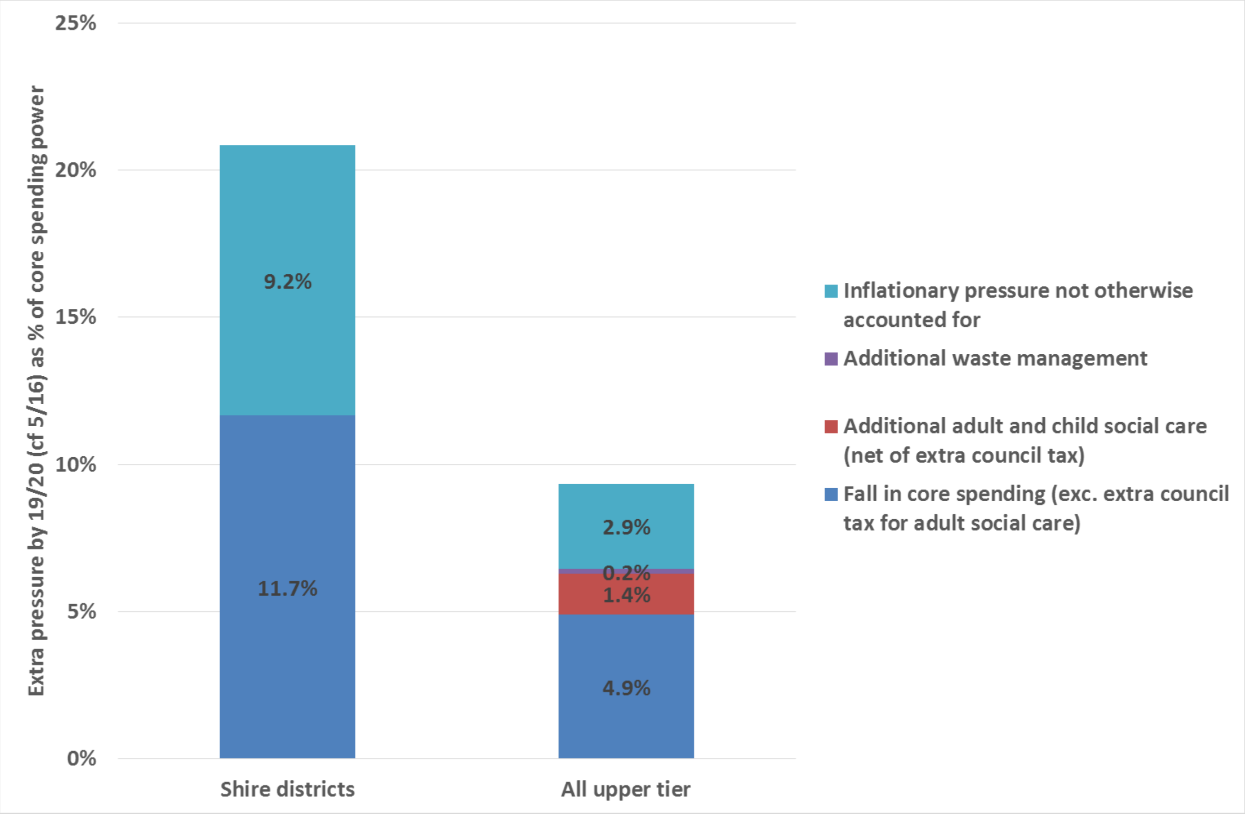
Mixing chalk (the Independent Commission’s assessment of spending pressures) and cheese (core spending power), estimates here of the Spending Review’s effect on the Jaws of Doom shows that Shire Districts face much greater pressure than upper tier Las.

Since the additional CT that can be raised for adult social care by 2020 is enough to meet all the extra pressure coming from there, the “Jaws” story loses its bite.

The additional pressure from social care on upper tier LAs between 15/16 and 19/20 is largely met by the extra council tax that can be raised for ASC



The additional pressure on spending from 15/16 to 19/20 which squeezes upper tier LAs by 9% will squeeze Districts by 21%



THE NEW GRAPH OF DOOM …
2016/17 Settlement - Negative RSG

Year	Shire Counties	London Boroughs	Shire Unitaries	Shire Districts	Metropolitan Districts	Fire	Total
2017/18	0	0	0	15	0	0	15
2018/19	2	1	2	51	0	0	56
2019/20	11	3	8	146	0	0	168

Conclusion: Liveability services

A 9% squeeze on upper tier LAs only looks benign set alongside the 21% squeeze on Districts and the record of the last five years. Liveability services are under threat everywhere.

The extra 2% on CT looks about enough to meet the growth in ASC demand. If so, the case for sustainable local government services – highways, housing, libraries, leisure and recreation, environmental health, planning – must be made in their own right.

What next?

How should local government respond?

What do we do to tackle it head on?

How far can commercialism, municipal entrepreneurship, investments, charging, collaborative innovation take us?

How should APSE respond?