

## Surviving and prospering: local provision in 2011 and beyond

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## Spending Review 2010

- ❑ First SR since 2007 – much delayed
- ❑ Applies to the financial year starting in just 5½ (now 2½) months
  - ❑ Not exactly great for financial planning
  - ❑ Uncertainty may have pushed down spending during 2010-11
- ❑ Local government employment already falling
  - ❑ Down 50,000+ across UK since mid-2007
  - ❑ Overall staff reduction in LG of an additional 100,000+ by 2015

## Analysis of the Spending Review – local government

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- Revenue grants to local government to fall by 27 per cent by 2014-15
    - But, front-loaded
  - Council tax frozen in 2011-12, then uncapped but subject to referenda
    - New Homes Bonus
  - Overall impact will be to reduce revenue budgets by c14 per cent by 2014-15
    - Inevitable impact on capital spending via impact on debt charges: -30%?
  - Broadly -10 per cent for many authorities in 2011-12?
    - Counties less than districts
    - Buckinghamshire among the least affected
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## Reduction in 'spending power' in 2011-12

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- Spending power =  
council tax + government funding
- Buckinghamshire CC: -0.6%
- Aylesbury Vale: -8.4%
- Chiltern: -4.1%
- South Bucks: -3.8%
- Wycombe: -6.7%

NB: formula grant down 14 to 17% in each case

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## Wider reforms – the NHS, schools

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### NHS

- 'Real terms' protection to overall budget
- 20% 'efficiency savings' throughout sector
- Major reforms to PCTs
  - Commissioning passed to GP consortia

### Schools

- 'Real terms' protection overall
  - New academies, 'free' schools
  - Many schools will inevitably lose cash
    - Pupil premium cost
  - FE less generously treated
    - c12% in real terms
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## Wider reforms – police, benefits

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### Police

- Abolition of police authorities
- Directly-elected police 'commissioners'
- Some local oversight
- Major budget reductions

### Benefit system

- Caps on housing allowances for publicly-funded rentals in private property
  - Limits on overall household receipts
  - Council tax benefit to be 'localised' in 2013
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## Wider reforms – Big Society, Localism

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- 'Big Society' is intended to shift the boundary between the State and other, not-for-profit and voluntary bodies
    - Encouraged by lower resources
  - Localism Bill includes provisions for community planning powers, local referenda on council tax (and other issues); power of general competence
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## Short-term impacts on voluntary sector, NGOs

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- Councils' budgets reduced in such a way that impact on funding for voluntary organisations inevitable
  - However, the government's 'Big Society' reforms may be promoted by management buy-outs, new trusts, etc
  - Signals both for expansion and contraction
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## Better or worse than expected?

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- Pessimism had been cleverly generated
    - "25 to 40 per cent" departmental cuts
    - "Worst since the 1920s"
    - "Deepest cuts since 1945"
  - This way of seeing the impact of deficit-reduction has talked-down expectations
  - Only time will tell how bad, and the public's response
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## Early actions the public sector is taking

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- Short term: recruitment freezes, pay freeze, cut overtime, stop new capital commitments, etc
  - Medium term: joint departments and/or officers, improved procurement, contracting out, increase charges; tax base incentives
  - Long-term: transfer of services to a range of institutions, stop providing some services, introduce new charges and taxes
    - NB last week's announcement about staff-operated 'mutuals', co-ops etc
    - Opportunity or threat to trading standards?
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## Identifying key areas of budgetary pressure – generally within LG

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- NHS, schools partly protected
  - Police and fire treated similarly to LG
  - Council services least easy to reduce
    - Children's services
    - Care for the elderly
    - Street cleaning, refuse collection
  - Thus, likely to suffer most pressure
    - Housing
    - Environment
    - Leisure, recreation, arts, museums
    - Regeneration
    - Capital investment
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## Possible resources to underpin investment

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- NB: Public sector investment still above early-2000s level after the planned reductions*
    - Probably rather better than that for Bucks CC*
  - Efficiencies/procurement
  - Reserves and investments
  - Sale of assets and immediate re-use?
  - Higher fees & charges?
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## Resource opportunities

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- Local Economic Partnerships
    - Modest, bottom-up, bodies
    - To bid for Regional Growth Fund
      - Easier in the North than in the South East...
  - Tax base incentives
    - New Homes Bonus
    - Business Increase Bonus
    - Business Rate retention?
  - Tax Increment Financing
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## How to access the resources?

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- Local economic partnerships to become more important as a result of 'localism'
    - Almost certainly as far as regeneration, housing go
  - Private sector regeneration to become more crucial as impact of spending reductions becomes visible
  - Local partnerships will need to facilitate (even) more flexible and pro-growth policies
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## The worst that could happen?

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- ❑ A double-dip recession, leading to...
  - ❑ a slower pace of deficit reduction, leading to...
  - ❑ a need for a longer squeeze on public expenditure...
  - ❑ leading to further reductions in public spending beyond 2014-15...
  - ❑ but no visible sign of a 'Plan B'
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## Conclusions

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- ❑ An unprecedented period for local public sector bodies, partnerships and locally-focused institutions
  - ❑ Need for renewed enthusiasm to grasp opportunities at a time of radical public sector reform
    - ❑ including new ways of delivering services
  - ❑ Need for clear focus on realistic opportunities in medium/long term
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