

Local government funding and services snapshot

Clive Betts MP, 21 November 2016

2010-2015

The spending power of local authorities in England was cut substantially during this parliament. Local authorities' spending per person was cut by 23.4% in real terms between 2009–10 and 2014–15, using a comparable definition of net spending on services over time by single-tier and county councils. Grants from central government (excluding those specifically for education, public health, police and fire services) were cut by 36.3% overall (and by 38.7% per person) in real terms during this period. However, the size of cuts varied markedly across the country, from 6.2% to 46.3%. On the whole, more deprived areas and those that saw faster population growth have seen larger cuts.

Further cuts in 2015–16 generally be focused on the same local authorities that have lost over the last five years. For example, London boroughs face cuts of 6.3% on average next year compared with 1.9% cuts faced by shire counties. Without a change in policy, any further cuts over the next parliament are also likely to affect the same places again.

Service areas that saw the largest cuts to net spending were planning and development (which was cut to less than half its original level), regulation and safety, housing, and transport (all of which were cut by at least 30%). Despite being the largest component, social care (including adult social care and children's and families' services) has seen one of the smallest cuts to date. Despite this relative protection, net spending per capita on social care was cut by 16.7% in real terms between 2009–10 and 2014–15.

<https://www.ifs.org.uk/publications/7621>

https://www.ifs.org.uk/uploads/publications/pr/ebn_pr_local%20government.pdf

In 2009/10, excluding grants for education, police and fire services, councils' revenues in 2009-10 were £59 billion (in today's prices). In 2016-17, measured consistently,

- Councils' revenues will be £44 billion, 26% lower.
- Together, grants and newly part-localised business rates revenue are down 38%.
- Council tax revenues are down 8% over the period.

Highlight service expenditure cuts:

- Planning and development, spend £2.5bn (c 58% cut)
- Housing, spend £3bn (c 47% cut)
- Culture, spend £2.7bn (c 40% cut)
- Transport, spend £7.2bn (c 38% cut)
- Libraries, spend £1.1bn (c 35% cut)
- Social services, spend £23.2bn (c 10% cut)

<https://www.ifs.org.uk/uploads/Presentations/British%20Local%20Government%20Finance%20in%20the%202010s%2C%20David%20Phillip.pdf>

Budget 2016

Further cuts in departmental spending announced.

Overall, a further 3.7% cut between 2015/16 – 20/21. Thus, the real RDEL cut between 2010-11 and 2019-20 is 10.9% total, but a 31.5% (£52bn), RDEL cut outside of DH, DfID, MoD and schools

https://www.ifs.org.uk/uploads/budgets/budget2016/budget2016_rc.pdf

Cuts to English local government spending In England

Local authority spending on public services is funded by revenue from three main sources:

- grants from central government (predominantly from the Department for Communities and Local Government, DCLG),
- revenues from council tax and
- revenues from business rates.

Between 2015–16 and 2019–20, the grants to local authorities from DCLG (which form part of ‘departmental spending’) are planned **to be cut by 56% in real terms**. However, partially offsetting that, the OBR is forecasting that both council tax receipts and the revenues from the proportion of business rates retained by local authorities will grow by around 9% over the period.

Taking these three sources of revenue together, **local government spending power is expected to fall by around 7% between 2015–16 and 2019–20.**

These cuts come on top of the 23.4% cut to local government spending power that occurred between 2009–10 and 2014–15.

Though grants are set to be cut slightly faster over this parliament than last (at an average annual rate of around 17% compared with 13%), receipts from council tax and business rates are forecast to grow more rapidly over the current parliament than they did over the last parliament.

The other notable difference in the planned cuts to local government spending in this parliament compared with the last is that they will be much more equally distributed between local authorities. Previously, cuts in spending power were much greater for local authorities that received a greater proportion of their funding from grants. These are typically poorer local authorities with low council tax bases and/or high spending needs. This pattern arose because DCLG effectively cut all local authorities’ grants by the same proportion, which translated into a larger cut to spending power for those authorities that were more reliant on central grants than for those authorities with greater local revenue-raising capacity. In contrast, the DCLG’s recent ‘Provisional Local Government Funding Settlement’ (which set out the core grant it plans to give to each local authority in each year from 2016–17 to 2019–20) allocated grants in a way that explicitly takes into account the ability of local authorities to raise revenue locally. The resulting cuts to local authorities’ overall spending power are therefore expected to be much more equally distributed, although still greater on average for more grant-reliant authorities.

<https://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch6.pdf>

On the **Business Rates Retention Scheme**, which currently allows local areas to keep up to 50% of the growth in business rates revenues, it finds that:

- 52 (mostly district) councils are forecast to see their overall funding boosted by 5% or more by the scheme between 2013–14 and 2016–17, compared to what they would have received if business rates had been pooled and the amount received by each council had instead increased in line with national growth in business rates revenues.
- On the other hand, 119 councils, including most county councils and metropolitan boroughs, will be relative losers under the scheme, though none will have lost more than 2% of their funding.

<https://www.ifs.org.uk/publications/8705>

Key issues now:

Council services overall:

Local government faces an overall funding gap of £5.8 billion by 2019/20

(<http://www.local.gov.uk/documents/10180/7991192/LGA+submission+to+the+Autumn+Statement+2016.pdf/ae76f5e3-7a8a-49a1-aeb0-67c4fcf61fef>). An average 7% real-terms additional cut in councils' expenditure to 2019/20 will inevitably result in significant further cuts in council services. These will be concentrated in non-statutory expenditure eg culture, transport, libraries, but other service areas will not escape.

Adult social care:

For councils with adult social care responsibilities, roughly 30 to 35 per cent of total budget will be spent on adult social care as a minimum. For some unitary authorities, adult social care is already more than 50% of their total budget.

- Council net spending on Adult Social Care has actually reduced from £14.5bn in 2011/12 to £14.1bn.
- The additional revenue from the 2% council tax precept in 2015/16 will not even meet the additional cost of the Living Wage changes in this sector.
- More than 400,000 fewer people (mainly elderly) receive a service than in 2010.
- The adult social care funding gap is estimated to be £1.3bn pa by 2020.

Adult social care funding: 2016 state of the nation report

http://www.local.gov.uk/documents/10180/7632544/1+24+ASCF+state+of+the+nation+2016_WEB.pdf/e5943f2d-4dbd-41a8-b73e-da0c7209ec12

Councils have projected overspends of their adult social care budgets by almost half a billion pounds in first six months of 2015/16. [2 November 2016]

<http://www.communitycare.co.uk/2016/11/02/councils-overspending-adult-social-care-budgets/>

Homelessness

- Homelessness acceptances now stand 36 per cent above their low point in 2009/10.

- Homeless placements in expensive temporary accommodation have risen by 40 per cent in the last four years and homelessness services face a funding gap of £192 million by 2020.

Children's Social Care

- Councils have seen a 60 per cent increase in the number of children requiring child protection plans since 2008.
- Currently, councils spend £11.1 billion a year of un-ring-fenced funding on children's social care and education services.
- Based on increasing demand and decreasing Government grant, it is estimated that this set of services will produce a funding gap of £1.894 billion by 2019/20.

EU Structural Funding

- EU structural funding for English councils is worth £5.3 billion to 2020.
- The Government has pledged that local areas with existing EU funding arrangements signed off by the time the UK leaves the EU will receive replacement funding once the UK has left.
- However, the vast majority of EU regeneration funding remains tied up in thousands of proposals which are yet to receive government approval.

<http://www.local.gov.uk/documents/10180/7991192/LGA+submission+to+the+Autumn+Statement+2016.pdf/ae76f5e3-7a8a-49a1-aeb0-67c4fcf61fef>

Bus services

- The number of miles of subsidised bus services in England reduced by more than 12% in the past year. This was in addition to previous cuts in service miles since 2010.
- Local authorities have been diverting money from subsidised bus services to fund the gap in the Concessionary Fares Scheme, which councils have a statutory duty to provide. This is the scheme which gives pensioners and disabled people in England free off-peak travel on all local bus services anywhere in England, but it is not fully-funded by the government.

<http://www.bbc.co.uk/news/uk-37951774>

Libraries

Data (29 March 2016) from 207 authorities responsible for running libraries in England shows:

- Some 343 libraries closed. Of those, 132 were mobile services, while 207 were based in buildings (and there were four others, such as home delivery services)
- The number of closures is higher than the government's official estimate of 110 buildings shut
- A further 111 closures are planned this year
- The number of paid staff in libraries fell from 31,977 in 2010 to 24,044 now, a drop of 7,933 (25%) for the 182 library authorities that provided comparable data
- A further 174 libraries have been transferred to community groups, while 50 have been handed to external organisations to run. In some areas, such as Lincolnshire and Surrey, the move has led to legal challenges and protests from residents.

<http://www.bbc.co.uk/news/uk-england-35707956>

Museums and Art Galleries

- Government figures show a £1bn drop, or 28 per cent, in cultural spending by local authorities since 2010 and at least 45 museums have closed since then,
- The Museums Association says the north of England and Northern Ireland have been disproportionately affected. In contrast, national museums, mostly London based and government funded, have been more protected.

<https://www.ft.com/content/89f694a0-f1ad-11e5-9f20-c3a047354386>

- This isn't austerity, it's asphyxiation: can regional galleries survive the cuts?

www.theguardian.com/artanddesign/2016/nov/16/great-works-award-regional-museums-galleries

- One in five of all UK museums had closed a part or branch of their museum to visitors in 2015
- 8 per cent of museums have already starting charging for the entry with a further 12 per cent planning to do so 2016.
- 45% of museums reported an increase in unpaid staff over the past year

<http://www.independent.co.uk/news/business/news/uk-museums-to-introduce-entrance-fees-in-2016-following-government-cuts-a6809806.html>

Police

According to figures from the National Audit Office (NAO), from 2010/11 to 2015/16 central government grant to police and crime commissioners and their equivalents in London including specific grants and council tax freeze grants has reduced £2.2 billion in real terms. This represents a 22% real terms reduction.

Police forces have reduced police officer numbers by about 16,600 (nearly 12% of officer), which is 500 more than originally planned. However, the reduction in police staff and police community support officers (PCSOs) has been greater than planned. There are a fifth fewer police staff, nearly 16,000 fewer compared to the planned reduction of 12,500. There has been a reduction of over a quarter of PCSOs. Initial estimates were for a reduction of nearly 2,000 of the 17,000 PCSO FTEs. The actual reduction has been more than 4,500.

Despite George Osborne's claim to be providing "real-terms protection" for the police, forces actually faced a £160m real-terms cut in their Whitehall funding in 2015-16 and 2016-17. A House of Commons analysis estimated that the £160m cut was equal to the salaries of 3,200 police officers over the two years.

<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7279>