



25 June 2009

## Financial Pressures on Local Government

### SUMMARY

This is a note following a roundtable discussion hosted by Localis and the Audit Commission looking at the financial pressures on local government and the associated themes for how to deal with the effects of the recession. Steve Bundred, Chief Executive of the Audit Commission introduced and concluded the session, with a wide ranging discussion in between. The participants were:

Participant	Organisation
Nick Walkley	LB Barnet
Steve Bundred	Audit Commission
James Morris	Localis
Alison Scott	CIPFA
Elaine Simpson	Serco
Tom Shakespeare	Localis
Chris Francis	IBM
Heather Wakefield	UNISON
Chris Bilisland	City of London Corporation
Mike Morgan-Giles	Localis

- This recession is different from other recessions due in part to the level of borrowing which exceeds previous recessions – leading to the need for massive tax rises in the future or massive spending cuts. We may well soon see VAT rise to 20% and possibly cuts in wages too.
- District Councils are most at risk because of their dependence on charging and investments
- Local Government cannot be complacent in achieving these savings, and efficiency savings alone will not be enough. Other options need to be considered.
- Local Government is currently in the midst of supporting local economies and helping areas to pull through the recession, but in the medium term there will need to be a dramatic reassessment of local government.

### THEMES FOR DEALING WITH THE EFFECTS OF THE RECESSION

#### 1. Local Government Workforce

- **Caution needed in areas with high dependence on public sector jobs** - Job cuts in services have knock-on effects across society. This is of particular concern in some areas where the local government sector provides a quarter of the workforce. There are further implications for women given that they occupy 65% of public sector jobs. One participant said that taking the workforce with you is a general rule of success. Another suggested that there should be a further discussion on the nature of public employment in the long run.
- **Flexible workforce** - There is a need for a more flexible workforce – working in different places at different times. A more flexible workforce could be achieved by greater consultation with staff – many may be willing to work differing hours without expecting any

### CURRENT CLIMATE

• On top of the existing pressures on local government, there are currently financial pressures in unexpected places. For example, domestic violence is up, causing a number of knock on effects elsewhere. Concerns were raised about local government's ability to deal with such knock-on effects when the public sector is so ineffectively joined up.

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additional pay.

- **Innovation** - Staff should be more involved with the process of change within Councils - especially those on the front-line who have direct experience with the problems.

### 2. Reconsidering the role of local government

- **Personalisation agenda** - There was agreement that people should always be put at the forefront of service provision - everybody needs to be able to access services. One participant said that access was a problem across the board. Another said that there was definitely scope for improvement. One participant commented on the need for differing approaches for different people, and outcomes are most important.

- **Joined-up service model** – Seamless, joined up services with total area budgeting. One person mentioned that there are now too many differing relationships in services – and that we now need a new model.

- **Intelligent commissioning model** - Reduce the black/white distinction between public/private/third sectors. Consider decommissioning. One participant commented that many Councils were good at providing services – but poor at buying them. Others commented on the need for greater choice in the commissioning of services, and ensuring the existence of a proper commissioning process. Another said that local government was actually more flexible than being suggested. One attendee highlighted the difference between 'public services' and 'the public sector'.

- **Intelligent decommissioning** – Consider rationing model, where state provides the minimum. Councils need to change expectations of what the state will provide. Councils will need to identify where they can make savings by deciding what to stop spending money on. One participant highlighted the importance of cost

implications when assessing the level of service provision. There were concerns that some services offered by Councils are slowly disappearing. Examples cited included school buses and meals on wheels. One participant questioned the validity of this and argued that services had not been reduced. Moving forward questions remained over the expected remit of a Council. It was noted that this should vary from area to area depending on local expectations. Others highlighted the wider benefits services such as libraries and spending on the arts can offer towards reducing social breakdown and economic dependency.

- **Use of charging and trading powers** - One participant commented that Councils should be willing to reduce operations in areas which are not affordable, and should seek new ways to top up existing income, focussing on them instead.

### 3. Reconsidering the shape of local government

- **Structure** – There is an issue over the benefits of Unitary Councils over two tier areas.

- **Political leadership** - Political leadership important and should be enhanced.

- **Transparency and engagement** - Greater transparency required throughout the sector in order to engage residents.

- **Better dialogue with central government** – Councils should push harder through the LGA for more independence, and more joined up services.

### 4. Local Government Finance

- **Different areas have different priorities** - One participant questioned whether wage equalisation across the country was a worthwhile concept, particularly given that the costs of living differed and therefore so should wages. In opposition to this, another cited that there was

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scope for variation and played down the problems with equalisation. Question as to where resources should be diverted. One participant commented that only London and the South East are self-sustainable and therefore they should receive the majority of resources, so that they are better equipped to support the rest of the country.

- **Incentives** - A couple of participants said that Councils were not being properly incentivised to promote business growth and economic development in their areas. An example cited was the tax bill on empty buildings which could lead to a 'perverse situation'. One attendee commented on the need for money to be raised at a local level in order to properly incentivise Councils. Another asked how a locality would be defined – citing London as a prime example of people living in one place but using services from a number of areas nearby.

### 5. Efficiency savings

- **Room for improvement** - Local government can undoubtedly make savings - as spending has doubled on it since 1997. Councils make poor use of capital assets, and should look to bring them into more profitable use or look to decommission.

### CONCLUDING REMARKS BY STEVE BUNDRED

#### Three key themes:

##### 1. Issues about the workforce

- Need to think more intelligently about this
- Public services different from public sector
- Employees are now often agency staff
- The equalisation argument cuts both ways

##### 2. Improvement

- No one used this word during the discussion
- There is a need joined up services
- Need to engage users, such as in situation of recycling

##### 3. Role of the State

- What is the minimal offer of the state?
- Any further need for social insurance?
- Personalisation debate should be discussed further
- What should count as extra/additional service offered?

### FOR MORE INFORMATION

Localis is an independent think-tank dedicated to issues related to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

For more information about Localis, please visit the Localis website at [www.localis.org.uk](http://www.localis.org.uk) or phone 0207 340 2660. For more information on this work, please contact Tom Shakespeare on [tom@localis.org.uk](mailto:tom@localis.org.uk) or call 0207 340 2660.

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