

# Briefing Paper

## New United Kingdom Government – The Implications for Local Government

May 2015



**Oldham Civic Centre. Oldham Council is a principal ‘AWICS’ client and is part of the Greater Manchester combined authority. What will be the implications for Oldham Council and local government in general of the election of the new government?**

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### Introduction

The United Kingdom General Election was held on 7<sup>th</sup> May 2015. Contrary to what had been expected on the basis of opinion poll evidence, a majority Conservative government was returned.

The final results were as follows:

	Votes	Seats
Conservative	11,334,920	331
Labour	9,347,326	232
Scottish National	1,454,436	56
Liberal Democrat	2,415,888	8
Democratic Unionist	184,260	8
Sinn Fein	176,232	4
Plaid Cymru	181,694	3
Social Democratic & Labour	99,809	3
Ulster Unionist	114,935	2
UK Independence	3,881,129	1
Green	1,157,613	1
Others	349,968	1
Total	30,698,210	650

The purpose of this briefing paper is to outline the implications of this election result for local government; how these implications are regarded in the local government sector and to provide some comment. Because local government is a devolved matter in Scotland, Wales and Northern Ireland this paper relates principally to England. AWICS has also published a separate briefing paper on the implications for housing<sup>1</sup>.

George Osborne has been re-appointed as Chancellor of the Exchequer and will hold an emergency budget in July to set the framework for an autumn spending review in which he will outline the details of the cuts as part of a planned £30billion fiscal consolidation. He plans to eliminate the budget deficit by 2018/19 by imposing £12billion in welfare cuts, reducing day-to-day government spending by £13billion and raising £5billion from tax-avoidance measures.

Clearly austerity will continue as the government attempts to reduce the public sector deficit through reducing public expenditure rather than through raising taxation. Furthermore, as the government is committed to protecting budgets for education, health, welfare for the elderly and overseas aid; the budget reductions will be especially large in unprotected budgets such as local government, housing and welfare.

### **The Conservative Manifesto**

For local government, the Conservative manifesto promised:

- We will devolve powers and budgets to boost local growth in England
- We will help keep your council taxes low

Essentially this means 'more of the same'. There will be more 'localism' and more 'austerity'. Councils will have to make fundamental decisions about their strategies and radical changes to their budgets. They will have to consider how to become more commercial, secure greater value for money and which services they can afford to sustain. However, there should be major opportunities for Councils that can form 'combined authorities'; negotiate the devolution of additional powers and 'joined-up' budgets; and achieve an increasingly independent and effective form of local government.

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<sup>1</sup> You can download the briefing paper here: <http://www.awics.co.uk/ge2015housing.asp>

The manifesto described the current position as follows:

*“In town halls, councillors now have more of a say over public spending. In communities, local people have the right to vote in referendums on council tax rises. Neighbourhoods are deciding what is built in their area and what happens to assets such as parks and public buildings.”*

The manifesto proposes to devolve powers and budgets to boost local growth in England as follows:

*“We will devolve far-reaching powers over economic development, transport and social care to large cities which choose to have elected mayors. We will legislate to deliver the historic deal for Greater Manchester, which will devolve powers and budgets and lead to the creation of a directly elected Mayor for Greater Manchester. In Cambridgeshire, Greater Manchester and Cheshire East, we will pilot allowing local councils to retain 100 per cent of growth in business rates, so they reap the benefit of decisions that boost growth locally. We will devolve further powers over skills spending and planning to the Mayor of London. And we will deliver more bespoke Growth Deals with local councils, where locally supported, and back Local Enterprise Partnerships to promote jobs and growth.”*

From the point of view of a devolutionist the weakness in this approach is that it is not a general scheme to empower local authorities in all parts of England. Instead it is a scheme that will be introduced in specific areas on the basis of bespoke deals with powers and conditions specified by central government. The approach also offers more to major cities than to counties and other towns creating even greater disparity in the governance of different parts of the United Kingdom. Having said that, it is an improvement on the centralist approach of previous governments. It will hopefully be developed further so that English cities, counties and regions are fully empowered to manage their own affairs in a way that would reduce bureaucracy and increase value for money.

The manifesto envisages central government helping local authorities to build strong local economies as follows:

*“We want local authorities to help create strong local economies. Building on the local retention of business rates introduced in 2012, we will promote localism by allowing councils to keep a higher proportion of the business rates revenue that is generated in their area. This will provide a strong financial incentive for councils to promote economic growth. We will review how we can further reduce ring-fencing and remove Whitehall burdens to give councils more flexibility to support local services.*

*We will support Business Improvement Districts and other forms of business-led collaboration on high streets – giving more say to local traders on issues such as minor planning applications, cleaning and parking. We will continue to support local shops and residents in tackling aggressive parking enforcement and excessive parking charges, and take steps to tackle rogue and unfair practices by private parking operators. Our Coastal Communities Fund will help our seaside areas thrive, helping to boost skills and create jobs.*

*Local newspapers are an important source of information for local communities and a vital part of a healthy democracy. To support them as they adapt to new technology and changing circumstances, we will consult on the introduction of a business rates relief for local newspapers in England.”*

This approach builds on what has already been started by the coalition. However, local retention of business rates could present a long-term problem for local authorities in the less affluent parts of England. The capacity to increase business rates will be lower in these areas than in more affluent areas. It remains to be seen if a local retention of business rates could lead to a shift in the balance of resources from the less affluent to the most affluent areas.

Unsurprisingly the manifesto proposes continuing to moderate increases in Council Tax as follows:

*“Under this Government, average council tax bills in England have fallen, in real terms, by 11%... We will help local authorities keep council tax low for hardworking taxpayers, and ensure residents can continue to veto high rises via a local referendum... We will continue to work with councillors to deliver high quality, value for money services.*

*“We will encourage voluntary integration of services and administration between and within councils – for example, with the Troubled Families Programme and the Better Care Fund – to promote savings and improve local services.*

*“We want local councils to help manage public land and buildings, and will give them at least a 10% stake in public sector land sales in their area.”*

This follows the coalition’s policies of offering local authorities a council tax freeze grant if they don’t increase council tax, and obliging them to hold a binding referendum if they wish to increase council tax by more than 2% a year. The continuation of these policies, along with the failure of successive governments to update the council tax valuation list, risks eroding the credibility and viability of council tax and therefore the viability of local government. A more radical approach to the funding of local authorities is probably required but is not referred to in the manifesto.

On Children’s services the manifesto states that:

*“Over the last five years, we have protected the schools budget and committed £18 billion for new school buildings, so that children can learn in the best environment possible. Under a future Conservative Government, the amount of money following your child into school will be protected. As the number of pupils increases, so will the amount of money in our schools. On current pupil number forecasts, there will be a real-terms increase in the schools budget in the next Parliament. We will continue to provide the pupil premium, protected at current rates, so that schools receive additional money for those from the poorest backgrounds. We will support families by providing free meals to all infants. And we will make schools funding fairer. We have already increased funding for the 69 least well-funded local authorities in the country, and will make this the baseline for their funding in the next Parliament. We will not allow state schools to make a profit.*

*“Every child deserves a warm, loving home, and to feel safe online and at school. We have made improving support for children and young people with special educational needs and disabilities a priority. We have created 2,200 more special schools places through our free schools programme, introduced a coordinated assessment process to determine a child or young person’s needs, and funded degree-level specialist training for teachers and support staff. And to make sure it’s working, Ofsted now formally inspects local areas for their effectiveness in fulfilling their new duties. We have made progress in reforming our adoption system, but there is more to do. We will introduce regional adoption agencies, working across local authority boundaries to match children with the best parents for them.*

*“We will continue to raise the quality of children’s social work, by expanding training programmes, such as Frontline, and creating new opportunities to develop the next generation of leaders in the field. We will continue to tackle all forms of bullying in our schools. And we will stop children’s exposure to harmful sexualised content online, by requiring age verification for access to all sites containing pornographic material and age-rating for all music videos.”*

On public health the manifesto states that:

*“We are helping people to stay healthy by ending the open display of tobacco in shops, introducing plain-packaged cigarettes and funding local authority public health budgets. We will take action to reduce childhood obesity and continue to promote clear food information. We will support people struggling with addictions and undertake a review into how best to support those suffering from long-term yet treatable conditions, such as drug or alcohol addiction, or obesity, back in to work. We will be the first country to implement a national, evidence-based diabetes prevention programme. And we will invest more in primary care, to help prevent health problems before they start.”*

On leisure services the manifesto states that:

*“We will help public libraries to support local communities by providing free Wi-Fi. And we will assist them in embracing the digital age by working with them to ensure remote access to e-books, without charge and with appropriate compensation for authors that enhances the Public Lending Right scheme.*

*“We have already boosted funding for sport in primary schools and over 18,000 schools have registered to take part in our School Games. We will go further, supporting primary school sport with £150 million a year, paid directly to head-teachers, until 2020. This will make sure that all primary schoolchildren benefit from a minimum of two hours high-class sport and PE each week. We will improve the quality of Community Sports facilities, working with local authorities, the Football Association and the Premier League to fund investment in artificial football pitches in more than 30 cities across England. We will continue to invest in participation and physical activity, recognising sport’s vital benefits to health and to NHS England’s campaign to prevent diabetes. We will lift the number of women on national sports governing bodies to at least 25 per cent by 2017, and seek to increase participation in sport by women and girls.”*

It is interesting that Greg Clark has been appointed as secretary of state for communities and local government, replacing Eric Pickles. While Eric Pickles was noted for his confrontational approach to local authorities, Greg Clark is noted as an enthusiast for devolution and decentralisation. He has previously served in a number of roles including minister for decentralisation and minister for cities. In that capacity he was tasked with developing the Conservative / Liberal Democrat coalition government’s work on localism following the 2010 general election. He is seen by some as being on the left wing of the Conservative Party. In 2006 he wrote an article for the Guardian in which he argued that Conservatives should tackle ‘relative’ as well as ‘absolute’ poverty.

Furthermore, in an interview with the ‘Local Government Chronicle’ he spoke in praise of local government, discussed continued austerity and said that he would like to go further than is currently being proposed by George Osborne on devolution:

*“I have been convinced for many years that we need to build up the role of councils and communities more in our national life... It seems to me that when decisions are taken at a level close to communities and by people who know and love their communities, not only are those decisions likely to be more effective but they are likely to enjoy more support than when there’s a sense in which they are done from London to them.*

*“It’s no secret that there are further savings that need to be made – in the election campaign all parties were clear about that... As we approach the issue I’ll want to sit down with local government leaders to understand how we can best do this constructively and in a way that offers the best prospects for local government... We (he and local government leaders from other parties) have been able to work very cordially and constructively together on this agenda and I very much expect to be able to continue doing so.,*

*“I’ve always been clear that backing a greater devolution of power and resources doesn’t end with cities by any means. You’ve got the counties and the towns across the country that also are important motors of growth and can be more so. I fully intend to have a big push to decentralise powers, certainly to the cities but to places outside the cities as well... Cornwall is very different from Kent, for example, and different again from Cumbria. You want to have an approach that very much reflects the local characteristics of each place, rather than a very rigid template... I would encourage all cities, towns, counties and districts across the country to reflect on, to think about and prepare for a discussion of what would be in the interests of their area. It’s a very good time for creativity and radical thinking across local government.”*

### **The Local Government Association’s plan for the New Government**

Before the election, the Local Government Association published their plan for what a new government should do to deliver an approach to local government that would be suitable to the challenges of the time. In their publication: ‘Investing in our nation’s future: the first 100 days of the next government’, the Chair of the Local Government Association (LGA) David Sparks (Labour) wrote:

*“(We are) offering the next government a ready-made, fully-costed, long-term answer to the hard questions they will face when the dust settles on 8 May 2015. The cost? Not a penny. In fact, the public sector would save £11billion. That’s almost £200 for every man, woman and child in England and Wales.”*

The Local Government Association called on the future government to give further flexibilities to councils by progressing a radical devolution to local government. Doing so would achieve a wide range of ambitious aims such as the building of half a million more homes, providing a place for every child in a good school, and repairing potholes all over roads in England. The Local Government Association said:

*“The current way of governing our country is broken and expensive. Whatever happens in (Scotland), the devolution question for England must be answered. There is an appetite in all parts of the country for power to be devolved to local areas. A radical re-thinking of public services, led by local communities, will enable people to help themselves and one another.*

*“More than three quarters of people trust local government to make local decisions compared to one in ten who trust national government. The same proportion trusts their councillor more than they do national politicians.”*

Therefore, the Local Government Association called on the new government to follow three core principles:

- More devolution of power to elected councillors to enable them to rewire public services
- Community Budgets as the preferred local delivery mechanism for government departments
- Financial settlements tied to the lifetime of Parliament for all of the public sector

In particular in relation to local government reform, the paper called on the government to enact comprehensive changes for further devolution of fiscal and political authority in the first 100 days in office:

- A *Public Service Bill* that would devolve economic powers through councils to Local Enterprise Partnerships; and give all councils powers over traffic management as in London and Wales
- A *Fiscal Devolution Bill* that would ‘allow councils to set locally appropriate fees, charges and subsidies’; ‘set rates and discounts for council tax and business rates’; and retain 100% in the growth in business rates.
- A *budget* that would replace the Barnett Formula<sup>2</sup> with ‘distribution for the countries of the United Kingdom based on need and more appropriate and relevant incentives’; replace 100 separate funding streams and ‘devolve all funding for local growth, regeneration, skills and employment support through councils to Local Enterprise Partnerships’.
- The establishment of an independent body that would oversee the distribution of funds to councils.

Shortly before the election, the leaders of the local government associations for Wales, Scotland, and Northern Ireland signed a communique that reaffirmed their demands for extending comprehensive devolution to all parts of the United Kingdom. In an agreement signed by the heads of the local government associations of Scotland, Wales, and Northern Ireland, they jointly called for:

- Legislation that would empower local communities through strengthening the role of local councils, embedding the principle of subsidiarity, and guaranteeing the devolution of powers beyond Westminster, Holyrood, Cardiff Bay and Stormont
- Making the European Charter of Local Self-Government that sets out the principles of local democracy (and was signed by the United Kingdom in 1997) part of a new constitutional settlement
- Any future Constitutional Convention on the governance of the United Kingdom should guarantee seats for the four associations around the table for the leaders to ensure the voices of local communities are heard.

It is interesting that devolution of powers from Westminster to the Scottish, Welsh and Northern Irish governments has not been followed by significant devolution to local authorities in Scotland, Wales and Northern Ireland. It also appears that the new government’s plans for devolution to cities in England do not go as far as the comprehensive devolution that is advocated by the Local Government Association in England. The same is probably true of the plans for devolution to local authorities in Scotland, Wales and Northern Ireland.

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<sup>2</sup> The Barnett formula determine the distribution of public spending for local councils in England, Scotland, Wales, and Northern Ireland. It is based on the population in each country and the powers that have been devolved to their governments. It was introduced as a temporary measure in 1978 by the then Labour chief secretary of the Treasury Lord Barnett. Due to increases in Scotland’s prosperity, the formula is critiqued as outdated.

## Reaction of the Local Government Association to the New Government

The Local Government Association welcomed the appointment of the new Secretary of State for Communities and Local Government and the announcement by George Osborne that there will be further city deals beyond the early examples in Greater Manchester, Cheshire East, and Cambridgeshire. Other than that, there has been surprisingly little official response from the Local Government Association after the election which may be seen as a sign of reassessment of the their position after the election of a majority Conservative government and the increased number of Conservative councillors that has seen the party take control of the Local Government Association also. It could have been expected that this would lead to a closer working relationship between central and local government.

Greg Clark is seen as an advocate of local government devolution and has wide reaching expertise in his involvement as a minister for cities. It is hoped that he will strike a more collaborative approach with local councils. The appointment of Mr Clark fuels the expectation that the government takes the efforts for further devolution of local government serious. The Local Government Association's response was largely positive:

*"Greg Clark has demonstrated that he understands the big issues for local authorities, while also recognising the challenges ahead. Councils, who have seen a 40 per cent real terms reduction in funding over the last Parliament, will look to DCLG to work with us to ensure local authorities are adequately funded and given long-term certainty through multi-year spending allocations.*

*"As a keen advocate of devolution, we hope this appointment is a clear signal that now is the time to drive forward the debate on reform. People in communities across the country want more decisions that affect their lives to be taken closer to them. All parts of the country – from city regions to non-metropolitan areas – need greater freedom from Whitehall. We need to quickly move from a place of asking whether to centralise to asking how far and fast we can go.*

*"The Local Government Association has put forward proposals that can help grow our economy, build stronger communities, give children and young people the best start in life, keep the nation healthy, and achieve all this while eliminating the deficit. We look forward to working with Mr Clark to implement these while continuing to cement local government's pivotal role at the heart of democracy and local communities."*

About a week after the election, George Osborne announced the government's strategy for devolution. The strategy will continue to focus on cities and urban areas with an elected mayor being required as part of the deal. For those cities, he plans to provide them with enhanced powers over housing, transport, planning and policing. The announcement of the government's efforts to strengthen the autonomy of cities was received well by the Local Government Association. However, the Local Government Association criticised the approach's lack of focus on councils other than cities. David Sparks, the former Chair of the Local Government Association, said:

*"The proposed devolution of transport, housing and policing powers is great news for our larger cities but we want to make sure that the benefits of devolution reach every corner of England and the United Kingdom. This will require different approaches to both governance and the powers needed for different areas, rather than a one-size-fits-all solution.*

*"There is compelling evidence that making decisions at a more local level will bring about huge economic and social benefits including reducing youth unemployment by half, creating 500,000 homes and helping people to live independently at home longer, saving almost £4 billion alone.*



*"But all parts of the country, from city regions to non-metropolitan areas, need greater freedom from Whitehall. We are now urging government to go further and set out a new settlement for all of England which devolves decisions on important issues like skills, housing, transport, care and infrastructure. This is vital if the economy is to prosper and good quality public services are to survive."*

It is rather ironic that, at a time when the Conservative Party is in government and also controls most county and district authorities that the focus of their proposals on devolution is to the cities and metropolitan areas where most authorities are controlled by the Labour Party.

Referring to local government budgets, Councillor Paul Carter (Conservative), Leader of Kent County Council, told the 'Local Government Chronicle' that:

*"I'm concerned that it may get extrapolated that if you have done it over the past five years you can do it again in the next five years. But economics aren't like that... The elastic would break and things would start to go into meltdown."*

### **Other Local Government Reactions**

Graeme McDonald, Director of the Society of Local Authority Chief Executives told the 'Local Government Chronicle' that Greg Clark:

*"Needs to be our representative in the government and across Whitehall. In the discussions with education about children's social care and the work around health and social care integration he needs to be representing local government's corner."*

Tony Travers of the London School of Economics wrote in the 'Local Government Chronicle' that:

*"Unprotected services such as... housing and local government will have to be cut deeply in order to achieve a zero deficit. Moreover, tax cuts are now promised... For local authorities the future will look like the recent past. Revenue spending fell by about a quarter between 2009/10 and 2014/15, though more in cities. This scale of reduction will have to be repeated between 2014/15 and 2018/19."*

*"If the pattern of the coalition years is a guide, the cuts will be front-loaded. The years 2016/17 and 2017/18 are likely to see the sharpest reductions. Local government collectively needs to signal what kind of service changes this will require. Expectations will need to be managed if the public is to accept the scale of change."*

*"Social care must be vulnerable. Councils will find it hard to protect services for children and older people in the way they have, largely, up until now. There must be a possibility that either funding will be ring fenced or that care will be handed over to the National Health Service. Alternatively, it is just possible the National Health Service could be transferred to city and county regions."*

Nick Golding, Editor of the 'Local Government Chronicle' said that:

*"Councils require far more than tea and sympathy. Their financial position is grim; when so many promises have been made to safeguard other parts of the public sector but spending still needs to be cut, there is little Mr. Clark can do to protect funding. However, he has it within his power to give councils the freedom to secure their own futures. The government's business rates review could become a catalyst for broader reform; freedom to set council tax levels would offer respite and multi-year settlements would provide stability."*

*“It is clear that a commitment to the Northern Powerhouse is now enshrined at the heart of the Conservatives’ offer. Chancellor George Osborne and the new communities secretary believe local empowerment can both revive local economies and bring about more efficient, higher quality services. But this potential is not limited to Greater Manchester and the north of England. More must be done to devolve power to help create self-confident and boldly governed towns, counties and cities elsewhere, thus helping to overcome the sense of remoteness from power that has been as apparent in the English regions as it has in Scotland.”*

Matthew Taylor, Chief Executive of the RSA wrote in the ‘Local Government Chronicle’ that:

*“The local government role in schooling is likely to diminish to vanishing point; there will be a greater expectation on councils to reform local services through contracting, spin-outs and digitalisation; there will be more money for affordable housing but not for social housing; and centrally funded efforts to improve collaboration between local health and social care providers will continue.*

*“These and other policies have important implications but two issues stand out: money and economic devolution... Taken together, this means a further cut of at least 11.2% over the next five years in unprotected spending areas which includes local government grant.*

*“This is likely to be catastrophic for... urban authorities that have suffered the brunt of the past five years of austerity. Councils need to prepare for the worst. The issue is no longer whether hard pressed councils can do anything that isn’t statutory; it is whether they can even fulfil their legal duties.*

*“Taking the cuts with the commitment to allow councils to keep more of the local business rate and pilots to explore 100% of rate growth being retained locally; a new model of local government finance may at last be emerging. Less grant but more freedom to keep rising rate receipts may be an acceptable albeit very tough deal for places confident about their economy but will offer little but pain to those that can’t see a path to local growth.”*

Councillor David Sparks (Labour), Leader of Dudley Borough Council told the ‘Local Government Chronicle’ that:

*“The current system, if it’s unaltered, is going to lead to some local authorities being bankrupt... I think local government will be unable to deliver the range of services that people expect... It is a genuine fear... It’s just basic arithmetic. It’s not a false claim. Local government cannot go bankrupt because central government steps in, but that’s when local government stops being local... I would hope (ministers) would be open to having a serious look at new proposals for raising finance.”*

Councillor Gary Porter (Conservative), Leader of South Holland District Council told the ‘Local Government Chronicle’ that:

*“The cities bit (in the manifesto) is badly worded. (Devolution) will be to county areas as well. It will be to any area that makes geographical sense to do on a combination level. (Councils) just need to be able to get themselves together.”*

### **The CIPFA manifesto**

The Chartered Institute of Public Finance and Accountancy published an election manifesto of its own entitled ‘It can only get ~~better~~ worse?’ In it, the Institute drew attention to the development of public finances in the long-term beyond the current round of spending cuts and warned that austerity and the goal of a budget surplus would not remedy the fundamental challenges that the United Kingdom’s public finances are exposed to in the future.

The growing demographic shift will influence public finances during the next fifty years. The increase in the number of people aged 65 and over from 18% to 27% in 2064 will create further budget pressures on public finances. In consequence of the aging demography of the United Kingdom, CIPFA warned of continued long-term public debt that:

*“In particular, policies tend to favour the old – such as with growing pensions – at the expense of the young, who find it increasingly difficult to buy a home and to save for their old age. [...] We believe this failure to plan for the long term is against the public interest.*

*“Governments will therefore have to spend a greater proportion of national income on supporting older people, meeting costs such as health and social care and pensions.*

*“If debt levels are to remain sustainable: either taxes will have to go up, substantial cuts will need to be imposed on other budgets such as education, or care and pension levels will need to be cut. There are no other options.”*

The report states that only 46% of the government’s budget consolidation plan had been achieved by 2013/14. At the same time, ‘costly plans such as tax-free childcare’ and reforms to social care contribute to an extra £6billion in spending for which further cuts will have to be found elsewhere.

Lastly, the Chartered Institute of Public Finance & Accountancy warned that current consolidation plans do not allow for eventualities, for example they do not account for possible shocks from ‘an exit from the European Union, energy security problems, cyber risks, further global economic failure or falling levels of tax revenue collected by the exchequer’.

In consequence, the Chartered Institute of Public Finance & Accountancy called on the incoming government to:

- **Budget for the medium to long term, and invest strategically to stimulate economic growth:** The Chartered Institute of Public Finance & Accountancy called for the re-evaluation of all public expenditure in terms of intergenerational equity.
- **Rebalance the relationship between the citizen and the state:** Re-articulating the role and scope of state-paid benefits in terms of the long-term affordability. Here the Chartered Institute of Public Finance & Accountancy mentions the example of a possible surcharge of £10 that could generate £1.2billion a year. This is common practice in countries such as Germany.
- **Change the structure of local government and the public sector to allow services to be provided more effectively and decisions on funding to be taken at the right level:** Similar to the Local Government Association, the Chartered Institute of Public Finance & Accountancy advocates a replacement of the outdated Barnett formula and its replacement with a modern equivalent that would govern the distribution of finances between England, Scotland, Wales, and Northern Ireland. They also call for an Independent Grants Commission that would advise on the devolution of government funding.
- **Align local public services better to maintain delivery as budgets are cut further:** The Chartered Institute of Public Finance & Accountancy calls for a better understanding of how local services work alongside of and with each other. The Institute calls for a mapping of the way local services are provided to make sure that any changes in service delivery to one service are understood in regards to their impact on other services.

In the 'Public Finance' magazine, Rob Whiteman, the Chief Executive of the Chartered Institute of Public Finance & Accountancy, wrote about the impact of the general election for the next five years. Reiterating the argument in his manifesto, he argues that the government now needs to focus on spending public money well over the 'tactical avoidance of savings' to avoid 'playing football' with the United Kingdom's public finances. He writes:

*"First, I would avoid the harbingers of doom. However many difficult choices are being avoided, not least during the election campaign, services will "keep calm and carry on" because resilience is a facet of public management.*

*"And importantly, beyond any daily headlines, we must focus on the trajectories of public spending, the demands for services and the planned resources envelopes. The past five years of fiscal consolidation have taught us how to manage this; but of course in some public services, particularly the protected areas, we have picked only the low hanging fruit.*

*"Given the increasing likelihood of full fiscal devolution in Scotland and choices around European Union membership, we must even keep in mind the possibility of wide-ranging constitutional reform and its potential impact on public services. We must insist on evidence-based policymaking, founded on accounts grade information, so that spending commitments are fashioned in the population's long-term interests."*

Whiteman argues that government needs to lead the way in tacking difficult changes proactively by making difficult choices that challenge the status quo:

*"Public services must avoid the risk in the next five years of being seen as defenders of vested interest, opposing reform to protect the status quo. Successive governments have wanted to see more diverse delivery (say through mutuals), greater personalisation, direct payments, enhanced commissioning/integration and accountability through elected mayors."*

For the devolution of services, he calls for collaborative governance models that are smart enough to understand the impacts that changes in each have on various services:

*In terms of behaviours, in developing integrated services and cooperative approaches to delivery, we will need to understand how collaborative system leadership is best focused. And with devolved powers to combined authorities we will need to review and reform governance, public scrutiny and local accountability to test both behaviours and a focus on intended outcomes and not simply single organisational interests.*

### **Thoughts on local government reform from an organisational perspective**

Complimentary to the position of local government and public finances, it is worthwhile to bring in a perspective from on public service delivery with a focus on organisational and institutional changes and the growing aspect of information technologies. In this regards, John Hawksworth, the chief economist for the UK at PWC, noted that the election of the conservative government and the continued agenda of austerity will require additional local government reform and service delivery. In his assessment. He states:

*"Despite cuts of around half a million central and local government jobs over the past five years, the public sector still employs more than 5 million people, or just over a sixth of the total United Kingdom workforce. The public sector paybill accounts for around half of general government current spending and controlling this paybill is therefore critical to the overall programme of budget deficit reduction."*

In considering a number of ways in which reorganisation may be possible without potential damage to key public services like the National Health Service, social care, schools and the police, Hawksworth has a number of suggestions for the new government that focus on institutional and organisational reforms, better training, and use of digital technologies to a greater extent to cope with the planned reductions in public budgets.

His proposals include the following to achieve a smaller workforce overall:

- Deploying digital technology to offer the opportunity for greater self-service, customisation of services and automation of transactions
- Collaborative working and sharing services across government departments and local authorities
- Partnering in innovative ways with diverse providers including mutual organisations and social enterprises, and using outcome-based payments mechanisms where these outcomes

He calls for additional measures that he considers would improve and enhance public service delivery.

- Better motivation and engagement of staff, with senior managers providing greater clarity on organisational purpose, objectives and outcomes;
- Improving staff adaptability through training and coaching programmes, and supporting more collaborative working both within and outside the public sector;
- Making public sector organisations more user-centric and less hierarchical, with more encouragement and incentives for staff at all levels to come up with innovative ideas for performance improvement.

## Conclusions

Many of the new government's proposals for local government are controversial but it is clear that they will now be implemented. The new government will clearly build on the changes to local government delivered by the coalition. It dovetails with the government's need to deliver more for less, and with their personal responsibility and independence agendas. But they will probably go much further than the coalition did.

There is therefore a need for local government to 'tune in' more to (but not necessarily to agree with) Conservative thinking on local government.

In 2010 it was clear that significant economies would be made in local government budgets regardless of the outcome of the general election. However, 'localism' the under-occupation penalty, affordable rents, fixed term tenancies and help to buy all took the sector by surprise. Similarly, the proposal to extend the 'right to buy' to housing association tenants funded by local authority capital receipts came as a surprise in 2015 with many in the sector reacting with shocked disbelief.

The appointment of Greg Clark as the new secretary for the Department of Communities and Local Government provide possibly the best indication for the government's approach to devolution in the future. Clark, a proponent of devolution has been influential in the introduction of the Localism Act (2011) including the largest reform to the English planning system in decades introducing neighbourhood planning. His previous role as minister for cities appears to be complimentary to the government's efforts to enhance the authority of city administrations and progress devolution through city deals.

We need to be aware that this is a government that is determined to reform local government and to move it away from what they see as a welfare-based model of service provision towards one that is more commercial and consumes fewer public resources. The government will not appreciate opposition that they see as being politically motivated or based on a wish to protect bureaucratic empires in local authorities. Local authorities will have to be clear about what their objectives are in this political situation, how they can achieve them and how they can influence government policy and (more importantly) influence outcomes in communities.

It is also possible that devolution will turn out to be a 'poisoned chalice'. It is an extension of 'localism' that saw national government take the credit for making general economies while local government took the 'blame' for making specific cuts to specific services. Devolution could see local government taking the responsibility for a wider range of services and with this will come the responsibility for justifying whatever savings are required to be made.

During the next five years we will continue to provide our usual information service. This blog, our newsletters and briefing papers and our seminars and workshops will bring factual information and informed comment especially on matters of importance in local government.

**Adrian Waite, Managing Director**  
**Sebastian Weise, Associate Consultant**  
**May 2015**

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## About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at [www.awics.co.uk](http://www.awics.co.uk) or contact Adrian Waite at [Adrian.waite@awics.co.uk](mailto:Adrian.waite@awics.co.uk)

Services that we offer include:

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### Future Seminars and Workshops:

#### **All You Want to Know about Local Authority Housing Finance:**

- Oldham - 7th July 2015
- London - 10th November 2015

#### **All You Want to Know about Housing Association Finance**

- Oldham - 29th September 2015

#### **All You Want to know about Service Charges in Social Housing**

- London - 10th June 2015

#### **Developments in Local Authority Housing Finance in England**

- London - 9th June 2015

#### **All You Want to Know about Scottish Social Housing Finance**

- Falkirk - 15th September 2015

For further information please see <http://www.awics.co.uk/seminars2015.asp> or contact Adrian Waite at [Adrian.waite@awics.co.uk](mailto:Adrian.waite@awics.co.uk) or 017683-52165.