

We need fundamental innovation and change in local government

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*The spending review saw further cuts to local government budgets, which will have left the sector feeling somewhat hard done by. There were nonetheless some positives, such as the integrated health and social care commissioning, but they could have gone much further. **Jonathan Carr-West** argues that long term changes to our society, economy and environment require us to think radically about what local services look like.*



As the dust settles on the 2015-16 spending review, local government is left uneasily contemplating a mixture of good and bad news. The bad news is fairly obvious: a further 10% reduction in the local government resource budget. This coming on top of the 26% reduction in the current spending review period. As ever, much depends on the detail, the Chancellor argued that when all changes affecting local government were taken into account the spending reduction would only be 2%, but it is likely that much of that difference will be accounted for in areas in which councils have no discretion over their spending and that the reductions required in discretionary spending budgets will be proportionally higher. And of course we know that the impact of these cuts will be felt very differently in different councils depending on what percentage of their income comes from central government.

Until now councils have done a remarkably effective job at taking cost out of the system whilst protecting frontline services. In 2012 an [LGiU survey](#) revealed that nearly nine out of ten councils were confident that they had managed to make the savings they needed without reducing the quality of services. This has been achieved through head count reductions, efficient procurement and commissioning, back office reform and shared services. George Osborne praised this success as did Eric Pickles in his LGA speech this week.

This will have left many in local government feeling that no good deed goes unpunished. The argument from the treasury is that as local government has proved so adept at making savings, it can surely achieve more of them. Leaving aside the (not insignificant) question of whether the savings achieved so far really haven't affected the quality or level of local public services, we might wonder whether there will come a point at which the assumption that there is always more fat to be trimmed becomes reckless. We might also wonder whether it is fair that local government is asked once again to take the biggest cuts in the public sector or why the services that councils provide: caring for elderly people, protecting vulnerable children, keeping our streets clean, are so much less important than the services delivered by central government, or protected spending like health or education.

Further bad news came with the announcement of a two year freeze on council tax – on the face of it this may look unproblematic, after all it was accompanied by government funding to replace the lost income – but [our research](#) shows that this has become an emblematic issue and was opposed by eight out of ten councils, partly because it reduces the council tax base over time, but mainly because it is seen as a significant infringement of local political autonomy. Local politicians of all parties want the freedom and the responsibility to set council tax levels. They want to be accountable for putting it up and they want to get credit for keeping it low. So there were certainly elements of the spending review which will have left local government as a sector feeling somewhat hard done by and comments from the LGA and other sector bodies reflected that.

Nonetheless, there were also some positive steps in the right direction. The Chancellor's commitment to take an extra £2 bn from health budgets for integrated health and social care commissioning is hugely welcome. In 2012 LGiU and the All Part Parliamentary group for local government [conducted an inquiry](#) into the future of adult social care which showed that every pound spent on preventative social care realised a saving within the NHS of at least £1.20. More importantly, spending on prevention leads to better outcomes for individuals who are able to stay

healthier for longer. We called for an additional £1.5 bn to be transferred from health to social care. Only a year ago this seemed a quixotic recommendation so it's encouraging to see government exceeding this figure and really getting to grips with the need to use budgets to drive the sort of integrated approach to public services that everyone wants to see.

The Chancellor also announced funding of £2 bn a year “over the lifetime of the next parliament” for the Single Local Growth Fund recommended by the Heseltine review. Not quite the £49 bn he had argued for, but when lumped together with various bits of previously announced funding and EU structural funds, it allowed Heseltine to claim at the LGA conference this week that there was £20 bn available for Local Enterprise Partnerships to bid for. Much will depend on the nature of this bidding: spread out over 39 LEPs £2 bn is unlikely to be transformative, concentrated into the best few bids it could make a real difference. Heseltine in his speech was clear on the need for competition, but there are worrying signs. The recent second wave of City deals saw all 14 applications approved despite rumour in the weeks leading up to announcement that the quality of bids was variable at best. We must hope that an “all must have prizes” attitude does not prevail and that the government does not abandon its commitment to localism in the face of differential outcomes.

The Chancellor framed the impact of the spending review on local government in terms of a deal: increased powers over managing local budgets in return for reduced spending. The question then becomes do the new freedoms and flexibilities given to local government really give it the tools to accomplish what is asked of it? Certainly we could go much further. Over the past couple of years, we've seen the potential in Community Budgets to drive savings and efficiencies, and in City Deals and business rate retention to drive growth, but we've also seen that there are issues transferring these approaches to two tier areas and we've seen a reluctance from some of the big departments of state, notably DWP and DoH, to really get behind them.

We could be more radical still. We know that we need fundamental innovation and change in local government. Long term changes to our society, economy and environment all require us to think radically about what local services look like. At LGiU we recently published [Connected Localism](#), a collection of essays which argues for a transformative approach to local public services: one which draws on local innovation and civic capacity but which is joined up across localities, across public services and across different sectors of the economy.

To achieve this we need, among other things, a different financial settlement between local and national government, we need local tax raising powers, and we need a genuine single funding pot for all the public services in an area under the control of democratic local government and the communities it represents. Last week's spending review, unsurprisingly, gave no hint of that level of radicalism, but without it our ability to drive improvement remains limited at best.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Jonathan Carr-West is a director at the Local Government Information Unit, where he leads the Unit's policy team which seeks to strengthen local democracy by developing new thinking and practice on how local communities can have more influence over the areas they live in and the services they use and how local government can help them to do so. Follow him on Twitter [@joncarrwest](#).