



### Local Authority Budgetary Cuts: the changing shape of local government

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#### Overview

Cuts in local government spending led the Local Government Association (LGA) to conclude that *'councils will not be able to deliver their existing service offer and that radical change to existing policies for those services will be needed'*<sup>1</sup>.

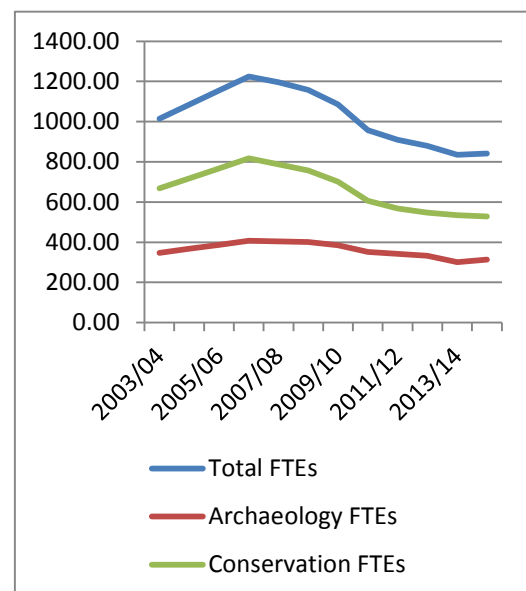
Whilst the 2015 Spending Review has led to a confused picture as to the level of cuts, with different organisations claiming different levels of cuts ranging from 6.7% (Government) and 56% (Institute of Fiscal Studies) this does not alter the narrative which is one of revolutionary change necessitated by shrinking budgets.

This change is affecting everything that local authorities do, including how they discharge their responsibilities relating to the historic environment.

These cuts are only part of the story however, and it is difficult to separate their impact from those of the other changes being made to local government. That is why these different issues have been covered within a number of different scans and assessments (see overleaf).


There are plans for further related Assessments, in particular looking at Business Rate retention and the intention to taper off core central government funding by 2020.

**It is recommended that the impact of each of these changes on the historic environment are summarised and examined in one single report.**



Number of historic environment specialists (Full Time Equivalents) advising local authorities

<sup>1</sup> [http://www.local.gov.uk/web/guest/publications/-/journal\\_content/56/10171/3626323/PUBLICATION-TEMPLATE](http://www.local.gov.uk/web/guest/publications/-/journal_content/56/10171/3626323/PUBLICATION-TEMPLATE)

Horizon	Horizon 1 (1-3 years)	The process of adapting local services has already started. Increases in local authority expenditure, along with the long term shift to lower budgets and changes to local responsibilities, all mean that the process of change will continue for a number of years.
Importance	High	Local government has statutory responsibilities, in addition to those laid out in the National Planning Policy Framework. However, their ability to undertake these responsibilities, along with the other roles which local government currently undertakes, is being placed at risk due to pressure to make savings and stimulate local growth.
Credibility	High	Whilst there are questions associated with the level of cuts facing local government, there is little debate as to the reformatory impact they have having. Cuts to services mean that there are now some authorities without access to specialist historic environment advice, whilst in other places approaches to the provision of services are changing.
Response	Recommendation:	The development of a library of service models so as to better understand the impact of service change; Improve the use of data collected to better influence decision makers when making decisions that affect local historic environment services; Improve our understanding of the impact of different service models so as to support authorities adapt to changing conditions.
	Dissemination:	External
Links	Associated Horizon Scan(s)	2015-12, Local authority funding cuts: the uneven distribution (Scan); 2013-13, Development pressures on local authorities (Scan); 2013-05, Whole place community based budgets and the historic environment (Scan); 2015-06, Devolution: Impacts on national and local government, localism, and the historic environment (Assessment); 2014-02, Local authority budgetary cuts – changing the shape of local government (Assessment, superseded by this Assessment)
	Other Links:	
Consultees	Victoria Thomson (Government Advice); Andrew Vines (Planning Group); Local Engagement Advisors (Planning Group); Sarah Reilly (Historic Environment Intelligence Team)	
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## **1. INTRODUCTION**

### **1.1 Falling grants**

Like most areas of the public sector, local government has been the recipient of significant cuts following the policy of austerity introduced with the 2010 Comprehensive Spending Review. Whilst focusing on the national picture does hide more serious local problems, some of which are explored below, the national figures serve to highlight the scale of these cuts. Between 2011/12 and 2014/15 the grants local government receive from central government were cut by 27.2%. This is in comparison with the cut of 19% which was the average for central government departments over the same period<sup>2</sup>. This is a trend that has continued, though now needs to be viewed next to the increased income raising powers being provided to councils (e.g. retention of 100% of Business Rates by 2020).

Spending on local government did increase quite quickly during what can now be referred to as the 'good times'. Between 2001/02 and 2006/07 it rose, in real terms, by 36%.

### **1.2 Raising expenditure**

The financial problems facing local government stretch beyond the reduction in income. At the same time as income is falling rapidly, particular areas of expenditure continue to increase. This is bought in to stark relief by the Barnet 'Graph of Doom'. That graph outlines local spending in Barnet and shows that in less than 20 years spending on social care alone will exceed predicted income.

Central government sought to recognise this in the 2015 Spending Review with additional income raising powers (allowing a 2% rise to Council Tax) being earmarked specifically for funding the rising social care bill.

### **1.3 Income generation**

Local government does have the ability to raise its own funds, abilities that have been increased as central government seeks to change how local authorities are funded, decreasing the reliance on grants. According to the Department for Communities and Local Government, in 2015/16 59.6% of revenue expenditure was funded by central government grants, this compares to 26% coming from council tax and 12.5%<sup>3</sup>. Those figures do serve to highlight the historic reliance of local authorities on central government grants.

## **2. CONTEXT**

### **2.1 An uneven distribution of cuts**

It is easy to focus on the national picture and over generalise the impact of budgetary cuts. This can lead to two erroneous conclusions. Firstly, that all local authorities in

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<sup>2</sup> <http://www.bbc.co.uk/news/uk-politics-11569160>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445052/RA\\_Budget\\_2015-16\\_Statistical\\_Release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445052/RA_Budget_2015-16_Statistical_Release.pdf)

England received a cut to their budgets of broadly 27% and secondly, that if a local authority wished to, it could cut the budgets to all of its services by that same figure in response.

Since 2010 a number of studies have shown the uneven distribution of local cuts. The Institute of Fiscal Studies', *The Green Budget*, identified that cuts hit the higher spending regions the hardest. For example, in the North West the cuts equated to 12% per person. This is significantly higher than the reduction in the lowest spending region, the South East, which received a cut of 4.6% per person<sup>4</sup>.

Similar analysis was undertaken by the Joseph Rowntree Foundation. They concluded that the four unitary authorities that were hardest hit by the cuts were all in the North West whereas the four least hardest hit were all in London or the South East.<sup>5</sup>

What is clear from both studies is that those authorities which have a higher per person spend are facing a greater level of cut when compared with those with a lower per person spend. This means that the cuts have tended to hit the poorer, urban areas hardest. The reason given for this is the method for calculating how the cuts have been made. Many of the specific grants, which tended to be heavily targeted towards deprived areas, have been scrapped in the name of increasing local autonomy. That has meant that those areas which tended to be more reliant on those grants have suffered.

As emphasis increasingly shifts to authorities raising an ever greater proportion of their income, the disparity that already exists will become ever greater.

## **2.2 Not all local authority services were created equal**

Not all local services are able to absorb significant cuts. As illustrated by the Barnet 'Graph of Doom', many major costs incurred by local government are dependent on factors outside the direct influence of the authority. The reduced ability to make cuts in certain areas, such as education, housing benefits and social care, means that cuts need to be concentrated on other services (a fact recognised in 2015 as certain revenue raising powers are ring fenced to fund social care). To place that in context, local authorities spend the following<sup>6</sup>:

- 31% on education;
- 19.3% on social care;
- 18.7% on mandatory housing benefit; and
- 7.7% on cultural, environmental and planning (a figure that has fallen by nearly 1% since 2011/12)

Again within these figures there is substantial scope for local variation. Clearly the level of spending on social care and housing benefit will be higher in the more economically

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<sup>4</sup> <http://www.ifs.org.uk/publications/6003>

<sup>5</sup> <http://www.jrf.org.uk/publications/serving-deprived-communities-recession>

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/445052/RA\\_Budget\\_2015-16\\_Statistical\\_Release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445052/RA_Budget_2015-16_Statistical_Release.pdf)

deprived areas, the same areas which were harder hit by the central government cuts. However, it does serve to highlight that the more discretionary services are at greater risk than first appears.

### 2.3 What next?

The changes laid out above will see local authorities having to raise an ever greater proportion of their income themselves. This has the potential to hugely impact on local behaviour. To quote Tony Travers, Director of the Greater London at the London School of Economics *'It is hard to exaggerate the potential of the proposed reform to the funding system. In the past, overall council resources were heavily influenced by changes in grant allocations. From 2020, local authorities will find that incremental movements in income will be determined by growth (or shrinkage) in the business rate and/or council tax base. The government is introducing tax competition.'*

## 3. ISSUES

### 3.1 How are councils responding?

The structure of local government makes it difficult to be too confident when drawing a national picture of which services are being targeted. Within the different local structures, different authorities classify different services in different ways and so it is difficult to make definitive conclusions as to which services have been hardest hit and it is not surprising to see different studies draw slightly different conclusions.

That said, broadly speaking those services focussing on the quality of the built environment have been one of, if not the hardest, hit of all service areas. The Institute of Fiscal Studies conclude that:

*"Expenditure on planning and development services is hardest hit, with an average cut across England of 43% over 2 years since 2009/10."*

Put in perspective, the report identifies the next hardest hit service as being regulation and safety with a cut of 23%. The Joseph Rowntree Foundation survey, which covered similar ground, grouped services into four groups based on how they have been cut. The group which was second hardest hit had *'quite a strong environmental theme'*.

We know from data collected by the Association of Local Government Archaeological Officers and the Institute of Historic Building Conservation that the numbers of local expert historic environment advisors continues to have fallen by over 30% since the 2006 peak<sup>7</sup>. When compared to figures for local authority staff generally<sup>8</sup> it is clear that the historic environment sector has, on the whole, come out significantly worse. Between 2006 and 2013 (using the most recent official data available) the number of local authority

<sup>7</sup> <https://content.historicengland.org.uk/images-books/publications/seventh-report-la-staff-resources/7th-report-la-staff-resources.pdf/>

<sup>8</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/444993/2904001\\_LGF\\_web\\_accessible\\_v0\\_2\\_final\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444993/2904001_LGF_web_accessible_v0_2_final_.pdf)

FTEs (excluding teachers, police, police support staff and firefighters) fell by 13.6%. Over the same period, historic environment staff fell by 28.1%.

Data on staffing levels and access to expert advice only tells part of the story as we do not have a national figure for total spend on heritage services by local government. Consideration has previously been given to how this could be calculated, but it has been deemed too difficult to identify where the boundaries for this type of spending would lie (e.g. should spending on the council's own property portfolio be counted if there are heritage assets within that portfolio). That said there may be potential for further data collection on spending on discrete areas, such as Historic Environment Records.

### **3.2 Different approaches**

Given the scale of cuts for some authorities it is clear that salami cutting existing services was not going to be sufficient. A more fundamental approach was required and we continue to see how some authorities have chosen to respond to that challenge through a process of restructuring.

We are witnessing a steady increase in the number of shared services and research undertaken by the LGA shows that the shared services are being used by the majority of local authorities in England resulting in efficiency savings of £357 million.<sup>9</sup>

At the same time as budgetary pressures are driving local authorities towards change, their statutory foundations are also providing additional opportunities. The Localism Act's General Power of Competence provides greater freedom for authorities to charge for services for the purposes of cost recovery, though they are unable to trade in services that they have a statutory responsibility to provide. The plain English guide<sup>10</sup> to the Localism Act 2011 goes so far as to highlight the role the power could have in allowing authorities to drive down costs.

It is likely that these greater freedoms will continue the trend of increased variation in approach. The LGA's approach of peer review and sharing best practice is likely to lead to a process where one authority identifies a successful way of working which is then replicated by others. This would seem to strengthen the argument for developing case study material.

The changes to funding patterns are also placing pressure on councils to stimulate local growth and to ensure that local structures do not provide a barrier to economic prosperity. It is worth noting here that local government does not share the view of central government that planning services represent such a barrier.

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<sup>9</sup><http://researchbriefings.files.parliament.uk/documents/SN05950/SN05950.pdf>

<sup>10</sup><http://www.communities.gov.uk/publications/localgovernment/localismplainenglishupdate>

## **4. POTENTIAL RESPONSES FOR SECTOR**

### **4.1 Gaps in knowledge**

There is clearly a picture developing of local government undergoing significant change. The extent, speed and spread of that change is a matter of some conjecture, but what is clear from both national reports and local, anecdotal sources is that services are being reformed to meet the challenges of greatly reduced budgets and the changing funding landscape.

What is less clear is how these changes will impact on historic environment services. We do know there has been a fall in both the numbers of historic environment experts advising authorities and in the amount being spent on planning services. The reductions to both represent a higher percentage cut than the cut to total budgets, though, as has been explained, there are reasons for that.

We also know, through the Historic Environment Local Authority Capacity (HELAC) project and the direct engagement of Historic England local offices, that a number of authorities are undergoing a process of re-evaluation and re-organisation of their services. However, there remains a gap in understanding of the emerging models of local historic environment service and the potential impact they may have on local heritage.

Work undertaken by English Heritage / Historic England in this area has largely been confined to the activities of the National Heritage Protection Plan, in particular activity 2E2 Local Authority Capacity Loss. It is within that activity that the HELAC work has been developed, along with the collection and collation of data on the access to expert advice within local government in England, and a project that looked at the impact of sharing conservation services between authorities<sup>11</sup>.

### **4.2 Filling the gaps**

The gap in knowledge can start to be filled through research looking specifically at the different models of service which both have already emerged and also are in the process of emerging (building on the recent work referenced above). The nature of the research – the identification of different models of historic environment service – is such that it can readily be collected by anyone, be they employees of local authorities, national bodies, other organisations or members of the public. What would be required is a method of collation that provides consistency as to coverage and approach.

Potential partners for such data collection include the local offices of Historic England, IHBC, ALGAO, the Chartered Institute for Archaeologists, the Historic Houses Association and the British Property Federation.

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<sup>11</sup> <http://historicengland.org.uk/images-books/publications/analysis-of-impact-sharing-local-conservation-services/>

This process of evaluation and adaption is likely to be long term, but changes to services are taking place now. Therefore, the need to start collecting models of service and then using them to understand and influence the emerging services is both immediate and long term.

Changes to local services will continue to be driven locally with Historic England and sector partners seeking to influence the process in an informed way, based on robust evidence and focussed on the quality of the service and not on the way it is provided. A library of service models will support that evidence-based local engagement.