Sustainable local government finance and liveable local areas

Can we survive to 2020?

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A report by the New Policy Institute
for the Association for Public Service Excellence

March 2016

The Association for Public Service Excellence (APSE) is a not-for-profit local government body working with over 300 councils throughout the UK promoting excellence in public services. APSE is the foremost specialist in local authority frontline service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

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New Policy Institute (NPI) is a UK research institute which produces evidence-based research on a range of social and economic issues.

This report was written and researched by Dr. Peter Kenway, Director and Theo Barry-Borne, Associate.

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The responsibility for the accuracy of the report – any errors, misrepresentation or misunderstandings – lies with the authors alone.

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Introduction

This report for the Association for Public Service Excellence (APSE), written by the New Policy Institute (NPI), comes at a time when the challenge for local government to become more self-reliant and self-sufficient is greater than ever, following a series of changes to local government finance that have paved the way forward for at least the next five years.

APSE commissioned this research to identify both the picture of local government finance from now to 2020, with the backdrop of the past five years, and to identify the impact of these changes to services with which APSE is most closely associated. These are referred to throughout this report as liveability and public realm services, namely the functions of local government such as refuse, recycling and streetscene, leisure, recreation and parks, environmental health, roads and street lighting all of which render an area liveable for all who reside and work there.

A draft report was presented to two round-table discussions involving local government finance experts, APSE members, councillors, third sector and union representatives in Manchester and London in November 2015. These discussions helped sharpen the focus of the final report. The final report also reflects the announcements in the Chancellor's Spending Review, including the social care precept and full business rate retention.

The report begins by looking at the big picture, charting how local government finance will change over the next five years, with a large shift towards local funding streams, namely council tax and business rates, and significant inflationary pressure. It is suggested that while the social care precept does a great deal to address increasing demand for adult social care, if spending is not cut on social care, liveability services will have to be cut. The second section examines how these shifts look at the individual local authority level, raising the question of the limits of localism when revenue raising capacity and needs are not closely aligned, and highlighting the need to retain redistributive funding mechanisms. The third section returns to the question of what could go missing in terms of core local government services that render an area liveable for its residents, those at the heart of the idea of the 'ensuring council'. The report draws to a close with suggestions about how local government can adapt to changing circumstances while taking a stronger position on its role and campaigning directly for liveability services.

Executive summary

Scope and purpose of the report

This report paints a picture of local government finance up until 2020 against the backdrop of the past five years and identifies the challenge it presents to the liveability and public realm services most closely associated with APSE. They include local government functions such as waste, recycling, streetscene, leisure, parks, recreation, environmental health, roads and street lighting upon which everyone who lives or works in an area depends.

An earlier version of the report was amended to reflect the decisions of the 2015 Spending Review. Although most of the discussion is about the situation of English local authorities, the report's scope is a UK-wide one.

Key findings

1. Current spending by UK local government is now below the previous post-1979 low point. By 2020, current and capital spending combined will be lower than at any time since before 1948. Already in uncharted water, many of the things which English local authorities have taken for granted for decades will have gone by the end of this one.
2. Council tax, until recently a minority source of local government finance, will account for at least half the money coming in to every kind of English local authority by 2020. For shire counties, it will account for three quarters.
3. By 2020, revenue support grant, at barely a third of its current, already much reduced level will be mainly confined to metropolitan and unitary districts and London boroughs. Shire counties (94% on average) and districts (85%) will be almost entirely reliant on council tax and business rates.
4. The more deprived a local area, the harsher have the past five years' funding cuts been. The extra funding for more deprived authorities won't come down much further by 2020. But a new dimension of inequality is opening up according to how strongly an authority can grow its business rate income. There is no link between the two: business rates are not a general answer to local deprivation.
5. A shrunken revenue support grant signifies the end of the only general mechanism for providing resources to English local authorities in response to local need.
6. Although the headline fall in core spending power between now and 2020 is just 0.5%, the additional pressure on English local authorities over that period is estimated to be about 10%. If all of that pressure is borne by services other than social care, the pressure on those services approaches 20%.
7. By 2020, the extra council tax that can be levied for adult social care – the social care precept – will come close to covering the growth between now and then in the direct cost of providing that care. The idea behind the "jaws of doom", that other local government services are caught in a pincer movement between falling grant and rising care costs, has lost its force at the aggregate level. It still carries weight in some local authority areas where the disparity between the funds that can be raised through council tax and the demand growth for social care is greatest. Meanwhile, an ageing population will put additional pressure on liveability and public realm services. These indirect costs are not currently being met by new sources of funding.

Policy relevance and wider implications

Local government in 2020 will be fundamentally different from what it was until 2010. Over the last five years, a form of localism has been introduced in England mainly by running down the mechanisms by which local authorities used to receive national support. Cuts to grant is its most obvious sign but the way central government has transferred risk to local government is another. The replacement of Council Tax Benefit by Council Tax Support exemplified the problems, not the least of which was the way in which this was a localisation with central strings attached (e.g. continued full protection for pensioners). By 2020, the shift to localism outside the big urban areas will be complete: shire districts and shire counties will be on their own.

Local government in Scotland, Wales and Northern Ireland each has its own story. Scotland, which has seen nine years of a council tax freeze as well as deep cuts, is closer to England than the other two. Whether deep differences can be sustained over several years remains to be seen.

This is not primarily a policy paper but having shown where local government now stands, several suggestions for local government can be identified.

1. **Campaign openly for liveability and public realm services**: the case for them must now be made directly. Such services should not be regarded as simply additional services but as integral to the quality of life for local residents, critical to the local environment and essential for local businesses.
2. **Explain why council tax must increase and consider reform**: as the biggest part of core spending power, council tax has to grow. Local government must also consider reform to a tax that is unfair and out-of-date.
3. **Make the most of opportunities to generate income:** through fees, charges and sensible investments: a dialogue with residents and businesses about what is fair is needed here too.
4. **Change the political weather through democratic engagement:** all of these suggestions depend on local public engagement. Norwich is one council trying to do this. Although this looks like consultation, its aim is political, to alter the local authority's scope for action by harnessing the local community.

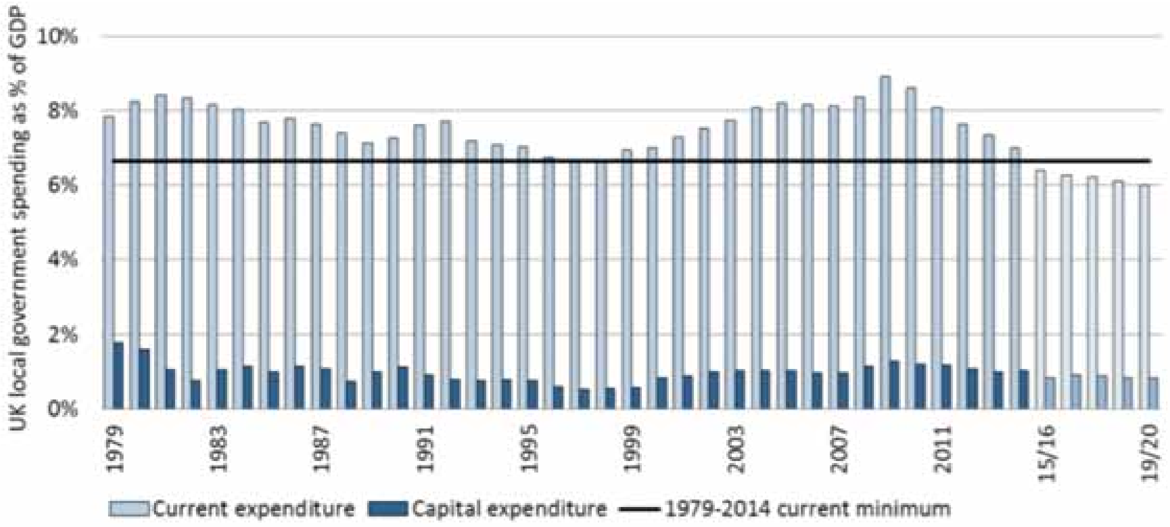
This report advocates a sustainable future for liveability and public realm services. Allowing liveability services to decline through lack of funding will force up ancillary care demands at a neighbourhood level. The hidden costs of decline, failing to maintain infrastructure and abandoning liveability services to insecure funding and delivery arrangements) add future cost burdens to councils and businesses and have a long term detrimental impact on local residents.

The big picture: economic resources to 2020

Background: a bird's eye view

How far is the funding crisis facing local government, especially in England, the product of a political preference for a smaller state and for the delivery of its functions and services by private sector providers? Local authority outsourcing and the transfer of services to other providers have been fuelling the advance of the market for more than 30 years. UK local government's percentage share of total spending in the economy (GDP) is a measure of the resources at its command. Figure 1 shows these percentages year by year from 1979 to 2014, for both current spending and capital spending. It also shows official projections from 2015/16 to 2019/20.

Figure 1: spending by UK local government as a % share of total spending in the economy (GDP), 1979 to 2014 (actual) and 2015/16 to 2019/20 (forecast).[1]



Looking at the last five years of real data, from 2009 to 2014, three points stand out. First, the share taken by current expenditure fell further and faster than ever before. Second, the fall was from an all-time high, albeit an artificial one because of the drop in GDP during the recession. Third, even so, the current spending share in 2014 was still above 6.6% which was the lowest it had fallen since 1979.

Turning to the projections from 2015/16 onwards, capital spending will stick close to its long term average of 1%. But current spending goes on falling, from 6.4% in 2015/16 to 6.0% in 2019/20. Current spending won't have been that low since 1964. Current and capital spending together won't have been that low since 1948.

"Local government" here is more than local authorities: community schools (but not academies) are in it along with a few hundred other bodies including ports, harbours, aerodromes, publicly-owned limited companies and so on. So community schools converting to academies reduces the spending share. But whatever the reasons, local government's historically low share even in 2015/16 means that it is now in uncharted waters and heading ever further out to sea.

Scotland, Wales and Northern Ireland

UK local government spending is dominated by England: how far do the other three countries differ? Full comparison is not possible because local responsibilities differ between the countries. Northern Ireland is the furthest removed from the other three, with per capita public spending around one sixth of the UK average. One consequence of this is that domestic rates in Northern Ireland account for about three quarters of local government income, a far higher share than has in the past come from council tax in the other three countries.

A comparison between Wales, Scotland and England is possible if education (because of the transfer of

1 Sources: Office for National Statistics to 2014. ; Office for Budget Responsibility ***Economy and Fiscal Supplementary Tables*** (tables 1.2 and 2.35)

academies to central government) and public health (the new duties in England) are left out. Current spending on social security benefits is left out too because it is not a resource which local government can deploy as it wishes. Figure 2 shows that, although England saw the biggest fall in spending (21% in money terms, or 33% after allowing for inflation) between 2010/11 and 2014/15, Scotland saw a steep fall too (12% and 24%). Wales fared better although once inflation is taken into account, it too saw a small fall.

Figure 2: local government current spending excluding education, public health and social security: 2010/11 and 2014/15[2]

	Spending 2010/11	**Spending 2014/15**	**% change**	**% change after inflation**
England	£51.6bn	£41.0bn	-21%	-33%
Scotland	£6.8bn	£6.0bn	-12%	-24%
Wales	£3.5bn	£3.8bn	+9%	-3%

Looking ahead, Scottish local government is facing a 3.5% funding cut in 2016/17, with £350 million off revenue and £150 million off capital spending. It is also unclear what the proposed localisation of business rates in Scotland will mean in practice.

Welsh local government faces a 1.4% (£57 million) cut in 2016/17. The WLGA estimates since 2010 Welsh Public Services have lost £1.3 billion in funding.

Looking further ahead, allowing English local authorities to retain 100% of the business rate may have implications for the other countries through its impact on the Barnett formula.

Council tax and the balance of funding in England

Cuts to local government funding are steadily altering the balance of where its money comes from. Council tax has been held down in England (and frozen in Scotland) but its relative importance is growing all the time. Figure 3 shows the shares of "core spending power" in England coming from council tax, revenue support grant, baseline funding (an estimate of what will come in from business rates) and other grants, in both 2015/16 and 2019/20. Four groups of local authorities are shown, with metropolitan and London boroughs together in the same bar. Single purpose authorities and the GLA are not shown.

Figure 3: balance of core spending power for different types of English local authority, 2015/16 and 2019/20[3]

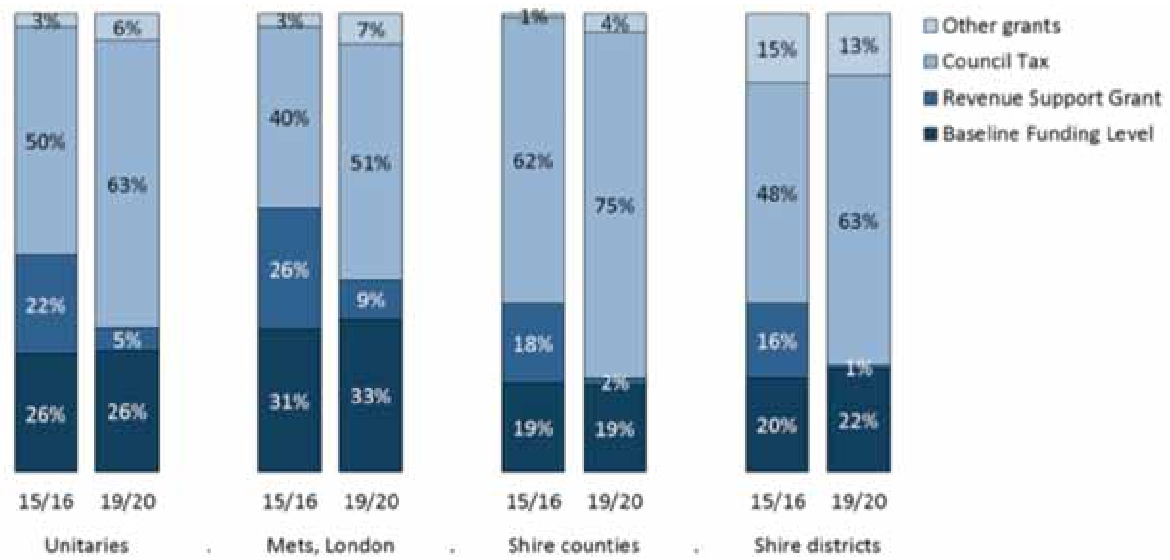


Figure 3 shows that the days when council tax made up just a quarter of local government funding

2 Source*: Public Expenditure Statistical Analysis 2015* table 7.5 (COFOG 1 to 6, 8 and 10) less current finance in departmental AME (table 7.1).

3 Sources: *Key Information for Local Authorities 2015* and *Core Spending Power Supporting Information 2015.*

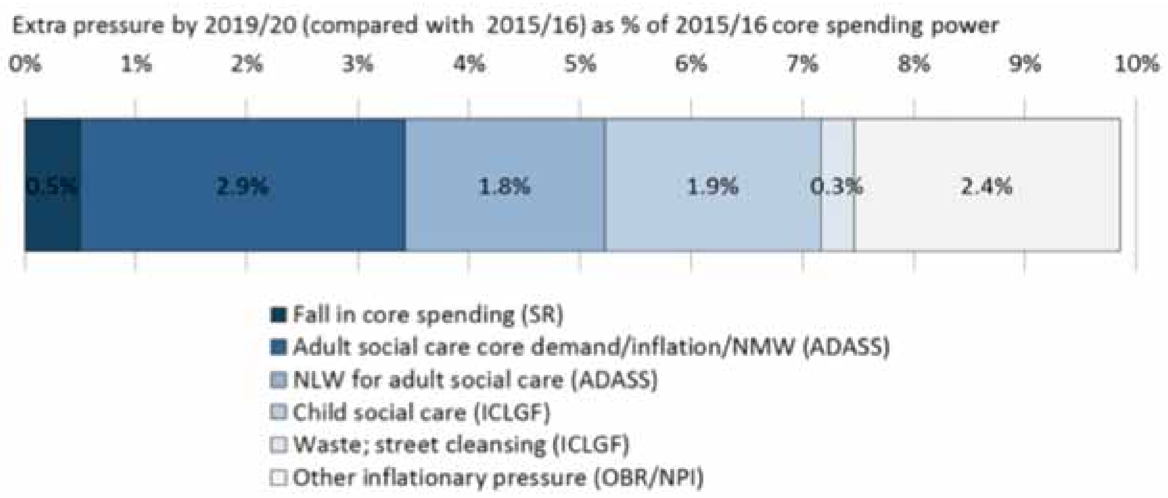
are already long gone. By 2019/20, all groups of local authority will be getting at least half their money from council tax. For counties – and this is on average – it will be three quarters. The near disappearance of revenue support grant by 2019/20 is another feature, shrinking to just 2% of core spending power for counties and 1% for districts. Other grants such as the Better Care Fund and New Homes Bonus (included here in other grants) will become more important.

The pressure on local government services and the jaws of doom

Although the 2015 Spending Review continues to cut local authority funding in England, the cut appears at first glance to be less deep than that since 2010. Yet closer inspection shows that the prospects can still only be described as severe.

In money terms the cut in 2019/20 compared with 2015/16 is only half a percent of core spending power. Since that includes the extra 2% a year on council tax which can now be levied to help meet the cost of adult social care, the growing demand from social care has to be added back in in order to gauge the pressure that local government is going to be under. Figure 4 draws on several sources, including the Independent Commission on Local Government Finance in 2014, to produce an overall figure. This includes an allowance for the effects of inflation where this has not already accounted for. Estimates put together like this can only be indicative.

Figure 4: estimated total additional budgetary pressure, 2015/16 to 2019/2020



The total adds up to just under 10% of core spending power. Nearly half – 4.7% – arises from both the rising need for, and the additional cost of, adult social care. Additional costs for child social care add another 1.9%. The estimate of the inflationary pressure on the other parts of local government spending, using official forecasts of inflation, accounts for most of the rest. The pressure is "only" this 10% if it is borne more or less uniformly across all local government spending. If instead it falls mainly or wholly on expenditure other than adult and child social care, it is more like 20%.

In one respect, Figure 4 misrepresents the source of the pressure. That is because the 0.5% cut in core spending includes the increase in council tax for adult social care. That increase adds 4.1% to core spending power in 2019/20. A different presentation, in which the benefit of the increase appeared as a reduction in the pressure from adult social care, would therefore show a 4.6% cut in core spending power. The net pressure from adult social care and the National Living Wage (NLW) combined would be just 0.6%.

This means that the "jaws of doom" story, which portrayed other local government services as being squeezed between falling revenue and rising adult social care costs, has had its day at the aggregate level. That is not to deny that there is still a shortfall in funding for adult social care, nor that its true cost is not restricted to what is met by social care budgets. But the freedom to raise council tax by an extra 2% a year does go a long way towards meeting the additional pressure up to 2019/20. If the freedom remains in place and is exercised, then it will have fully absorbed the extra pressure sometime in the early 2020s. Other local government services are still being severely squeezed but, in some areas, it is now by cuts in funding alone, rather than by a pincer movement.

However, the precept will not address variation between councils. As the next section explores, there is great variation in revenue raising capacity between councils, including the capacity to raise additional revenue through council tax. This is due to factors such as variation in historical council tax rates, in combination with the distribution of properties across different council tax bands. In addition, there is variation in growing demand for social care.[4]

Some councils may be subject to the 'double whammy' of low revenue raising capacity through council tax and high levels of demand for social care, adding to pressure on liveability services, which will carry a much greater proportion of overall spending cuts in order to meet the gap in social care funding. In these areas the pressure to find ongoing sources of new funding streams for liveability services will be felt harshly and there will be a need to explore income generation strategies including consideration of further council tax increases, charging, trading and investments.

Whilst the direct costs of social care will in part be met by new sources of funding, indirect costs will impact across council services. An ageing population will need to be supported in a range of other ways such as assisted bin collections, supported living, and transport needs. An example of pressures created by an ageing population and changing demographics is found in household waste collection. Since 2009/2010 assisted bin collections (provided in the main to older residents) have more than doubled from an average of around 2,300 per annum per authority to 5,300 per annum per authority in 2014/15.[5]

Other indirect costs mirroring the rising demand in social care due to demographic changes include meeting new housing demands through more supported living, home adaptations and building maintenance services to enable older people to remain in their homes for longer, and supported transport and bus services.

4 Source Health Service Journal; Richard Humphries Assistant Director for policy, King's Fund

5 APSE performance networks data household refuse collection assisted push-outs 2008-09 to 2014-15 Summary report.

The limits of localism and the need for redistribution

The more deprived the bigger the fall

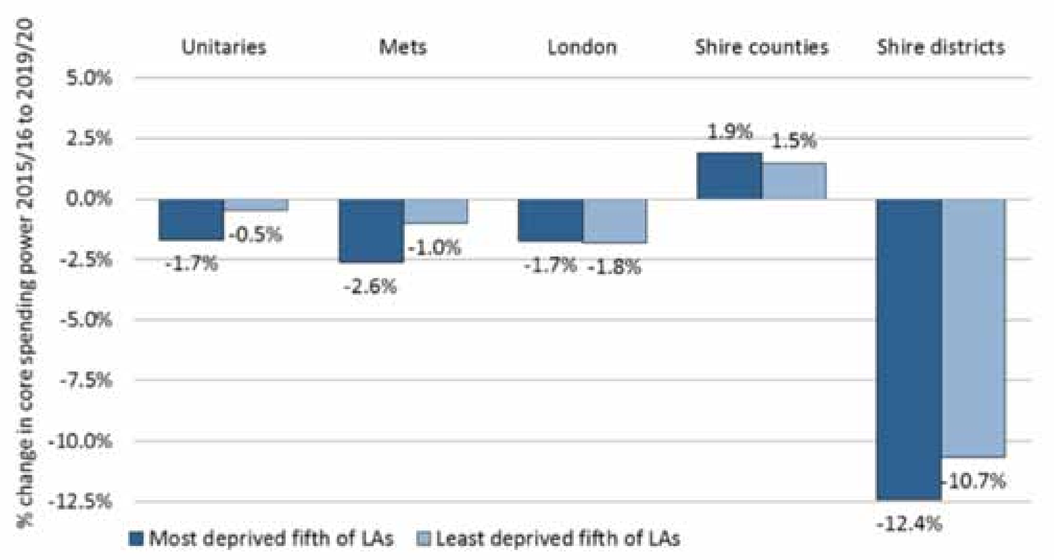
A number of studies have shown how reductions in central government support across England since 2010 have hit poorer local authorities harder. The government accepts this. The House of Commons Public Accounts Committee noted in 2014 that the Department for Communities and Local Government had "confirmed that authorities in the most deprived areas had received the biggest cuts in spending power".[6]

One of these studies, published by the Joseph Rowntree Foundation, used a ranking of authorities based on the Index of Multiple Deprivation to show that among English "all-purpose" authorities, those in the most deprived fifth saw average expenditure per head fall from over £900 in 2010/11 to £700 in 2014/15. By contrast, spending per head in the least deprived fifth fell from under £650 to £600.[7] Putting this another way: in 2010/11, for every £1 per head spent by the richest fifth, £1.44 was spent by the poorest fifth. In 2014/15, that 44% had come down to 17%.

In the same Public Accounts Committee report, the Department explained that deprived authorities had faced deeper cuts because getting more to begin with meant they had more to lose. So was that degree of difference between the most and least deprived authorities just another feature of the last years of the Labour government?

The "standard spending assessment" (SSA) system used by both the Conservatives before 1997 and Labour until 2003 shows that it was not. The many changes to the responsibilities of local government since then mean that comparisons today with SSA can only be suggestive. But SSA was both transparent and consistent with a direct connection to the distribution of grant. Using SSA per household as the proxy for deprivation, the most deprived fifth of "all purpose" authorities (that is, Metropolitan and Unitary authorities and London boroughs) had an SSA per dwelling in 2002 45% higher than the least deprived fifth. Among district councils, the most deprived fifth had an SSA/dwelling 34% higher than the least deprived fifth.[8] Once again, the big fall in the extra money going to more deprived authorities takes English local government to a very different place from what it had been used to for at least 20 years, and probably much longer.

Figure 5: percentage cuts in core spending power to 2020 by local authority type[9]



6 http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/833/83306.htm: para. 8.

7 Joseph Rowntree Foundation, *The cost of the cuts: the impact on local government and poorer communities*, March 2015. Figure 7, p. 17.

8 Source: NPI archive for 2002 SSA per dwelling.

9 *Core Spending Power Supporting Information* 2015

Looking forward, Figure 5 shows the percentage change in core spending between 2015/16 and 2019/20 for the most and least deprived fifths of local areas separately for five different groups of council. In contrast to the last five years, where deprived authorities have seen far bigger cuts, the most and least deprived areas are now being treated almost the same. In London and the shire counties, the treatment is equal or better while among the other three, the most deprived are only losing out by an extra one to two percentage points. But with the localisation of business rates, the picture presented here is now only part of the story.

Business rates: selective self-sufficiency?

The market-orientated funding framework now in place offers councils an incentive to generate resources through higher levels of local economic activity. This financial model sits at the heart of the Cities and Devolution Act 2016 which assumes that combined authorities will be better able to achieve financial self-sufficiency, help rebalance the economy away from London and redesign public services.

Noting that by 2020, the business rate transferred to central government would exceed the amount of grant transferred from it, local government urged full retention of the business rate. Now that the Chancellor has agreed, what might the consequences be? This could help with the distribution problem here if the authorities with the greatest need for additional resources also tended to be the ones with the greatest capacity to raise revenue from the business rate.

Sticking with SSA as the yardstick, deducting council tax raised at the standard (national) rate from it provides a neutral measure of the need for additional funding from grant and other sources. A comparison of local authorities ranked according to this "2002 need per dwelling" with another ranking by "2015/16 business rate retained per dwelling" provides a way of checking how far retained business rates help self-sufficiency, not just in total, but authority by authority. The closer the correlation between the two rankings is to 1, the greater is the capacity of the business rate to provide the extra support that more deprived authorities in general need. Conversely, the closer the correlation is to zero then so that capacity is less. It is at the lesser end of the scale that all the statistics sit: 0.19 for Metropolitan authorities, 0.15 for London boroughs, 0.14 for districts and zero for Unitary authorities.

These statistics are quite consistent with the possibility that some authorities with high levels of deprivation also have a big capacity relative to need to grow their business rate revenue. But the point is that that won't be so for all or even most of them. As the change to business rate retention starts to have effects, the two-way picture presented in Figure 5 will need to give way to a four way picture, dividing both deprived and non-deprived authorities between those with strong and those with weak capacity to raise the business rate.

Even where the potential for local funding is good, the variability and unpredictability of local economic conditions means that a market framework is an unstable pillar on which to rest local government finance. This is not just a problem threatening deprived authorities. The Rowntree Foundation report referenced above notes that both Manchester and neighbouring Trafford saw some of the biggest falls in business rate per capita over the five years 2009/10 to 2014/15.[10] Authors of a recent academic paper also argue that it puts councils in "an invidious position … "liable for maintaining the appropriate mix and supply of employment land and premises" on the one hand while having to "create new commercial floor space in order to fund their own future" on the other.[11]

The root of the problem is that the connection between need on the one side and revenue raising capacity, from whatever source, on the other has nearly disappeared. The same point applies to the extra council tax for adult social care: every upper tier authority can put the tax up by 2% a year but rise in demand for social care will vary. The King's Fund, as we have referenced above, have raised doubts over whether all councils will use the precept every year given local political sensitivity to increasing council tax, potentially opening a wider funding gap.

10 Joseph Rowntree Foundation, *The cost of the cuts: the impact on local government and poorer communities*, March 2015. Table 3, p. 29.

11 Muldoon-Smith, K. and P. Greenhalgh, 2015, "Passing the buck, without the bucks: Some reflections on fiscal England", *Local Economy*, Volume 30 Number 6, September 2015.

Regional devolution and cities: alright for some?

The Cities and Devolution Act 2016 hands councils the chance to put proposals to ministers but not only do ministers decide, in England's highly centralised state, they retain the right to change the rules at some later date. Moreover, there is little difference between the different city deals on the whole, although Manchester goes furthest with the Health Budget devolution.

Devolution is effectively a loan facility on a revolving infrastructure fund. In many cases the local authorities have raised a significant share of the money through bank loans. For instance, in Cardiff the fund is worth £1.2 billion with £580 million capital contribution from the Welsh Government, and £580 million of payment by results funding from the Treasury – for which the local authorities of the region would have to agree some borrowing mechanism, over 20 years, and be liable for interest payments and £120 million capital contribution from the local authorities utilising their borrowing powers. Unless Cardiff raises the level of local economic activity by 5% over the next ten years, it will have to pay the capital as well as the interest.

In Manchester the local authorities invest £1.2 billion of locally-funded resource upfront in infrastructure, for a new road to the airport and Metrolink. If they meet the agreed rise in local economic activity the government will give them up to £30 million per annum for 30 years, subject to a review in 2019.

One view of this is that an arrangement under which local government spends its capital in a manner approved of by central government can hardly be called localism. After what has happened since 2010, most English local authorities need more money: city deals are popular. But in the light of what has just been shown about business rates and remarked upon about the extra council tax for adult social care, this is yet another device in which the capacity to raise money is unconnected to the need for it.

Only a mechanism of redistribution can start from the unmet need rather than the fund-raising capacity. It must be strong enough to fill the gap. With the current policy mix, self-sufficiency may be possible for some but it cannot be for all. Without it, the devil will take the hindmost.

Where responsibility lies for liveability services

In the context of cuts to local government, much public attention has been directed towards the services that meet the critical needs of a small minority – adult and child social care. The services that have been caught in the 'jaws of doom' are the ones that make local areas liveable places for everyone. They include refuse, recycling and streetscene, leisure, recreation and parks, environmental health, roads and street lighting, road maintenance, traffic management, buses and bus subsidies.

Even with the social care precept easing the pressure created by the rising demand for adult social care, the last two sections have shown the scale of the threat to the future sustainability of these services. Core spending power across local government is reducing in most places. The distribution of these effects is made increasingly uneven by the phasing out of revenue support, the increasing significance of council tax, and business rate retention. In these circumstances, there is no alternative but to defend these services in their own right. Usually unglamorous, they can't be sold on looks alone. Ever essential, just dipping below the surface should be enough to make the case. Just as lessons have been learned from the crumbling school and hospital estates legacy of the 1980s and 1990s there is a need to ensure that liveability services do not suffer a similar fate, forcing ongoing decline at a neighbourhood level. The way to start is by explaining what these services are: figure 6 shows who is responsible for what.

Figure 6: summary of local government functions by type of local authority[12]

	Metropolitan borough	Unitary	Shire county	Shire district	London borough
Service type[14]	26	56	27	201	32
Education	●	●	●		●
Social care	●	●	●		●
Transport planning & policy, strategic planning	●	●	●		●
Passenger transport		●	●		
Housing, planning applications, local taxation	●	●		●	●
Lower tier liveability: leisure and recreation, environmental health, waste collection	●	●		●	●
Upper tier liveability: highways; waste disposal	●	●	●		●

Unitary authorities, metropolitan boroughs and London boroughs are all responsible for a range of services that render an area liveable: leisure and recreation, environmental health, waste collection and recycling, highways and waste disposal. In two-tier areas, there is a division of labour between shire counties and districts regarding these liveability and public realm services. Counties are responsible for highway maintenance and construction and for waste disposal, while districts are responsible for leisure and recreation functions, environmental health, and waste collection. In these areas, where council tax and business rates will make up on average between 85% and 94% of core spending power by 2019/20,[14] liveability services may be particularly vulnerable.

12 Department for Communities and Local Government, *Local government financial statistics, no. 25*, 2015, p. 2.

13 Some service areas and local authority types have been omitted here. For the most part, these relate to single purpose authorities, which are responsible for police, fire and rescue services in shire and metropolitan areas outside London, as well as passenger transport and some waste disposal in metropolitan areas. In shire areas, unitaries and counties are also partly responsible for fire and rescue. In London, the City of London is responsible for police services. There are four single purpose waste disposal authorities in London, while the Greater London Authority is responsible for some highway construction and maintenance, transport planning, policy and strategy, and strategic planning, as well as passenger transport provision, police and fire and rescue services. In addition there are 11 park authorities (9 of them National Parks) which have responsibility for planning and leisure functions.

14 Figure 3

What the key liveability services cover

Parks, public realm, leisure and recreation

For the most part this function of local government refers to the maintenance and operation of indoor and outdoor recreation facilities as well as open spaces, including leisure centres, swimming pools, football pitches, parks and outdoor walking routes.

Evidence of how these services are changing with austerity is sometimes difficult to locate, as it is often that many factors have contributed to them. Attributing combined impacts to particular factors under review is easily done but often misleading. Other effects are cumulative, taking time to emerge. The Heritage Lottery Fund found that 86% of council parks departments in the UK have seen falls in their budgets since 2010, almost all of them losing skilled management staff. Park facilities are becoming more expensive to use, while some parks and green spaces may be sold or transferred to other organisations to maintain.[15] APSE's annual research survey on the state of the market for parks and green spaces found in 2014/2015 that 77% of respondents had already seen a withdrawal of funding for maintenance in parks and green spaces as a result of budget cuts leading to a deterioration in the quality of the services they are able to provide[16].

There is a hidden cost to the public purse in losing parks, leisure and quality public realm. Data from Intelligent Health highlights significant savings to the public purse and a return on investment through psychical activity at a neighbourhood level.[17] A Beat the Street project run by Intelligent Health involved 10,000 adult participants with 12% of people moving from no to low activity levels and 10% moving from low to moderate activity. The project illustrated cost savings for every £1 spent in an area of average physical activity levels created a return on investment in health care of £19.69 over a two year period and £19.87 over a five year period.

Environmental Health

Environmental health services provided by councils include checking the systems in place to make sure food is safe to consume whether in cafes or restaurants or from food retailers. This covers premises, food preparation and hygiene. Environmental health also includes monitoring local air pollution and assessing land that may contain potentially dangerous chemicals. Pest control services are also provided. Local authorities are required to keep non-agricultural land free from rats and mice. The absence of pest control services requires amateur use of rat poison, which can be very dangerous.

According to the Chartered Institute of Environmental Health, the service most likely to be stopped in response to budget cuts in the past three years was pest control, leaving poor residents with rats' nests to fend for themselves. Other curtailed services include health promotion, dog wardens, contaminated land investigation, and out-of-hours services, while changes are being made to the risk prioritisation of food and health and safety inspections to reduce service demands. The services likely to be cut or stopped in the future include non-mandatory aspects of housing regulation, drainage, air-quality and climate change activities.[18]

Road construction, maintenance and street lighting

The highways function of local government predominantly refers to the construction and maintenance of non-trunk roads and bridges. Cuts to the Highways Agency, local capital road resources and traffic management extend beyond roads. Road closures create unexpected traffic situations and indirectly affect local economic activity, such as by reducing access to tourists. Cuts result in more potholes, making roads less safe for all users, especially cyclists.

Waste, recycling and streetscene

Waste collection and disposal is organised in different ways in different areas, with the two functions belonging to districts and counties respectively in two-tier areas Waste is one function where councils are exploring different possibilities for savings, for instance by collaborating more effectively, or

15 Heritage Lottery Fund, State of UK *Public Parks 2014: Renaissance to risk?*

16 APSE state of the market for parks and green spaces 2014/2015 briefing 15-28

17 Public Intelligence; Beat the Street Project Reading

18 Chartered institute of Environmental Health (July 2015) *CIEH Workforce Survey 2014/15 executive summary of findings*

introducing new collection methods to increase recycling and avoid landfill charges.

Whilst some services are statutory in nature, such as a duty to collect domestic waste and keep council land free of refuse and litter, in practical terms councils go beyond the basic statutory duties. Typically councils will take enforcement action for fly tipping, operate graffiti removal, run campaigns around dog fouling and litter offences, and help to develop holistic approaches to the public realm.

Public realm strategies actively encourage and support local businesses, communities and residents and encourage investment. For instance, Southampton City Council invested £11.2 million in public realm in the QE2 Mile and Guildhall Square.[19] Multiplier studies suggest that for every £1 spent on public realm this has levered in around £5 in additional private sector investment. There is also widespread acknowledgement that taking care of the local environment has positive effect on the long-term perception and well-being of an area; a theory often referred to as 'fixing the broken window'.[20] It follows that reductions in waste, recycling and street scene services could contribute to ultimately more costly long-term decline.

A role for the 'ensuring council'

It is easy to see why some of these services are crucial to local sustainability. For instance, street lights switched on at night prevent accidents and personal injury, and help ease residents' perceptions of crime and fears over their safety at night. The emergence of potholes in the road, litter in parks and along the roadside, water-logged or bog-ridden football pitches, the absence of lifeguards at public swimming pools – all these have obvious adverse consequences for residents' safety, mobility, health and well-being.

The idea of the 'ensuring council' seeks to combat this, seeing local authorities as "stewards of local wellbeing, recognises the strategic advantages of a strong core of in-house services delivered in collaboration rather in competition with alternative providers and ground(s) local decisions in politics and the values of social justice".[21] In-house services benefit from the workforce often being from or living in the local area and having additional local expertise that enhances this role of the council.

On a basic level, this equates to the provision of these services that make local areas liveable for residents, communities and businesses. In some cases, these services are there for everyone but play a particularly important role for certain groups. Women are being hit both ways, as they are more likely to work for local government and therefore lose jobs due to cuts, and are more reliant on community and children's centres, parks and recreational facilities as they are more likely to be informal carers.[22]

Moreover, as highlighted above, the indirect costs of an ageing population, which is being discussed in terms of additional demand for social care, can be addressed by an ensuring council that invests in public realm and liveability services. The quality of the public realm including roads and street lighting are significant factors in holistic care of older people and successful intergenerational planning strategies. Whilst these could be considered a financial burden on services they should equally be viewed as an opportunity for services to be part of a 'spend to save' approach on the wider response to the social care funding gap. The International Longevity Centre UK suggests that services need to adapt to an ageing population at the neighbourhood level.[23]

Public realm services and public health: history and opportunity

Local government began to take its modern form from the middle of the 19th century to cope with the needs of, and take responsibility for, the growing urban poor. Successive Public Health Acts in 1848, 1873 and 1875 instituted local administration of national determined priorities, public health and sanitation (as well as pavements and street lighting). This marked a significant shift towards a broader social remit for public services that promote health and well-being, which took further shape with the Local Government Act 1888. In short, local bodies have historically been seen as best placed

19 The role and value of local authority assets in town centres. APSE / CLES McInroy & Jackson January 2014

20 Fixing Broken Windows: Restoring Order and Reducing Crime in Our Communities by George L. Kelling and Catharine Coles

21 APSE, *The ensuring council: an alternative vision for the future of local government*, 2012, p. 4

22 UNISON, *Counting the cost: how cuts are shrinking women's lives*, 2014.

23 The Localism and Neighbourhoods for all ages. Is Localism sounding a death knell or a wake-up call for creating neighbourhoods for all ages? A Report and Think Piece Dylan Kneale & David Sinclair March 2011 ILC-UK

to administer these services efficiently and effectively on behalf of the central state.

An APSE report on public health and local government's 'ensuring role' recommended looking beyond the silos that constrained past working by, for example, delivering public health around obesity and physical activity by non-clinicians and seeking community based solutions, located locally and easily accessible.[24] Against the alternative of commissioning and procurement, public health and well-being offer local government an opportunity to demonstrate its continued significance as a social agent.

With predictions that by 2050 adult male obesity will reach 60% with woman following at 50% and children at 25% it is estimated that the NHS costs associated with obesity will reach £9.7 billion by 2050 with wider costs to society expected to reach £49.9 billion. This is a clear and compelling case to 'invest to save' in public health.[25]

Politically there is a feasible argument to be made here in favour of funding what have been termed here 'liveability' services, but particularly those that protect and advance the public realm as a site in which residents can relax, exercise and socialise – parks, streets, leisure centres, community centres. For instance, physical activity, particularly outdoors in parks, is one of the most effective ways to tackle visceral fat which is the cause of type II diabetes, heart disease and the huge NHS spend on obesity related illness. [26] These services can play a central role in managing growing demand for health and social care services in an age of austerity.

'Municipal entrepreneurialism'

As part of the 'ensuring council' approach local authorities 'embrace municipal entrepreneurialism, generating income for the authority and installing a culture of collaborative innovation'.[27] An APSE report commissioned from CLES suggests that many physical and virtual assets are under-used and could be used to generate further income, for example by using un-used office space in town centres for the creation of business hubs or by selling advertising space.[28] Other services may benefit from partnership with the third sector and neighbouring local authorities, and others only used by some local residents could generate further income through pay per use.

Councils already generate some income through charging money to use services, including highways and traffic, public transport, parking, school meals, child and adult social care, sports and leisure facilities, and cemetery, cremation and mortuary services. Over recent years, the aggregate amount of income generated by local service charges has not changed significantly, ranging between £11 billion and £12 billion over the five years to 2013/14 across England.[29] There are, however, underlying differences among councils. According to an Audit Commission report from before 2010, counties collected a greater proportion of charges nationally than districts, but charges made up a higher proportion on average for districts' spending on services (around one fifth). There was also large variation among councils of the same type. Among districts, income generated by charges ranged from 2% to 67% of total expenditure.[30]

However, central government can also do more. Councils were forced to spend £450 million to cover the cost of planning applications due to centrally imposed caps on planning fees between when the current levels were set in 2012 and 2015.[31] Removing restrictions on councils setting fees and charges such as on planning applications would enable councils to better address local variation and needs.

24 APSE, *Ensuring action on Health and Wellbeing*, April 2015.

25 Public Health England National Statistics: Statistics on Obesity, Physical Activity and Diet - England, 2015 [NS] Publication date: March 03, 2015

26 Lee S et al. J Appl Physiol 2005;99:1220-1225

27 APSE, *The road to 2020: A manifesto for the Ensuring Council*, 2014, p. 9.

28 APSE / CLES The role and value of *value of local authority assets in town centres*, 2014.

29 Local Government Finance Statistics, Table 2.5a.

30 The Audit Commission, *Positively Charged: Maximising the benefits of local public service charges*, January 2008, p. 14.

31 Local Government Association, *'Local services threatened as councils forced to spend £450 million topping up planning fees'*, 3 November 2015

Conclusion: liveability and public engagement

Local government has less money than ever; need plays little part in how that money is distributed across local areas; key services that make those areas liveable remain under huge pressure. So what can be done? This is not primarily a policy paper but having shown where local government, especially in England, now stands, here is short list of suggestions about where local government might go from here.

1. Campaign openly for liveability and public realm services

The case for liveability services must now be made directly. The approach by stealth – pointing to the pressure on, and from, adult social care – will no longer serve because the right to levy a social care precept has drawn its sting. A new approach must talk in concrete terms, both about what they are – parks and pavements, planning and potholes, leisure and lighting, waste, trading standards, food hygiene, public health – and why they matter.

2. Explain why council tax must increase and consider reform

As the biggest part of core spending power, council tax rises can no longer be dismissed as not worth the trouble. But the argument for them still has to be made sufficiently well to sustain at least the grudging support of local residents. Just below the surface of that argument will lurk the question of whether the unfairness of an out-of-date council tax is a sufficient impediment to local government to merit reform. If devolutionary ambitions are to be realised than demands for genuine fiscal devolution will only increase.

3. Make the most of opportunities to generate income through charges

There are some under-utilised opportunities here, around fees and charges, for example in planning matters, other forms of income generation, and effective collaboration. This can assist local government if done effectively, but will not do the job alone as opportunities vary across local areas. A dialogue with local residents and businesses about what is fair – and unfair – charging might be revealing. Equally whilst risk needs to be managed it should be proportionate and income from investment strategies needs to be considered alongside more traditional income streams through charging and trading routes.

4. Change the political weather through democratic engagement

The common theme to all of these suggestions is public engagement with the local community. Norwich council has embarked upon a five year process of trying to seek views on residents' expectations of local government in relationship to the cuts and assuming declining revenue support and other grants, based on measured, unsensational calculations. Councillors describe this as an attempt to effect a change in the political weather. This is the point: although on the surface this looks like consultation, its aim is not managerial – to help inform a particular decision – but political, that is, to alter the local authority's scope for action by harnessing the support and therefore the strength of local people. What any longer is left to lose?

Whilst national debate has focussed on protecting our most vulnerable and ageing citizens, in terms of social care funding, we can ill-afford to lose the services which anchor good neighbourhoods. Allowing liveability services to decline through lack of funding will force up ancillary care demands at a neighbourhood level. Moreover the hidden costs of decline, failing to maintain infrastructure and abandoning liveability services to insecure funding and delivery arrangement we add future cost burdens to councils and businesses and have a long term detrimental impact on local residents.

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