



**Money's too tight to mention:
A comprehensive overview of
Local Government Financial
Settlements in the UK**

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Structure

- UK public sector plc financial position/ future outlook
- Financial settlements for Local Government in devolved administrations
 - England
 - Northern Ireland
 - Scotland
 - Wales
- Emerging policy themes
- Local Government – standard solutions

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Future outlook

- UK emergency budget June 2010 77:23 split spending cuts/ tax rises
- Deficit reduction plan cornerstone of UK Government policy – balance books by 2016 savings of £81 billion
- UK Comprehensive Spending Review October 2010 (APSE briefing 10/60)
- Significant reductions across DEL of all Government departments with exceptions of Health
- Difficult times ahead
- Impact on public sector as a provider of services

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England



- Local Government grants hit hard
- Varies significantly in 2011/12
 - Metropolitans 12.7%
 - Districts 12.6%
 - Unitaries 10.6%
 - London 8.5%
 - County 7.9%
- Budget reductions front loaded – councils hit hardest in 2011/12

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Englaand (cont)



- Unequal distribution of cuts across England
- North East (13.5%), North West (12.3%) and Yorkshire/ Humberside (12.1%) hardest hit!
- Connection with size of reduction and concentrated amounts of poverty/deprivation
- Council Tax freeze reduces room to manoeuvre
- Reconcile localist agenda with limitations on funding.... and sources

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Northern Ireland



- Overall cut of 8 – 10% as per Barnett
- DEL reduced by £1.5 billion by 2014/2015
- Ability to fund new policy commitments
- Government sponsored innovation, collaboration and efficiency programme (I.C.E) £400m saving
- Policy reform – Governance, Service Delivery and Community Planning
- Public service reform? Move from 26 Councils

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Scotland



- Scottish Government's spending plans and draft budget 2011/12 (APSE briefing 10/65)
- 11% reduction in resources or £3.5 billion over a four year period
- Down ward pressure on resources over next 10 years 39 billion lost on public sector
- Draft budget 2011/12 reduction of £1.3 billion
- Capital resources fall by £800 million or 36%
- One year budget for 2011/12 criticised

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Scotland (cont)



- Scottish Government offer:-
- 2.6% reduction dependant on Councils accepting Council Tax freeze and a commitment to deliver national priorities
- Variations on 2.6%..... some councils 1.5% others 4.5%
- 3% efficiency target
- Political ability to reject Scottish Government offer – impact on Council Tax levels 15 – 22% increase

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Wales



- Will experience a reduction of 7.5% over next five years
- Provisional settlement for Local Government.... Councils will experience a fall of 1.4% in 2010/11. Ranging from 1.7% to 0.1%
- Revenue funding will fall by 6.7% over next three years
- Capital funding will fall by 14% in 2011/12
- Councils have discretion in freezing Council Tax
- Protection of social services/ schools via ring fencing
- Impact on frontline service delivery potentially worse

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Stark difference in Local Government Settlements



- Local Government across UK treated differently
- Scottish and Welsh Governments chosen to protect Local Government funding as a % of DEL
- Punishing cut in England – 41% in 1st year
- Scotland chose to ring fence Health.... Wales did not
- Different approaches to Council Tax. Freeze in England and Scotland but not in Wales
- Diversity of approach which reflects devolved structure/ system of Government
- Scotland, Wales and Northern Ireland “Free” to determine priorities

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Emerging Policy Themes



- Devolving responsibility for difficult decisions to the local Government sector
- Devolved Governments.... Handing down the axe to Local Councils
- Doing better with less? Same with less? Less with less?
- Stop doing real things!!
- Different policy approaches in different part of the UK
- Budget reductions may present an opportunity to fundamentally examine how we organise and deliver services
- Financing Local Government – a return to the bad old days of “capping”

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Standard Solutions



- There are a spectrum of solutions to realise cost reductions in Local Government
- There is an interrelationship between Political Sensitivity, Managerial Complexity, Time and Savings – the low hanging fruit has gone
- More complex options take time.... particularly proving the concepts
- Do you have the time given the financial pressures?

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Potential Short Term Solutions



Remodel Workforce More for Less	<ul style="list-style-type: none"> • Reduce employee costs • Recruitment freeze, delete vacant posts • Revisit employee, benefits, pay freeze, future of increments, • Single status, agreements affordable ?
Organisational Restructuring	<ul style="list-style-type: none"> • Reduce management costs – layers and numbers.
Salami slice the budget	<ul style="list-style-type: none"> • Equalise pain – everyone takes the same hit. • Preferable to ring fencing particular services?
Increase Fees and Charges	<ul style="list-style-type: none"> • Council Tax freeze is it sustainable? • Political view on increasing fees/ charges
Service Rationalisation	<ul style="list-style-type: none"> • Stop doing things!

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Potential Medium Term Solutions



Commission a round of efficiency reviews	<ul style="list-style-type: none"> • Using a range of proven techniques – LEAN service reviews/ APSE competitiveness Continuum
Procurement Reform	<ul style="list-style-type: none"> • Collaborative forms of procurement. The "A's".... • The "B's" and the "C's"
Asset Management	<ul style="list-style-type: none"> • Rationalise assets/ property
Rationalise Back office	<ul style="list-style-type: none"> • New target/ future operational models
Shared Services/Joint Working	<ul style="list-style-type: none"> • New models based on collaboration. Proof of concept

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Potential Longer Term Solutions



New models of service delivery	<ul style="list-style-type: none"> • Joint Local Authority/ public service management structures rather than re-organise
Place Based or Outcome Budgeting	<ul style="list-style-type: none"> • A public service budget for the area deployed in relation to outcomes
Collaborative Reviews	<ul style="list-style-type: none"> • An area based approach to facility services
Early intervention programmes	<ul style="list-style-type: none"> • Hungry for Success

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Protecting the Frontline



- Impact of ring fencing on frontline
- Impact of protecting Education and Social Work
- Demonstrate “value” of frontline through recognised tools such as benchmarking

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**LOCAL SERVICES
LOCAL SOLUTIONS**



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