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Radical reforms to local authorities have gone 'unnoticed and unchallenged' against the backdrop of Brexit

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A clouded future for local councils. Little Miss Clever Trousers/Flickr., CC BY-NC-ND

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Reforms to the way local authorities are funded are probably the most radical – and least discussed – changes made by the coalition and conservative governments since 2010. Yet they affect the millions of people across England who rely on **local services** including social care, state schools, housing and planning and waste collection – and could mean big changes on the horizon for taxpayers.

Before 2012, local authorities received most of their funds from central government. This system took into account differences in local needs and tax base, and had been in place, with variations, throughout the post-war period. Local authorities also raised some money themselves through fees and through council tax, though with significant restrictions on what they could and could not do.

Under the new system – which was intended to incentivise economic growth and house building, and make local authorities more accountable to local tax payers – funding from central government has been slashed by almost 50% since 2010-11. Meanwhile business rates – which used to go into a national pot to be redistributed by the UK government using a formula – are increasingly retained by local authorities.

A quiet revolution

This radical shift in the way local authorities are funded has gone largely unnoticed and unchallenged. Yet there are serious concerns over whether this new system is sustainable in the long term. Many people are worried that the rising cost of providing essential public services is fast outstripping the budgets of local authorities.

Local authorities account for around one-quarter of all spending on public services. But analysis by the Institute for Fiscal Studies (IFS) suggests that local authority spending has fallen by 21% since its peak in 2008-9, mostly because of the cuts to central government funding.



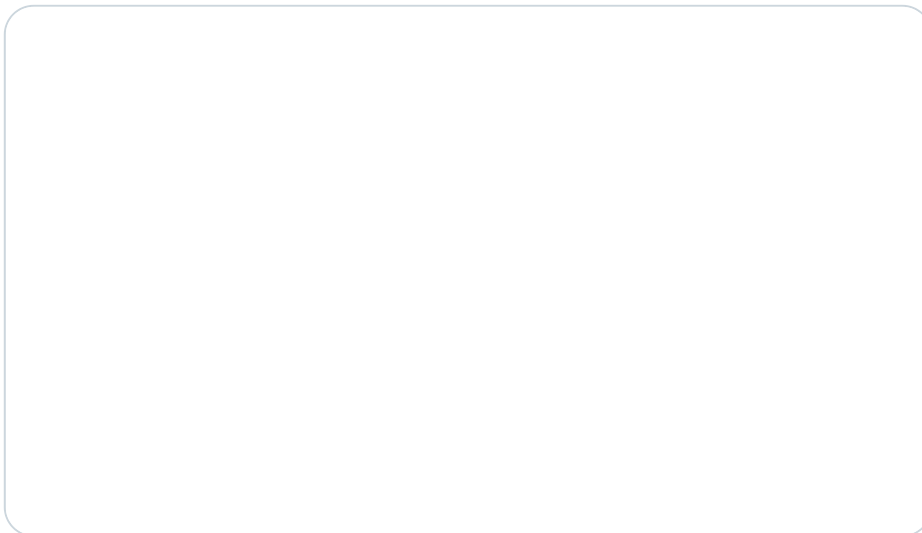
Institute for Fiscal Studies  @TheIFS · Jul 3, 2019



New @MHCLG figures on English council finances are due today.

Amid central government funding cuts, councils' spending on services has fallen by 21% on average in real terms since 2009–10. These cuts have been larger in more deprived areas.

Read more: ifs.org.uk/publications/1...



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One way councils have adapted to less funding since 2009–10 is by significantly cutting more discretionary services – like housing services - while protecting statutory and more acute services, like children's social services.



These cuts have not fallen equally. According to the IFS, funding for youth centres, town planning, highways and cultural services have had to endure the greatest reductions, while funding for children's social care has actually risen by 10%.

The cuts have also affected some local authorities more than others – particularly those with a weaker council tax base and high levels of need. So far, extra funding from business rates **has not made up** for the reductions in central government grants.

What's more, the UK government has retained control over council tax – the other main source of income for local authorities – and limits how much these bills can be increased. Removing these restrictions would be politically unpalatable, so this is unlikely to change any time soon. As a result, funding from council tax **has also taken a dip** over the past decade – though it recovered to 2010-11 levels in 2016-17.

A lack of accountability

But, even if council tax went up by 4.7% each year, the IFS estimates that by the 2030s the rising costs of social services would outstrip this extra revenue. Something more radical is needed – something that addresses two of the fundamental issues with local government finances: a lack of accountability and ineffectiveness.

Though local services are now being funded primarily through revenues raised by local authorities, there has been no noticeable change in voter turnout in local elections. On average, **just over one-third** of registered voters actually participate.

As such, there is little accountability over the spending decisions made by local authorities on behalf of the people they represent. And efforts to give local people greater power – for example, by enabling them to develop a plan for their neighbourhood – have had **patchy results**.

Read more: Why don't local people have a greater say in their neighbourhoods?

The UK's badly outdated council tax system – which charges households based on property values from 1991 – doesn't help. Only a small proportion of the actual costs of local services are funded through local taxation. And most local people contribute indirectly, via their household, rather than making a direct contribution as individuals. A local tax on individuals – such as a local income tax or local sales tax – may address this. A flat rate local income tax across the nation could minimise administrative costs. The idea of a local land tax has also been mooted.

A lack of effectiveness

Too often, local services are commissioned and delivered with little knowledge or understanding of whether they are effective. Or – as in the case of the Troubled Families programme – they are delivered in places where the evidence suggests that services make no difference to outcomes. Changes in how services are commissioned, designed and delivered, with a much greater focus on funding services that can demonstrate impact, are desperately needed.

As the UK's population ages, health and social care systems administered by local authorities are struggling to cope with the growing needs of residents. Since the 1940s, these two separate systems have acted independently to protect their budgets and limit their responsibilities – to the detriment of taxpayers and service users. It could be time to consider a system that integrates health and social care, under the remit of local authorities.

There has been a quiet revolution in local government funding over the past decade, and huge questions remain about whether local authorities can afford to fund services into the future. But the revolution is not complete - more radical steps are needed to give local authorities real control over their budgets, to ensure they fund services with clear evidence of effectiveness, and to increase local accountability.

Localising health care, introducing individual local taxation and removing restrictions on local authority revenue-raising are some of the more radical (but politically explosive) ideas that need to be considered.



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