

Political Thinking Meeting Report No 27

Chiltern U3A 'Political Thinking'

Meeting No 27 Monday 29th October 2018

Discussion led by Councillor Don Phillips of Chiltern District Council

Topic; The financing of local government and the trend towards fewer authorities.

Summary

The central themes of the discussion were the continuing decline in central government financing of local government over the last 30 years, contrasted with the rising costs of many services provided by local government, most of which are statutory requirements, leading to a widening funding gap. Neither of the main political parties at Westminster seem able to identify a long term solution, leading to uncertainty as to how services vital to local community wellbeing will continue to be provided.

Discussion

Since the Thatcher era there has been a continuing policy of reduction in support from central government to local government. At the time of the poll tax debacle some 75% of local government funding was provided directly from central government. Indeed one of the justifications for the poll tax was that it would increase the tax base for local government and improve local accountability as a preliminary to switching the burden of cost to the locality. However the hastily implemented Council Tax system did not increase the tax base or improve local accountability but the policy of reducing cost to central government continued. Raising of finance for local government remains a political hot potato.

The most recent indications are that the Rate Support Grant will disappear entirely as the product of business rates is to be directed to local government. However there is considerable pressure from the business community to reduce these, with some justification as alternative forms of retailing are not taxed, which suggests that this source of funding for local government may have an uncertain future.

The principal other sources of revenue are the Council Tax, rises to which are capped and direct payments for services such as planning, licensing etc. Many of these are set by central government and may bear no relation to actual costs incurred in providing the services.

So future funding of local government has many uncertainties as to whether current revenue streams will be maintained and no indication as to what if anything may replace them.

By contrast the expense necessary to provide local services seems set to increase considerably. Social care costs are being propelled by demographic factors such as an aging population and family breakdown. Although no longer providing housing directly, local authorities are responsible for the homeless.

The need for child care services is increasing but children's homes are being closed due to lack of funding. Immigration produces further pressure, not least the consequences of uncontrolled or illegal child immigration where authorities have to shoulder the burden of care.

Waste disposal is another local authority service responsibility where costs are likely to rise considerably due to the virtual ending of landfill and reduced income from and increasing costs of recycling.

The great majority of services provided are non-discretionary; the authority has a statutory duty to provide them, which implies that costs are inescapable. Most of the discretionary services have been reduced or eliminated.

Some central government policies such as minimum wage legislation or stricter controls on lower skilled immigration may well be laudable in themselves, but have more than proportionate impact on the costs incurred by local authorities. How these extra costs are to be met is left to authorities to resolve.

The overall pattern is one of increasing demand for or requirements to provide increasingly expensive services contrasted with an uncertain revenue stream from which to pay for them.

The cost cutting measures introduced by local authorities are in the main amalgamations or concentration of service provision over several authorities. Examples are in senior management where it is now common for a chief executive role or a service director role to be shared over adjacent authorities. A single planning service may serve several authorities and waste collection contracts covering several authorities are commonplace.

However the savings resulting from measures of this kind are a few percentage points in magnitude contrasted with the double digit percentage cost increases foreseen in many area of local authority services.

Overall at some stage the political parties must grasp the nettle of local government finance and put in place a stable long term solution where statutory and other requirements are covered with adequate funding. That day seems far away as neither main political party has a clear policy.