

Is local government heading for broke? The scale and speed of budget cuts mean that councils do not have the time and space to ensure permanent and sustainable reductions in cost

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*The scale of budget reductions means that some councils, including some large ones, are bound to fail. The irony is that dealing with immediate budget cuts mean that councils do not have the time and space to invest in or think deeply about the measures that will ensure permanent and sustainable reductions in cost. **Jonathan Carr-West** writes that local authorities have both the motivation and the capacity to change, but the central government must make it easier for them to do so.*



The most senior Conservative in local government was ruffling some feathers last week. Sir Merrick Cockell, Chairman of the Local Government Association, used an interview on the eve of Eric Pickles's speech to conference to announce his view that the latest round of budget cuts (another 15% for 2015/16) would lead to some councils going bankrupt.

The timing of these remarks and their public nature may have surprised many commentators, but their contents will not have done. It's nearly a year since an LGA assessment of West Somerset Council declared it 'not viable as unit of local democracy and governance'. Only week later an Audit Commission report estimated that a third of unitaries and county councils could be at medium-term risk of being unable to balance their budgets.

Labour local government figures have been making this point for some time: the leader of Birmingham City Council Sir Albert Bore has argued vociferously that spending cuts mean "the end of local government as we know it." Senior conservatives in local government have been more circumspect, but many have for some time been predicting privately that the scale of budget reductions means that some councils, including some large ones, are bound to fail.

Sir Merrick's comments are the first time these views have been brought out in the open. They are sure to enrage the secretary of state who will find them harder than Labour complaints to dismiss as scaremongering or playing politics. They may also delineate a new battle line between the LGA and DCLG. Many in the sector who still resent what they see as the LGA's over supine acceptance of the 2010 funding settlement will welcome this, though some will think it too little too late. But how seriously should we take these predictions? Can we really expect a range of councils to go bust? What would that mean and what, if anything, can we do to stop it?

We know that councils face a vicious cycle of shrinking resources and rising demand, notably, but not exclusively, in adult social care. In research we did, at LGiU, for the All Party Parliamentary group last year more than 50 councils shared evidence of a medium term collapse in their ability to keep paying for care. We're familiar with the scenario outlined by the now infamous Barnet Graph of Doom in which councils can afford to pay for adult social care and children's services and absolutely nothing else. But many councils that we spoke to shared Sir Merrick's view that it could be worse than that and that they would struggle even to maintain core statutory services.

For smaller councils that is likely to mean a degree of reorganisation with vulnerable districts combining either with their neighbours or with the upper tier authority. This might take the form of formal merger or, more likely, take place unofficially through shared services and management teams. The government's position is that this should be an organic process driven by councils themselves. But while this may an attractive proposition for the councils at risk of bankruptcy, it's not clear that it looks like such a good deal for the authority that merges with them. Whether this can be achieved without central government direction remains unclear then.

In respect of larger councils, central government is again likely to become more involved than it would like. It seems inconceivable that any government would allow a major city to actually stop providing core statutory services, so some sort of bail out is inevitable but this is likely to come at a fairly high price in terms of conditionality and central government control. For both large and small councils then, financial failure will mean a loss of local democratic control and whittling down of statutory services to (or beyond?) their bare minimum and a complete abandonment of the discretionary services that do so much to shape places, build communities and add value to citizens' lives. This scenario is obviously undesirable but can we do anything to avoid it?

In the long term the pressures councils face can be met only by reducing demand. Not just in the shallow sense of changing eligibility criteria but in a profound sense of reducing need and subsequent cost by helping people and communities to manage their lives more autonomously. Just as we have seen councils move over the past two decades from delivering to commissioning, so we will see the emphasis shift from commissioning to building capability and resilience in individuals and communities so that they draw less on services. That means a shift towards preventative and integrated services; joint commissioning across the public sector; co-production with service users; capacity sharing across private and voluntary sectors and a greater inclusion of informal service networks. But this sort of transformation is a long-term project and it relies on local political leadership backed up by a degree of interoperability across public sector budgets that remains a long way off.

Over the past couple of years, we've seen the potential in Community Budgets to drive savings and efficiencies, and in City Deals and business rate retention to drive growth. We've seen welcome flexibilities in the use of assets and the introduction of a Single Local Growth Fund to which Local Enterprise Partnerships can bid. There also have been steps in the right direction such as the commitment to taking £3 billion out of the Health budget for joint commissioning of health and social care. But we've also seen that there are issues transferring these approaches to two-tier areas and we've seen a reluctance from some of the big departments of state, notably Work & Pensions and Health, to really get behind them.

Across local government we see innovation in service design and delivery that points towards a very different vision of public services, one that is integrated, preventative and designed around citizens rather than council structures. Recent work we've done on adult social care, housing, planning and budget mapping all identified wonderful examples of this. But they remain too isolated and marginal.

The irony is that dealing with immediate budget cuts mean that councils do not have the time and space to invest in or think deeply about the measures that will ensure permanent and sustainable reductions in cost. And of course, the discretionary services they are having to cut are exactly where some of the biggest preventative outcomes are to be found. Local authorities have both the motivation and the capacity to change, but until central government makes it easier for them to do so, Sir Merrick is right to warn that we live in worrying times.

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Jonathan Carr-West is a director at the Local Government Information Unit, where he leads the Unit's policy team which seeks to strengthen local democracy by developing new thinking and practice on how local communities can have more influence over the areas they live in and the services they use and how local government can help them to do so. Follow him on Twitter [@joncarrwest](#).