

There must be an independent review of local government's sustainability

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The National Audit Office was wrong in its critical report of the Department for Communities & Local Government.

Its criticism was too muted. The [report suggests](#) that the DCLG was unsighted on the consequences of the impact of its decisions to allocate resources to councils. Did the DCLG look but couldn't see, or did it look the other way?

Imagine this: you accept that a public austerity programme is necessary because of the deficit and the debt and you agree that large-scale cuts simply have to apply to local government as to all other areas of spending. But you also know that over half of all the money spent in English local government is on adult and children's social care, serving the 3% of the population in the most acute need.

Would you apply the highest cuts to this area of spending compared with all other areas? Well, the government did in 2010. It was a bad judgment then and it looks a worse judgment with every passing quarter. So, well done to the NAO for reporting on the frailties of English local government. It's a pity the NAO chose understatement to get its point accepted.

The interim report of the independent commission into local government finance, Public Money, Local Choices, was supposed to address the need for urgent reform of the finance system.

Unfortunately, its interim report is not even wrong. That's because, investment in housing aside, it starts in the wrong place and then offers solutions to the wrong problems.

The report rightly critiques the failings of the current financial system but then proposes solutions with the flimsiest of references to what services these revenues are supposed to support. It assumes that the problems besetting local government are best solved by making English local government more "self-sufficient". Few reasons are given for this over-arching solution. Self-sufficiency is vaunted as a goal in itself, without any critical examination or even proper description of what is meant.

Local government should be encouraged to embrace self-determination as a goal and councils should be helped to be as self-sufficient as possible but let's not pretend that poor localities everywhere can simply pull themselves up by their bootstraps. What's more, fiscal devolution within England needs the most careful handling.

Devolving public resources to the 10 million people across Scotland, Wales and Northern Ireland is proving difficult. Doing it for the 54 million people across England is not going to be any easier. That's because England's localities are markedly different from each other and yet the "spillover" and "leakage" effects between them are quite large. How similar are Cornwall, Camden, Coventry and Chesterfield? Is there a place where the Greater Manchester area ends and the Liverpool city region begins?

The golden rule is that finance follows function. So, when discussing the revenues that should support local public services, it is best to start with the functional responsibilities of councils. Local government in the UK is very unusual; few nations expect their local governments to direct half of their spending on securing social care for adults as well as protection services for children but in England, over £22bn of council spend is on adult (£14.4bn) and children's (£7.7bn) social care.

This is why central government in the UK has historically provided substantial revenue support to local government. Has anyone found an economically respectable argument for supporting social care service costs on a politically frozen local property tax? It is simply not sensible to suggest revenue raising options for councils that are empty of any discussion as to the character of the services that these revenues are supposed to support and yet that's what we get in *Public Money, Local Choices*.

There is an overwhelming case for an independent body, such as the Office for Budget Responsibility, to examine the sustainability of English local government. The withdrawal of revenue support at such a rate from high-need councils in resource poor areas threatens to jeopardise the achievement of so many other areas of public policy.

Such an independent review would serve to elevate the debate above the day-to-day fray of politically contentious claims and counter claims. It would provide a more authoritative basis for politicians to make their arguments about which public services should be financed locally, nationally and maybe even regionally. Then it may be clearer what share of the austerity burden should properly be borne by English local government.

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