



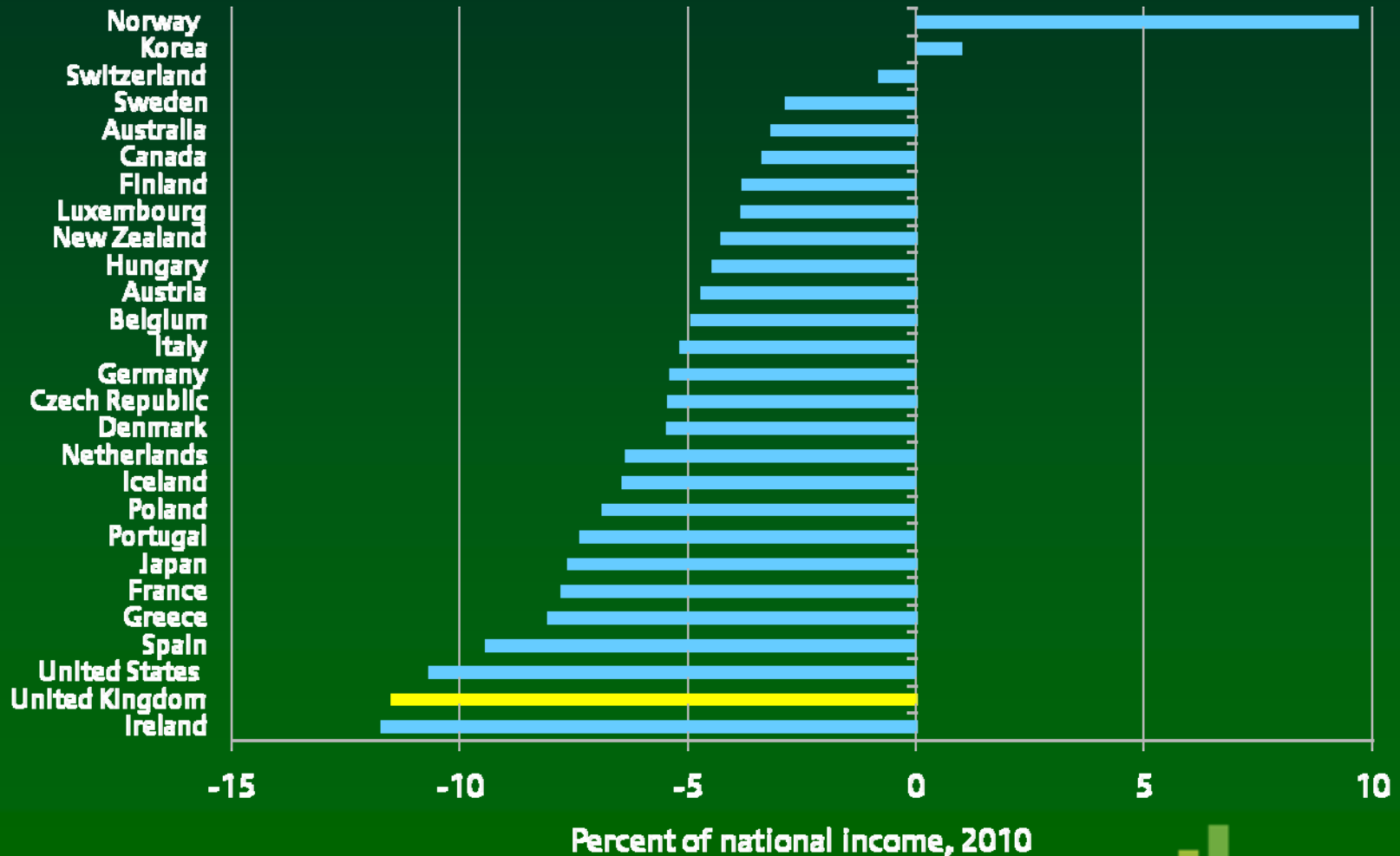
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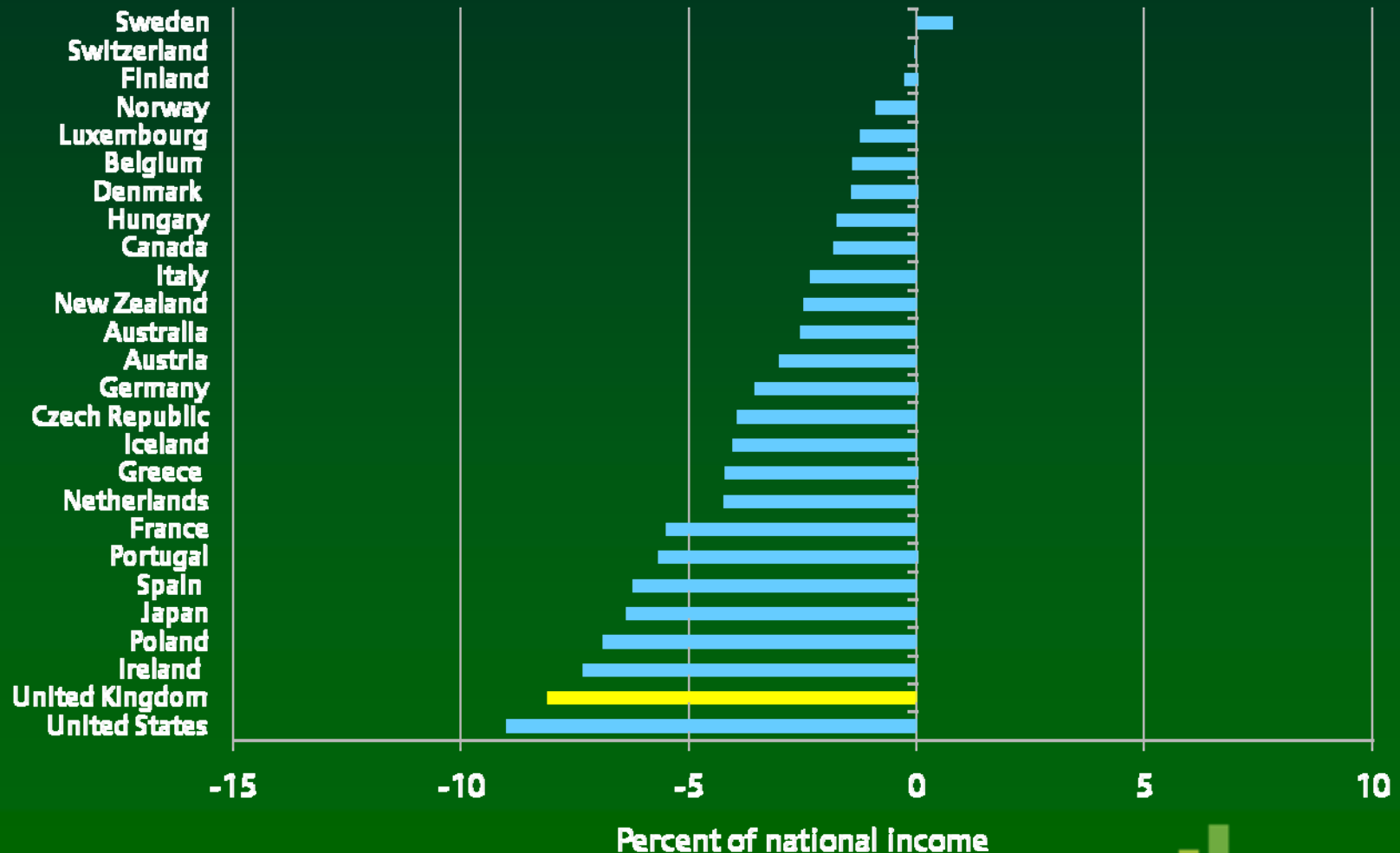
Filling the hole: the impact on spending

Robert Chote

UK has 2nd biggest budget deficit of main OECD countries...



...and the 2nd biggest structural (recovery-proof) deficit



Disease and cure

- Underlying structural deficit looks around 5.8% of national income (£86 billion a year) bigger than pre-crisis 2008 Budget suggested
- The widening of the hole mainly reflects greater pessimism about the long-term productive potential of the economy
- Left unaddressed this deficit would see debt explode
- Government has in effect promised to fill extra hole by 2015–16

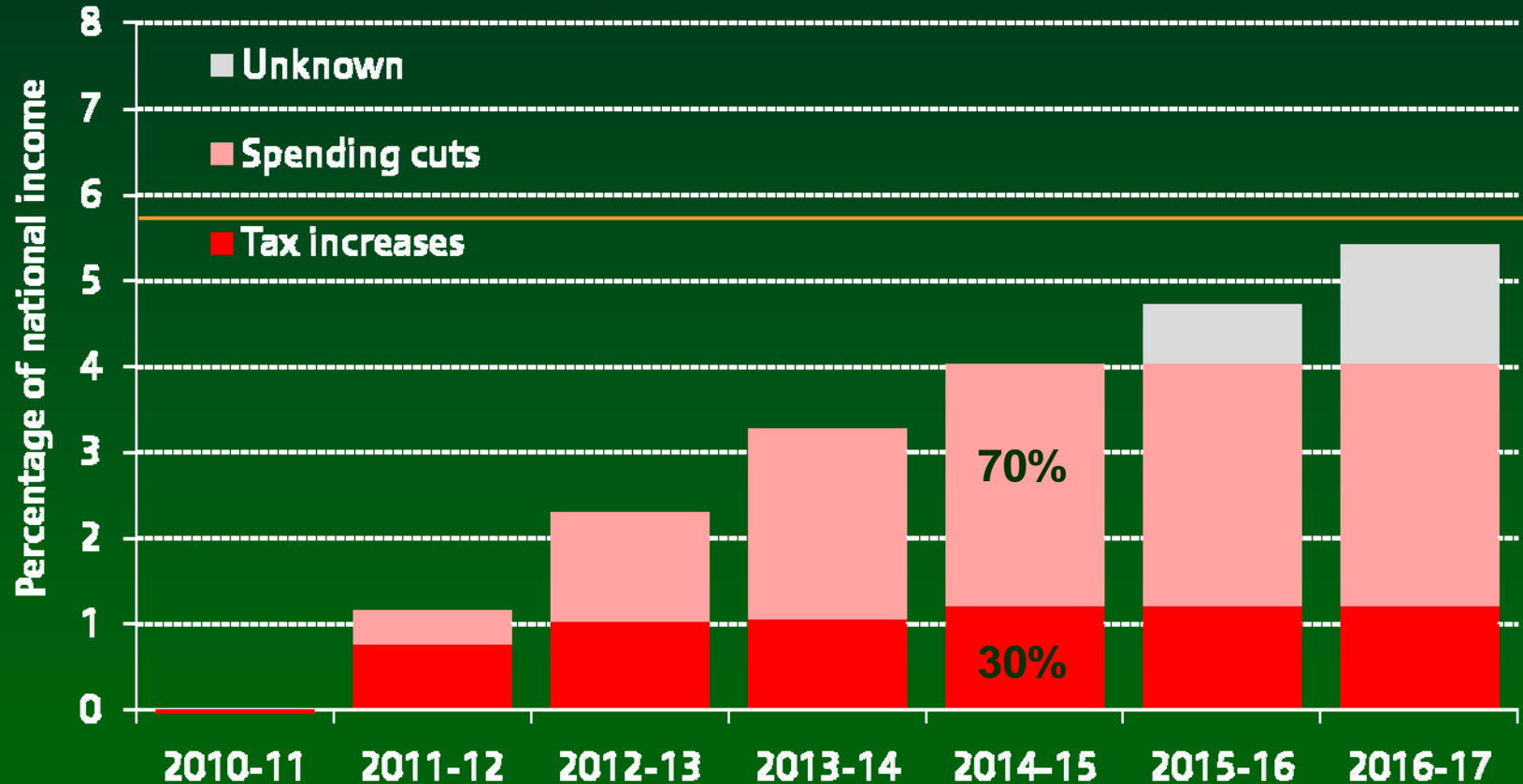
Debt set to explode without consolidation



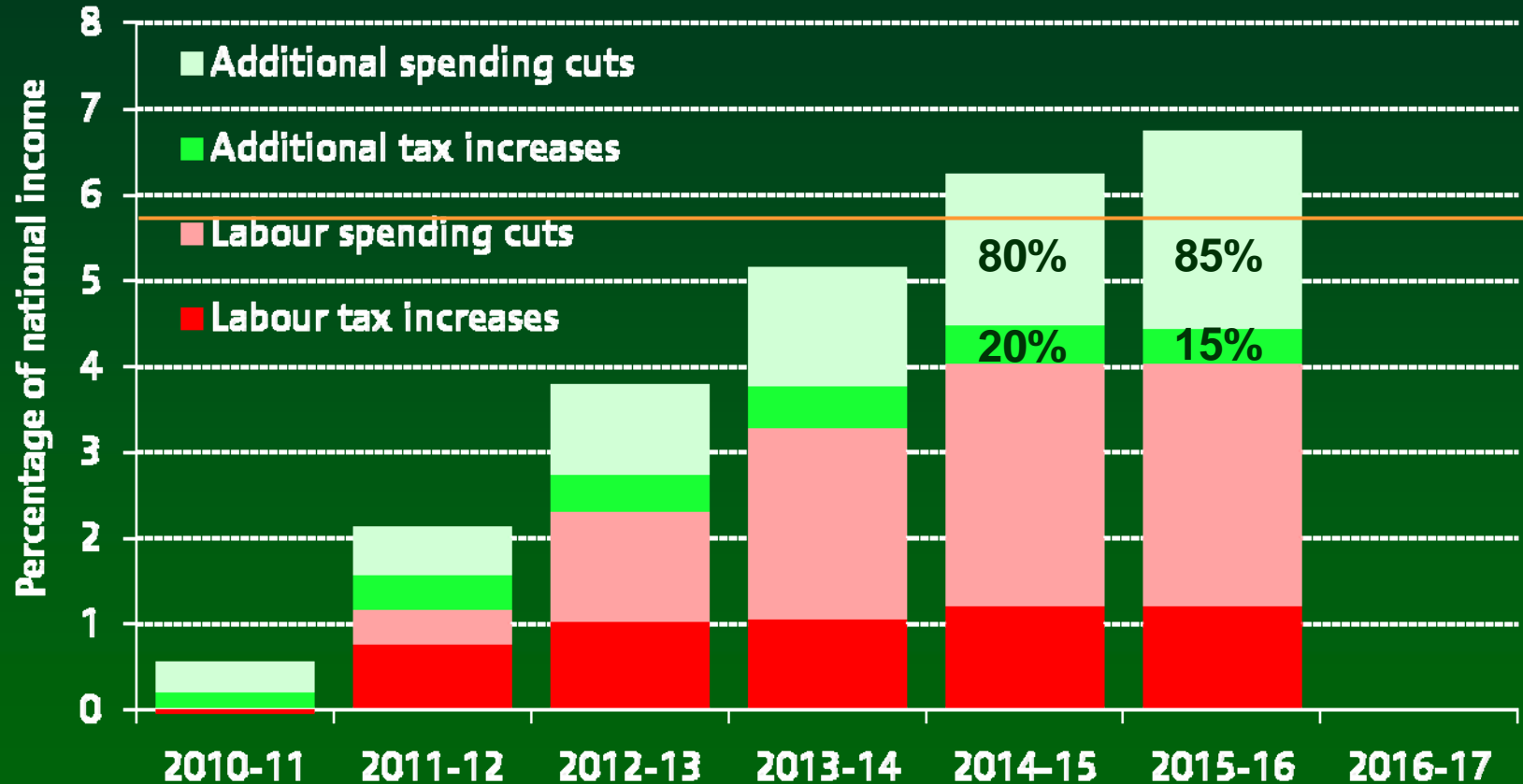
Debt set to explode without consolidation



Fiscal tightening: Labour's plans



Fiscal tightening: new Coalition measures



Enough to get debt back down again



Enough to get debt back down again

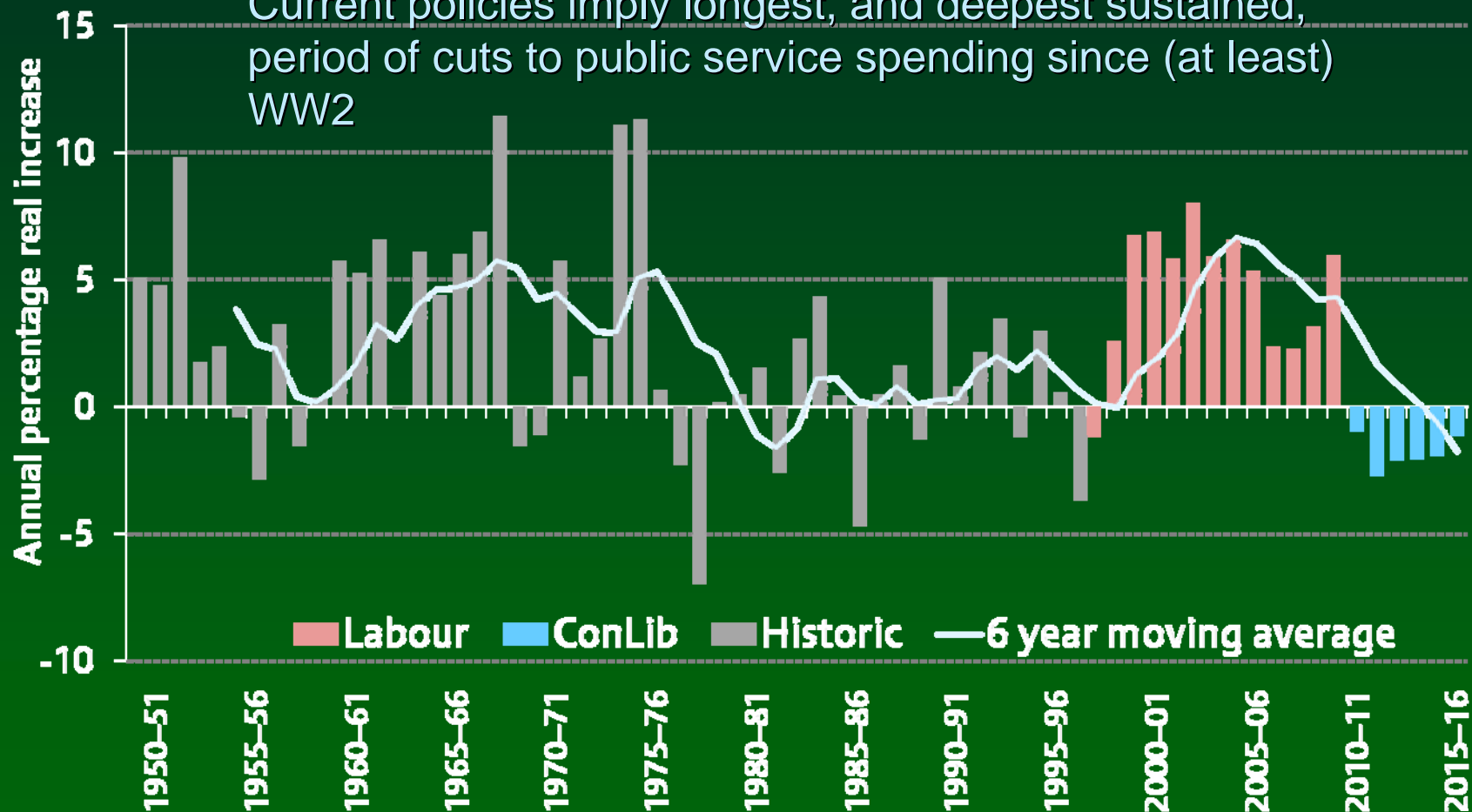


Public spending: from the total to Whitehall

- Budget plans show total public spending being cut by 4.2% in real terms by 2014–15, compared to Labour's plans for this year
- Annually Managed Expenditure (e.g. Social security, public sector pensions and EU payments) rises by 8.1% real over the same period, despite £11 billion in Budget welfare cuts by 2014–15
- This leaves Whitehall spending on public services and administration (DELs) to be cut by 14% real by 2014–15

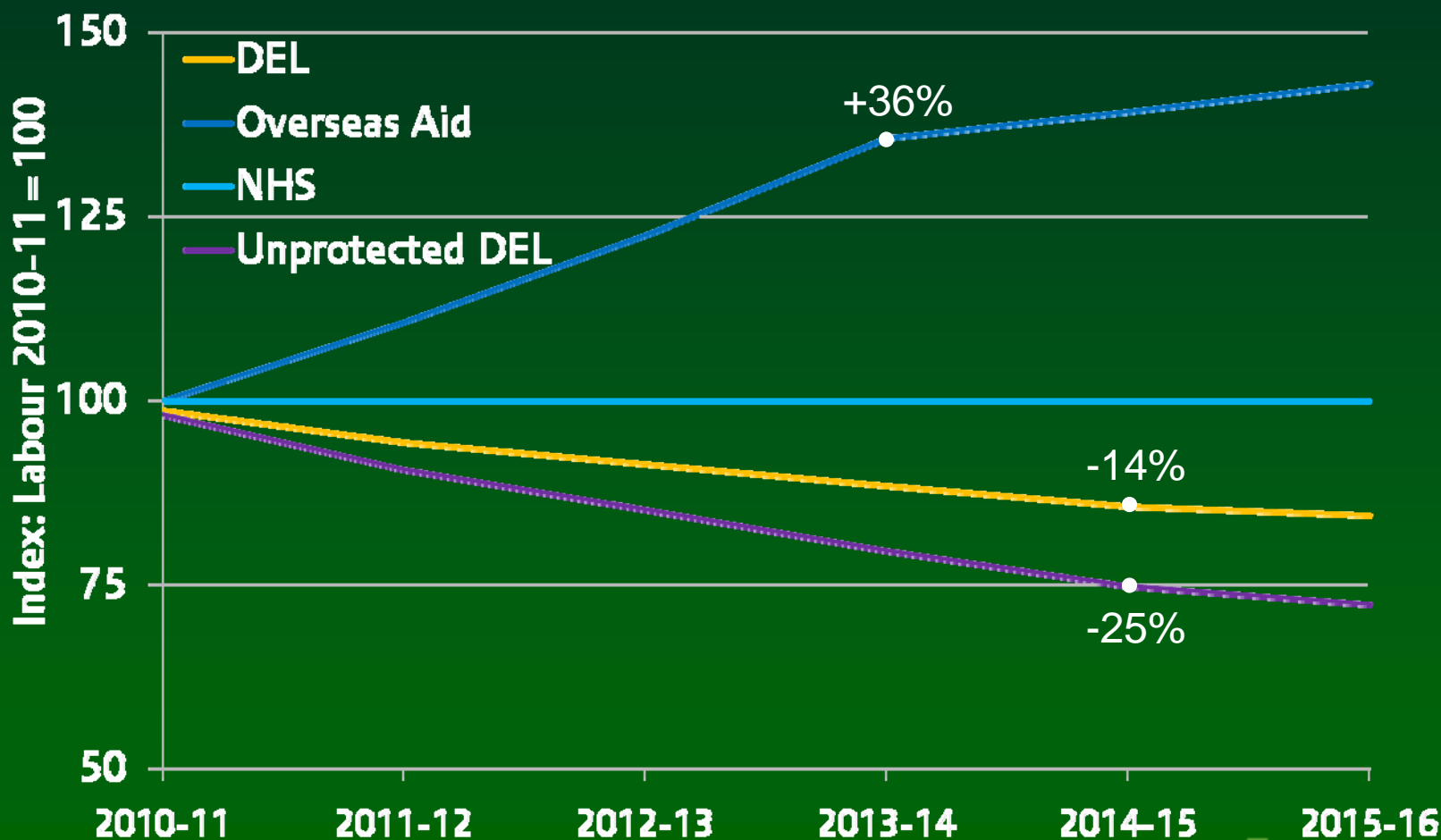
Public service spending set for severe squeeze

Current policies imply longest, and deepest sustained, period of cuts to public service spending since (at least) WW2



Note: Figure shows total public spending less spending on welfare benefits and debt interest

Particularly for unprotected departments



Spending Review 2010: a plausible settlement?

- NHS spending ‘protected’, ODA target met and spending on schools and defence cut by 10% by 2014–15
- Other unprotected DELs would need to be cut by 33% on average: includes FCO, higher education, home, justice, transport, housing
- Cutting welfare bills by a further £13 billion would still leave these other unprotected areas still facing cuts of 25%
- Bottom line: unprotected departments told to look for real cuts of 25% at best and 33% or more at worst by 2014–15





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The future of local public services in Camden

Tony Travers

London School of Economics

The 2010 General Election – policies on display

- Deficit reduction
 - To start in 2010 or 2011-12
 - Ring-fencing some public services
 - NHS; Defence; International development
 - “Efficiency savings”
 - ‘Radical localism’ (Con) vs ‘give elected local institutions more power’ (Lib Dem)
 - Fewer appointed bodies etc
 - “quango cull”
-

Post election = optimism?

- Even more so after a change of government
 - Big expectations after 1997
 - The 2010 election is different
 - Expectations of big cuts in public spending
 - No certainty about future economic growth
 - New government includes an array of 'localist' policies
 - Also a commitment to 'radical localism' and 'the Big Society'
-

What does this add up to?

- A mixture of 'pro-local government' and 'pro local' policies
 - Probable need for more oversight and regulation
 - More fragmentation of local institutions
 - But, 'Total Place' within localities
 - 'Big Society' reforms – from local government services alone, or all local provision?
 - Major shift from guaranteed State provision?
-

Significant change is inevitable

- Abolition of some public bodies
 - A further round of changes to service provision
 - CSR10 is likely to leave 'unprotected' services with reduced real terms (almost certainly cash) resources
 - NB Budget – to 2015-16
 - Not impossible to deliver, but a complex management challenge
-

A broad range of possibilities for councils...

- LG current spending appears likely to be affected in the following – per annum impacts to 2015-16
 - A) Labour's plans, all services treated the same
Cash: -0.5% Real terms: -3%
 - B) Budget 10 plans
Cash: -2.5% Real terms: -5%
 - C) Budget 10, but with schools etc partly protected
Cash: up to -5% Real terms: up to -7.5%
-

Services in descending order of likely protection from the axe?

- NHS
 - Schools
 - Police
 - Services for the elderly
 - Fire & emergencies
 - Children's Services
 - Environmental provision
 - Transport
 - Housing
 - Defence
 - Social benefits
 - Adult education
 - Highways
 - Capital*
-

2011-12 – definitely the year of change

- June 22 Budget set the tone, to be reinforced by spending review on October 20
 - UK public expenditure to fall by 5 to 10% in real terms by 2014-15/2015-16
 - Unless there is another recession
 - Grant allocations fro 2011-12
 - Range -2½ to 0 per cent (cash) per year
 - Possibility of five year freeze or -1% or 2%
 - Finance officers to take cautious stance...
-

Camden income sources

- 2008-09 = £1.019bn (*Annual Accounts*)
 - Council tax & NNDR 23%
 - Rents 13%
 - Sales, Fees, Charges 20%
 - Reserves 1%
 - Central Government grants 43%
 - DSG
 - Housing benefit grant etc
 - Grant cuts affect only a proportion of the 'grants' share...
-

Service impacts

- Need, from now on, to do far more than 'initial' responses
 - Freezing posts; pay freeze; 'efficiencies'; use of reserves; delays to capital programmes etc

 - Possibilities likely to include:
 - Decentralised pay bargaining
 - Pay freeze to extend for more than two years
 - Radical re-thinking of need for joint service provision (LG and other local providers)
 - Stopping doing some things
 - Rise in fees, charges and scope of charging
-

London, Camden and improving future prosperity

- London as a whole less dependent on public sector employment than the rest of the UK

Camden = 19% (Westminster, Hounslow, Tower Hamlets: 17% but Greenwich 39%, Lewisham 39%..others over 40%)

- Camden should not be disproportionately hit by public spending reductions
 - Opportunity to expand private sector employment
 - Camden and Westminster already have massive private sector economy
-

"The Big Society"

- Philosophical drivers vs financial (ie deficit cutting) demands
 - "Big Society" as a solution
 - But not worked-through yet
 - A broad concept, not a model
 - Less State more NGOs, trusts, co-ops etc
 - But, expectation that Big Society outcomes will contribute to 'efficiencies'
-

How might the Big Society reduce spending?

□ Lower costs

- Lower salaries
- Flexible employment
- Less 'waste'

□ Better targeting

- Closer link between services and their users

□ Stronger public service ethos

- Hard to prove

□ Different level of accountability

Key London issues

- How to respond to changing Greater London Authority policy
 - Future of *London Plan*
 - Possibility of reform in light of abolition of RSS outside London
 - Boroughs' collective response to changing debate
 - Consequences of major reductions in public spending and employment
 - Mayor's proposals for additional GLA powers
 - LDA reform, housing (from HCA), skills, commuter rail, Olympic legacy, Port of London, Royal Parks , public health
 - Need for further regeneration, but with little government capital, weak property market and less lending
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Conclusions

- ❑ Potentially radical pattern of change affecting charities, NGOs, in London
 - ❑ Big Society to evolve during the next year or so
 - ❑ We must await the government's 'narrative' about the place of the Third Sector as an element in State provision
 - ❑ Opportunity for Camden to 'bid' for additional freedoms and powers
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The future of local public services in Camden

Tony Travers

London School of Economics

Seminar on the financial challenges

13 July 2010



What this all means for Camden

- Mid year reduction in grants of £4.6m 2010-11
- Gap of £80 - £100m 2011-2014
- BSF announcement (12 schools and 3 under review)

Camden's plans

- Phase 1 efficiencies immediately (£13.85m) for 2011/12
 - reduction of up to 270 FTE posts
- But this doesn't go nearly far enough
- Rethinking services
 - Core service offer
 - Simplifying access to services
 - Different service delivery models – including shared services
 - Smarter resource and asset management
 - Nothing excluded