

Key messages from the July seminar on responding to the financial challenge



Local Strategic Partnership
14 October 2010
Item 4



Key messages from the seminar

- Over 100 people attended, including representatives from the council, the police, the NHS, schools, the voluntary sector and universities.
- Public services are facing unprecedented budget cuts (25 to 40% over the next four years). The council is predicting a budget gap of £80-100m.
- This will also impact the private and voluntary sectors.
- Local areas are expected to develop their own approach to managing the cuts. The government will tolerate resulting 'postcode lotteries'.
- 'Big Society' proposals will introduce greater competition and new delivery models for public services - involving the third sector and private sector.



Key messages from the seminar (cont)

- There were concerns over the recent announcement to stop the Building Schools for the Future programme.
- There are opportunities and challenges for the voluntary and community sector – they will need to adapt quickly to the significantly different funding and delivery landscape.
- We need to be prepared for change and be adaptable in what we do and how we do it.
- 20 October Comprehensive Spending Review will provide greater clarity – although details on some areas of funding (including the council's finance settlement) will not be known until some time later.



LSP members are asked to:

1. Consider the extent to which the messages about the financial challenge and its implications for Camden have reached beyond the seminar attendees; and
2. Share their own plans for communicating the challenge to their networks and more widely.



Camden LSP Seminar, July 2010

Preparing for the financial challenge in the public sector

Speakers slides

- Robert Chote, Director of the Institute for Fiscal Studies
- Tony Travers, Director of the Greater London Group, London School of Economics
- Moira Gibb, Chief Executive, Camden Council





Filling the hole: the impact on spending

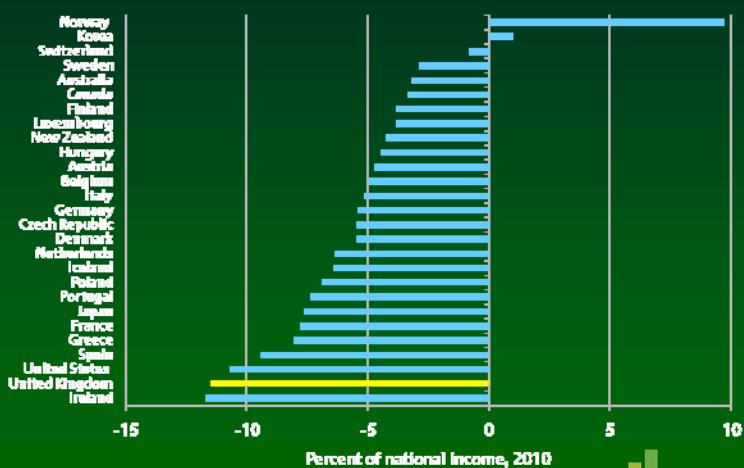
Robert Chote

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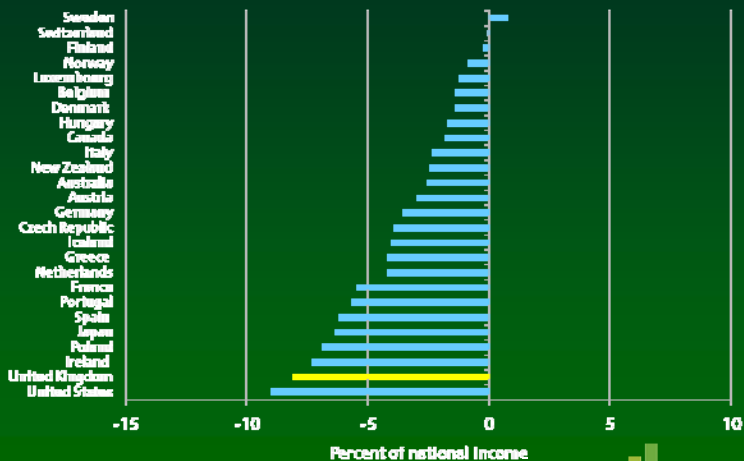
UK has 2nd biggest budget deficit of main OECD countries...



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



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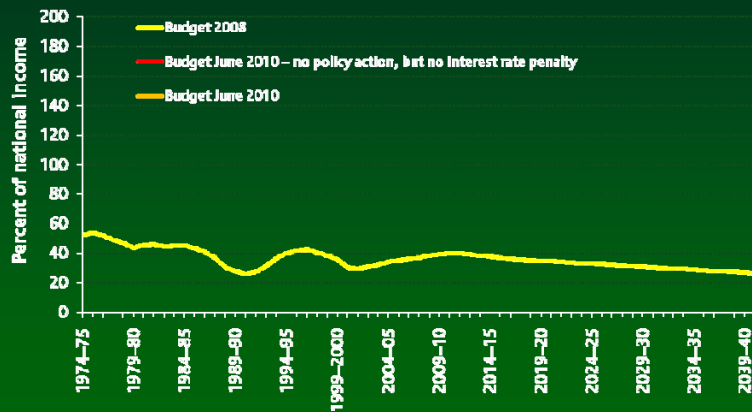
Disease and cure

- 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

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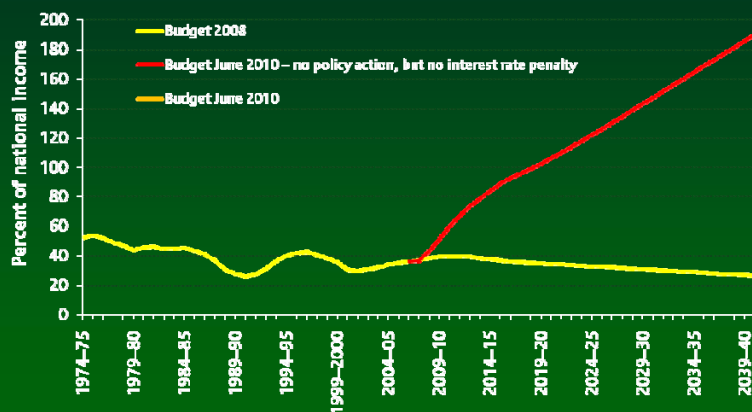
Debt set to explode without consolidation



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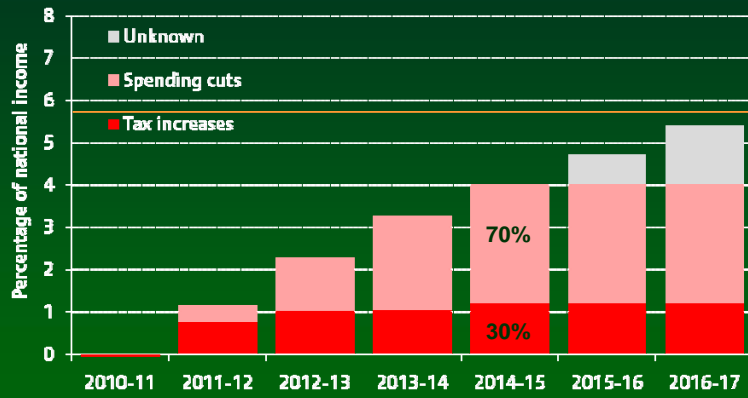
Debt set to explode without consolidation



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Fiscal tightening: Labour's plans

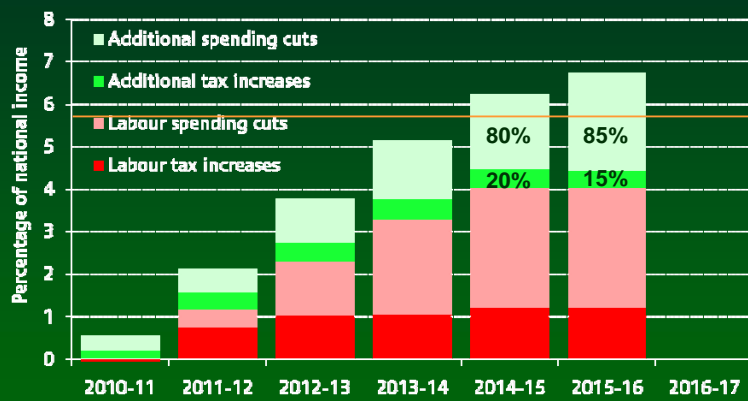


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Sources: HM Treasury; IFS calculations.

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Fiscal tightening: new Coalition measures

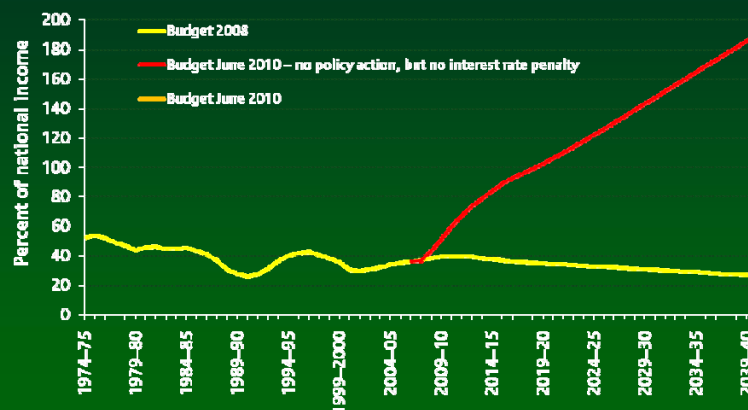


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Sources: HM Treasury; IFS calculations.

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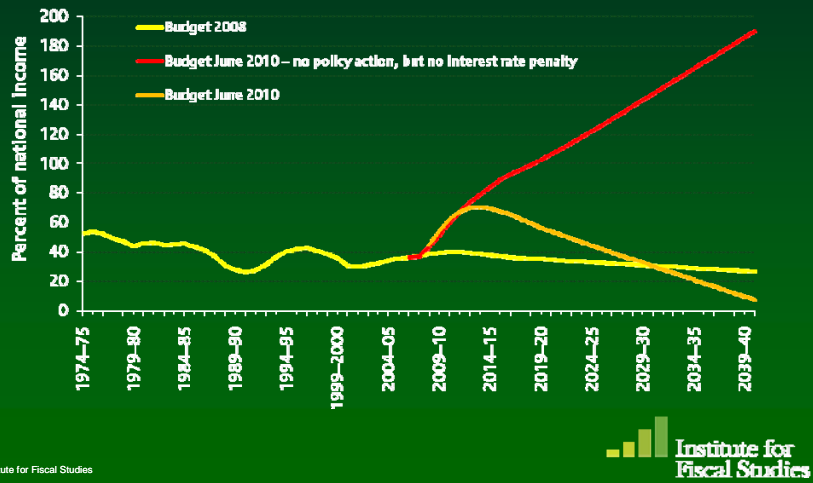
Enough to get debt back down again



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Enough to get debt back down again



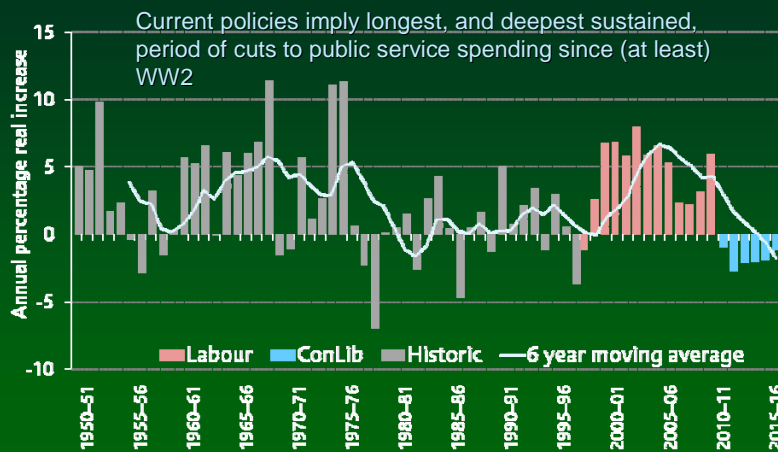
Public spending: from the total to Whitehall

- 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

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Public service spending set for severe squeeze

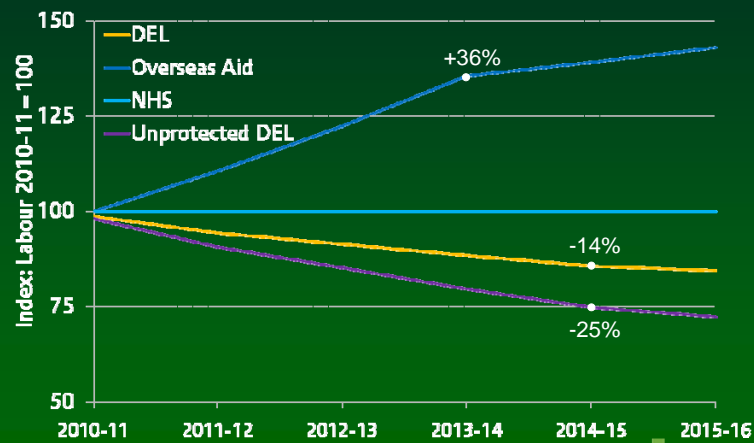


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Note: Figure shows total public spending less spending on welfare benefits and debt interest

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Particularly for unprotected departments



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Note: Assumes no real growth in NHS spending. Unprotected DEL also assumes a £5 billion AME margin in 2014-15.

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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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As the Chancellor says: "We are all in this together"

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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”
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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’
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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?
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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
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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%
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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...
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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...
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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
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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
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"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'
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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
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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

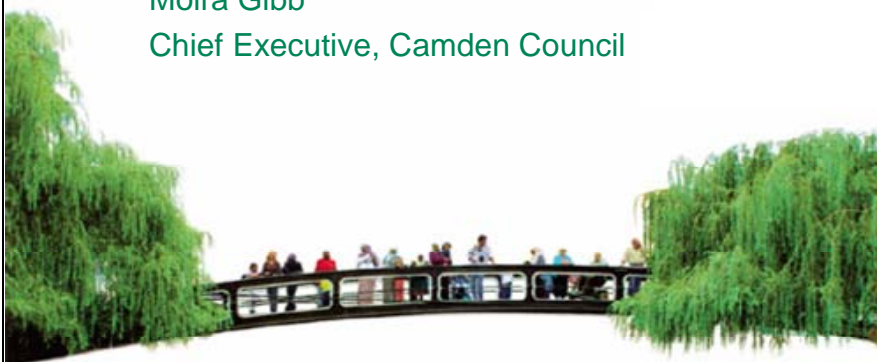
- Potentially radical pattern of change affecting charities, NGOs, in London
 - Big Society to evolve during the next year or so
 - We must await the government's 'narrative' about the place of the Third Sector as an element in State provision
 - Opportunity for Camden to 'bid' for additional freedoms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

13 July 2010



Moira Gibb
Chief Executive, Camden Council



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

