Local Government Services Market Review 2010

Description: The value of the local government services market covered by this Market Review is represented by the level of net current expenditure on local-authority services in the UK, which is estimated to have amounted to £125.6bn in the year ending March 2008, an increase of 4.8% in current price terms compared with the previous year.

These services are provided to the public by local government bodies defined as county councils, shire district councils, English metropolitan district councils, London borough councils and other unitary authorities in England, Scotland and Wales, as well as the Greater London Authority (GLA) and city, borough and district councils in Northern Ireland. This Review also deals with the services provided to the public by fire authorities, police authorities and passenger transport authorities, as well as those of the third tier of local government represented in many areas of the country by local town, parish and community councils. It also covers the activities of independent suppliers subcontracted to provide such services, but not where these activities consist of the provision of internal services such as the operation of staff canteens or the cleaning of council offices. The sectors of the market identified and examined in this Review are: education; social services; housing; emergency services; highways and transport; environmental services; and leisure services. The largest sectors in terms of net current expenditure are education, followed by social services (both the responsibility of county councils in two-tier areas of the country) and then housing (the responsibility of district councils in those areas). Education and social services were also the sectors which recorded the largest year-on-year increases in budgeted expenditure in 2009/2010.

The period of economic recession that began in the UK in the second quarter of 2008 has had a severe impact on local-authority finances, leading to cutbacks in many areas of service provision. This is despite the fact that many of the services provided by local authorities do not depend directly on consumer demand or the strength of the economy, but are provided in response to political decisions taken at both national and local level, with many being provided as part of a statutory responsibility for the provision of certain services as defined by central government. Although some sectors, such as social services, may see a higher than normal call on their services at such times, expenditure on more discretionary services, such as leisure centres and parks, may be cut or delayed. For many local authorities, the current recession has also seen a loss of income caused by factors such as a decline in parking fees and low interest rates, and increased costs due to increased demand for services such as welfare advice, housing benefit and support for local businesses.

In March 2009, a plan was published that pointed to the creation of nine new unitary councils, with the continuation of discussions possibly leading to the creation of unitary authorities in Norwich, Ipswich and Exeter and the conclusion of ‘pathfinder’ agreements, under which several shire counties would work together with district councils in their areas in order to secure efficiency savings and better public services.

The performance of local authorities in their service delivery role has been an issue for many years, with successive UK governments adopting a number of measures aimed at increasing the efficiency of local government services. The latest stage in this process has been reached following the publication in October 2006 of a government White Paper, ‘Strong and Prosperous Communities’, which outlined policies aimed at delivering better public services through a change in the relationship between central government, local government and local people. A new framework of local partnerships and agreements has now been established with local-authority performance being assessed through Comprehensive Area Assessments (CAAs) and National Indicators, with the Local Area Agreement seen by the Government as forming the heart of the new local performance framework.

In the current difficult economic environment, local-authority leisure centres are particularly vulnerable to attempts to reduce council expenditure and some are seeking innovative responses to this challenge; for example, by transferring responsibility for operations to a charitable trust. Issues facing police authorities include the extent to which they are subject to political control by local authorities and whether there are further opportunities for the outsourcing of non-front-line police services in the current harsh economic environment where police budgets are under pressure. In the environmental services sector, many local authorities are well on the way to achieving stringent recycling targets, although fluctuations in the market value of recycled materials can make it difficult to fund such activities. An issue for the education sector is the regulatory burden placed on schools by government departments as a result of the number of policy
consultations and departmental announcements requiring a response. The local-authority social housing sector has received a boost from new government rules giving more powers to local authorities to support schemes to build affordable homes. As a result, there has been a resurgence in plans to build council houses. In the current economic crisis, local-authority social-care services are facing increasing constraints on expenditure. This has had an impact on private care home companies, which claim to be seeing local authorities imposing more rigorous criteria by which people are assessed for eligibility for admission to residential care homes. Local authorities' road maintenance budgets are under increasing pressure, a situation not helped by the fact that almost half of such budgets are eaten up in settlement of claims against local authorities for injury and damage caused by potholes and other poor road maintenance.

For the future, the continuing recession and probable measures to be taken in its aftermath continue to cause concern, while the future effectiveness of the new local-authority performance measures is being questioned and there is likely to be renewed emphasis on the role of local authorities in tackling climate change at the local level.

The poor ratings of the Labour Government in public opinion polls have also focused attention on what Conservative party policies might be in the event that they are successful in forming a government following the general election that is due to take place by June 2010. Their announced plans indicate a focus on returning power to local authorities through a process of decentralisation, devolution and empowerment.
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