

Localism Bill & Financial Settlement:

Key issues for cities

Kieran Larkin, December 2010

Together the Localism Bill and the financial settlement signal a landmark change in the way that local authorities operate and are funded. The Centre for Cities' brief guide to both is set out below: we will be conducting more detailed work on these issues in the months to come.

Local Government Finance Settlement

The Local Government Finance Settlement was finalised on the same day as the Localism Bill and raises huge challenges for local government across the country.

The settlement finalises the specific cuts to formula grants and special grants that each council will receive. Local areas had been bracing themselves for a cut of 10.7 percent in cash terms (which could mean as much as 20 percent for some areas and as low as 2 percent for others). However, in response to the concerns voiced by the Local Government Association and many local councils, Eric Pickles managed to find £85 million behind the DCLG sofa to avoid particularly severe budget reductions for local authorities very dependent on central government funding. This means that the average cuts have been presented as 4.4 percent, with the biggest cut 8.9 percent. These figures, however, include council tax, formula grant, specific grants and NHS funding to support social care and benefit.

While the importance of the £85 million should not be understated, it is clear that most councils are still facing severe cuts, particularly those in deprived areas, both because of the withdrawal of a number of specific grants and as council tax receipts in these areas are generally a lower proportion of total income. For example, Manchester, Doncaster, Blackburn and Darwen and Hull all expect to see an 8.9 percent cut in their revenue spending power by 2011-12. With the exception of Bristol, the city centres of the Core Cities are also hit particularly hard:

Core City Local Authorities	Change in estimated 'Revenue Spending Power' 2011-12
Liverpool	-8.9%
Manchester	-8.9%
Nottingham	-8.4%
Sheffield	-8.4%
Birmingham	-8.3%
Newcastle upon Tyne	-7.8%
Leeds	-5.0%
Bristol	-3.6%

More details are available in the Appendix.

The Secretary of State has been clear that he expects councils to be able to reduce their budgets without hitting frontline services. However, a lot of the increase in public expenditure went on expanding the size of the frontline workforce – for example, employing new teaching assistants and nurses. As such, it seems unlikely that cuts of this scale can be implemented without significant job losses – 140,000 according to the LGA – and without some reduction in council services.

The Localism Bill

This sets out the legislative underpinnings for many of the Coalition's biggest policy announcements on local government. As the Guide to the Localism Bill makes clear, the Coalition also sees this as one of the key ways to fulfil its vision of the Big Society as well as delivering its Localism agenda. While there are few surprises in the Bill, it sets out wide ranging measures to change the role of local government, its relationship with communities and citizens, and the way in which planning is undertaken. The implications of its measures will be the source of keen debate over the coming months.

Key issues for cities:

Creation of 12 directly elected mayors

Detail:

- The Coalition will create 12 directly elected mayors in England's largest cities. Following Royal Assent of the Localism Bill the existing council leaders of the 12 cities will become 'shadow mayors'.
- Referenda will be held in May 2012 to decide whether these cities will move to the mayoral system. Other areas will also be able to hold a referendum on this day if they choose to.
- For cities where there is a 'yes' vote, mayoral elections will be held in 2013.
- Mayors will serve a term of four years and will be elected on the Supplementary Vote system.

Comment:

- We support the introduction of mayors because evidence from international cities shows that strong leaders can be a positive force for decision making in local areas, as well as providing a clear figurehead and champion for the city. This is particularly the case when they have clear powers.
- Our preferred mayoral form would be a city-wide or Metro Mayor, like the system in London. We have concerns about the impact that local authority mayors may have on Local Enterprise Partnerships and local authorities' desire to work together on economic issues. For example, in the Leeds City Region alone the current proposals could mean a mayor in Leeds, Bradford and Wakefield. This is likely to make decision-making at the level of the real economy highly challenging.
- The Bill has dodged the question over which extra powers mayors will receive. Without new powers the public may question the value of introducing mayors. We will be conducting further work on this issue next year.

Neighbourhood planning/planning changes

Detail:

- Neighbourhoods will get new powers to draw up neighbourhood plans to set out the development that they want in their area.
- Local authorities and neighbourhoods will be incentivised to encourage development with new financial incentives. The New Homes Bonus will reward local authorities for supporting

development and a change will be made to the Community Infrastructure Levy to ensure that a proportion of it goes to the neighbourhood where development is taking place.

- Local communities will be able to take forward development in their area without planning permission if they can secure 50 percent support from the community.

Comment:

- The current planning system clearly isn't delivering the homes the country needs, in the cities they are needed, and reform is necessary.
- Getting community buy-in to plans should help development to take place. But this will only work if the incentives to develop are big enough. Currently, our conversations with cities suggest that this remains a concern in the cities which are most likely to grow jobs and where local residents are most likely to be opposed to development.
- The New Homes Bonus focuses primarily on growth and is likely to be less suitable for cities adapting to economic change and population decline. For some of these cities, a locally determined strategy which may involve knocking through homes or creating more green space may be a more appropriate strategy than focusing on commercial developments and additional housing. It will be important that cities are encouraged to respond to the strengths and weaknesses of their local economy.

General power of competence

Detail:

- Local authorities will get a new power to do anything that an individual generally could, apart from things that are specifically prohibited in law or will cost central Government money.
- Gives local councils greater confidence in their legal capacity to undertake new services.
- Examples of how general power could be used include: set up a bank, develop property, run new services and own assets.

Comment:

- The general power of competence is being introduced to replace the well being power, which aimed to have a similar impact, but was often challenged on legal grounds.
- Generally we welcome powers that encourage local authorities to have greater freedom to act as they see necessary; the approach is certain to generate some interesting new ideas.

Business rates

Detail:

- Business will gain a vote over the introduction of all business rate supplements.
- Local authorities will be able to apply discretionary business rate discounts and small business tax breaks will be made easier to take advantage of.

Comment:

- While it is important that business supports moves to improve an area's infrastructure, introducing a vote over business rates will make it more difficult for local authorities to make use of this financial tool.
- The introduction of referendums also ignores the fact that it is already in local authorities interest to ensure that local businesses are happy with local business rates. Otherwise, businesses may leave, reducing the size of an authorities' tax base.

Reforms to social housing

Detail:

- A number of reforms are being made to social housing as part of the Localism Bill, many of which could make it easier for people to move to buoyant cities.

- Local authorities will be allowed to grant tenancies for a fixed length (with the minimum being two years), rather than offering life time tenancies.
- A National Homeswap Scheme is being introduced – this will allow social tenants to exchange houses with other social tenants across the country, via a website.

Comment:

- One of the big barriers to people accessing the job opportunities that are likely to be created in buoyant cities is the lack of social housing that exists in these areas. Providing shorter tenancies could allow social housing to be used more flexibly, to provide housing options for people for a limited period while they move to an area and look for work.
- A National Homeswap Scheme should also make it easier for people to move to the locations where jobs exist, although this will depend on other individuals wanting to move the other way.
- Ultimately the lack of social housing in buoyant city economies will remain a barrier to people looking to access new job opportunities, meaning that the Government may also need to look at how it increases the building of more social housing in these places, as well as making the system more flexible.

New powers for London

Detail:

- The Localism Bill will give the Mayor of London a number of additional powers, including: executive power over the Homes and Communities Agency budget and the power to create Mayoral Development Corporations.
- It also abolishes the London Development Agency, transferring its responsibilities and European funding to the Greater London Authority.
- There will be devolution of planning powers to the Borough level, so that the Mayor will only consider the larger planning applications in the future.

Comment:

- It's good to see that the Mayor of London's power is being strengthened. It demonstrates how powers can be extended once a model is demonstrated to work and could set a precedent for other cities to progressively benefit in this way if they were to adopt the mayoral model.
- The increased role of the Boroughs in the planning process also has the potential to delay developments or create a less strategic approach to planning – this will need to be managed to ensure that London benefits from an approach to planning that is economy-wide.

Kieran Larkin is an Analyst at Centre for Cities.

Contact Kieran on k.larkin@centreforcities.org / 020 7803 4310

Appendix – Impact of the Financial Settlement

Impact of the financial settlement on local authorities within London and the eight Core City primary urban areas.

PUA	Local Authority	Change in estimated 'Revenue Spending Power' 2011-12	PUA	Local Authority	Change in estimated 'Revenue Spending Power' 2011-12
Bristol	Bristol, City of	-3.6%	London (cont.)	Dacorum	-5.5%
	South Gloucestershire	-2.4%		Dartford	-6.3%
Leeds	Leeds	-5.0%		Ealing	-4.9%
Manchester	Bury	-4.4%		Elmbridge	-3.8%
	Manchester	-8.9%		Enfield	-2.8%
	Oldham	-8.2%		Epping Forest	-5.5%
	Salford	-8.5%		Epsom and Ewell	-4.9%
	Stockport	-2.8%		Gravesham	-7.2%
	Tameside	-6.2%		Greenwich	-7.7%
	Trafford	-3.8%		Hackney	-8.9%
				Hammersmith & Fulham	-6.6%
Birmingham	Birmingham	-8.3%		Haringey	-7.9%
	Dudley	-3.4%		Harrow	-1.9%
	Sandwell	-6.7%		Havering	-1.7%
	Solihull	-3.5%		Hillingdon	-3.1%
	Walsall	-6.6%		Hounslow	-4.7%
	Wolverhampton	-7.0%		Islington	-8.8%
Sheffield	Rotherham	-5.0%		Kensington & Chelsea	-5.3%
	Sheffield	-8.4%		Kingston upon Thames	-2.6%
Newcastle	Gateshead	-7.9%		Lambeth	-7.7%
	Newcastle upon Tyne	-7.8%		Lewisham	-6.5%
	North Tyneside	-4.4%		Merton	-3.8%
	South Tyneside	-8.9%		Mole Valley	-4.2%
Nottingham	Broxtowe	-8.1%		Newham	-8.9%
	Erewash	-6.8%		Redbridge	-2.6%
	Gedling	-7.3%		Richmond upon Thames	-0.6%
	Nottingham	-8.4%		Runnymede	-6.6%
Liverpool	Knowsley	-8.9%		Southwark	-8.4%
	Liverpool	-8.9%	Spelthorne	-5.4%	
	St. Helens	-8.9%	Sutton	-2.8%	
London	Barking & Dagenham	-5.9%	Three Rivers	-6.0%	
	Barnet	-2.6%	Tower Hamlets	-8.9%	
	Bexley	-2.8%	Waltham Forest	-5.2%	
	Brent	-5.9%	Wandsworth	-6.4%	
	Bromley	-2.5%	Watford	-6.7%	
	Broxbourne	-6.4%	Westminster	-7.2%	
	Camden	-6.5%	Woking	-7.0%	
	City of London	-6.5%			
	Croydon	-5.0%			

Impact of the financial settlement on primary urban areas

PUAs Sorted by Percentage Change in Revenue Spending Power

PUA	'Revenue Spending Power' 2010-11 (£m)	Estimated 2011-12 'Revenue Spending Power'* (£m)	Transition grant (£m)	Change in estimated 'Revenue Spending Power' 2011-12
		>-4%		
Swindon	161.5	157.6	0.0	-2.4%
Reading	358.7	349.3	0.0	-2.6%
Bournemouth	279.3	271.8	0.0	-2.7%
Bristol	646.9	626.1	0.0	-3.2%
York	143.4	138.7	0.0	-3.3%
Milton Keynes	212.3	205.3	0.0	-3.3%
Warrington	162.5	156.9	0.0	-3.5%
Chatham	218.6	210.8	0.0	-3.6%
Southend	182.7	175.7	0.0	-3.8%
		-4%<x<-6%		
Telford	155.6	149.2	0.0	-4.1%
Huddersfield	365.1	349.5	0.0	-4.3%
Plymouth	241.4	230.9	0.0	-4.4%
Southampton	236.1	225.5	0.0	-4.5%
Wakefield	301.0	286.8	0.0	-4.7%
Brighton	283.9	270.4	0.0	-4.8%
Portsmouth	233.2	222.0	0.0	-4.8%
Peterborough	163.8	155.9	0.0	-4.8%
Leeds	681.0	646.7	0.0	-5.0%
Ipswich	23.4	22.2	0.0	-5.4%
Derby	231.4	218.8	0.0	-5.5%
Luton	184.4	174.3	0.0	-5.5%
Coventry	321.0	302.6	0.0	-5.7%
London	8902.7	8376.8	15.3	-5.7%
Aldershot	25.3	23.8	0.0	-6.0%
		-6%<x<-8%		
Crawley	35.8	33.6	0.0	-6.1%
Worthing	16.3	15.3	0.0	-6.2%
Wigan	297.5	278.5	0.0	-6.4%
Oxford	30.2	28.1	0.0	-6.7%
Leicester	367.2	342.6	0.0	-6.7%
Manchester	1991.2	1842.2	13.3	-6.8%
Birmingham	2660.9	2476.3	0.0	-6.9%
Bolton	279.5	260.1	0.0	-6.9%
Northampton	33.8	31.5	0.0	-7.0%
Blackpool	207.7	192.8	0.0	-7.2%

PUA	'Revenue Spending Power' 2010-11 (£m)	Estimated 2011-12 'Revenue Spending Power'* (£m)	Transition grant (£m)	Change in estimated 'Revenue Spending Power' 2011-12
Cambridge	19.1	17.7	0.0	-7.3%
Sheffield	842.3	780.7	0.0	-7.3%
Newcastle	969.0	895.0	3.0	-7.3%
Birkenhead	349.4	323.5	0.0	-7.4%
Barnsley	233.3	216.0	0.0	-7.4%
Preston	59.1	52.3	2.3	-7.5%
Gloucester	17.6	16.3	0.0	-7.6%
Norwich	42.4	38.3	0.9	-7.7%
		x<-8%		
Stoke	285.3	262.5	0.0	-8.0%
Middlesbrough	501.0	459.6	0.4	-8.2%
Mansfield	34.8	31.3	0.7	-8.3%
Nottingham	395.4	362.5	0.0	-8.3%
Bradford	539.7	492.2	0.0	-8.8%
Sunderland	318.7	290.4	0.0	-8.9%
Blackburn	171.5	153.4	2.8	-8.9%
Doncaster	304.7	275.5	2.1	-8.9%
Grimsby	167.6	152.3	0.4	-8.9%
Hastings	20.8	16.3	2.6	-8.9%
Rochdale	243.5	221.8	0.0	-8.9%
Burnley	41.2	33.7	3.8	-8.9%
Liverpool	1046.9	933.3	20.5	-8.9%
Hull	291.8	263.5	2.4	-8.9%

*Including NHS support for social care.

Percentage decrease in 'Revenue Spending Power' 2011-12

