

Funding public services: postcode lotteries or local responsibilities?

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#IFStalks
#esrcfestival



UNIVERSITY OF
BIRMINGHAM



Let's take back control


X Our Money - Give the NHS millions more every week

X Our Economy - Create new jobs with new trade deals

X Our Borders - Introduce a points-based immigration system

X Our Security - Deploy more police to tackle foreign criminals

X Our Taxes - Get VAT on household energy bills

 Vote Leave on 23 June

85% of people in West Midlands support giving more decision-making powers on tax, education, police to local areas



Postcode Lottery?

*“School funding in England a ‘**postcode lottery**’”*

BBC News

*“The social care **postcode lottery** – how where you live could decide if you get NHS funding?”*

The Telegraph

*“‘**Postcode lottery**’ revealed in NHS care”*

The Guardian

*“End of recycling **postcode lottery** as councils to be issued with national guidelines”*

The Telegraph



**Local control
(‘power’)**



**Same provision
(‘consistency’)**



**Local control
(‘power’)**



‘Postcode lottery’



**Local control
(‘power’)**



**Same provision
(‘consistency’)**

‘Devolution Paradox’

Should councils have more or less power to determine local public service priorities?

Should policy and provision of public services like schools, libraries and social care be the same across the country, or should councils decide?

Those asked about power first...

**67% favoured
MORE power**

**EVENLY SPLIT on
same or varying
services**

Those asked about consistency first...

**37% favoured
MORE power**

**EVENLY SPLIT on
same or varying
services**



- What are the **pros** and **cons** of devolving power and responsibility to local areas?
- How has our system **balanced 'control' and 'consistency'**, and how is that **changing**?
- What **big choices** lie ahead for role of local government in public services and the taxes that fund them?

1

The pros and cons of local responsibility

Pros

Accountability

Responsiveness

Incentives

Coordination

Pros

Accountability

Responsiveness

Incentives

Coordination

Cons

Lack of interest

Inconsistency

Inequality

Spillovers

Pros

Accountability

Responsiveness

Control

Incentives

Coordination

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Pros

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Lack of interest

Inconsistency
**Postcode
lottery**
Inequality

Spillovers



2

How is our system of funding changing?







THE NEW
**NATIONAL
HEALTH
SERVICE**

*

**Your new National Health Service begins on
5th July. What is it? How do you get it?**

It will provide you with all medical, dental, and nursing care. Everyone—rich or poor, man, woman or child—can use it or any part of it. There are no charges, except for a few special items. There are no insurance qualifications. But it is not a “charity”. You are all paying for it, mainly as taxpayers, and it will relieve your money worries in time of illness.

Local government responsibilities



Limiting postcode lotteries...

- Councils set and collect **council tax**
 - Amount they could raise varied
- **Grant funding** from national government was designed to offset this variation, as well as variation in needs
- Aim: **comparable services** across councils if they set the **same council tax rates**

...but allowing some local control

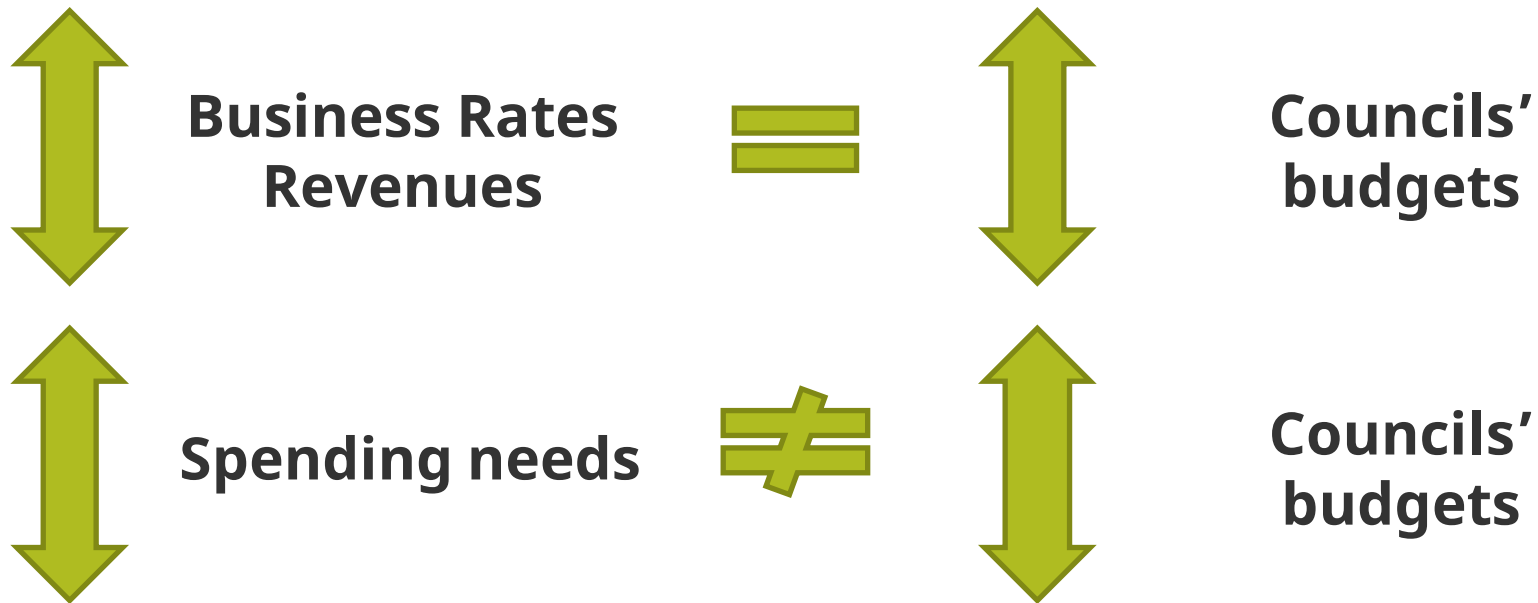
- Fund **higher** or **lower** level of services by setting higher or lower council tax rates
- Councils **free to allocate** general funding as they see fit
 - Subject to rules on **minimum range/standards** of services councils must provide
- Aim: allow local **discretion** (but with limits!)



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#IFstalks

Funding as an incentive mechanism



Aim: stronger incentives for councils to boost local economy and tackle drivers of spending needs



New powers over:

**Transport (inc. buses)
Economic development**

Housing delivery

Adult skills

**Tackling long-term
unemployment**

Centralisation amid the devolution?



Ring-fenced funding

National funding formula for schools



New national standards and mandated services for social care

A changing solution to the paradox?



Stronger local incentives and more powers and responsibility for promoting local economic growth?



National government asserting more control over major public services like schools and social services?

A changing solution to the paradox?



Control



Consistency

3

What issues and choices lie ahead?

Three key questions:

1. What is the role of councils?



OLD TRAFFORD MANCHESTER

Beef up and roll out 'Devo-Manc'?

Three key questions:

1. What is the role of councils?
- 2. How much should the government redistribute between areas?**

Local tax revenues vary a lot



**Richmond-
upon-Thames**



Solihull



Sandwell



Westminster



Wolverhampton

How much redistribution?

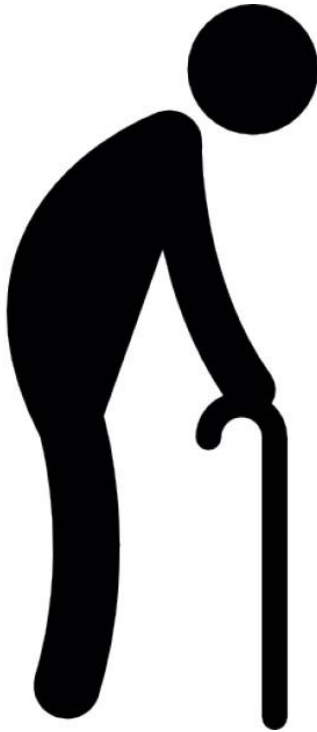


**More likely different
areas can afford
same services**



**Stronger incentives
to tackle needs and
boost growth**

Increase in percentage of the population aged 75 or over by 2035



Shropshire +7%



Birmingham +1.5%
Coventry +1.5%

Three key questions:

1. What is the role of councils?
2. How much should the government redistribute between areas?
- 3. Where should additional funding for councils come from in future?**



Tax



Grants



No one “right answer”

Prioritise local control and incentives?

Prioritise equality and consistency?

How these are balanced appears to be shifting... is this shift the right approach?