

The UK's political and economic horizons

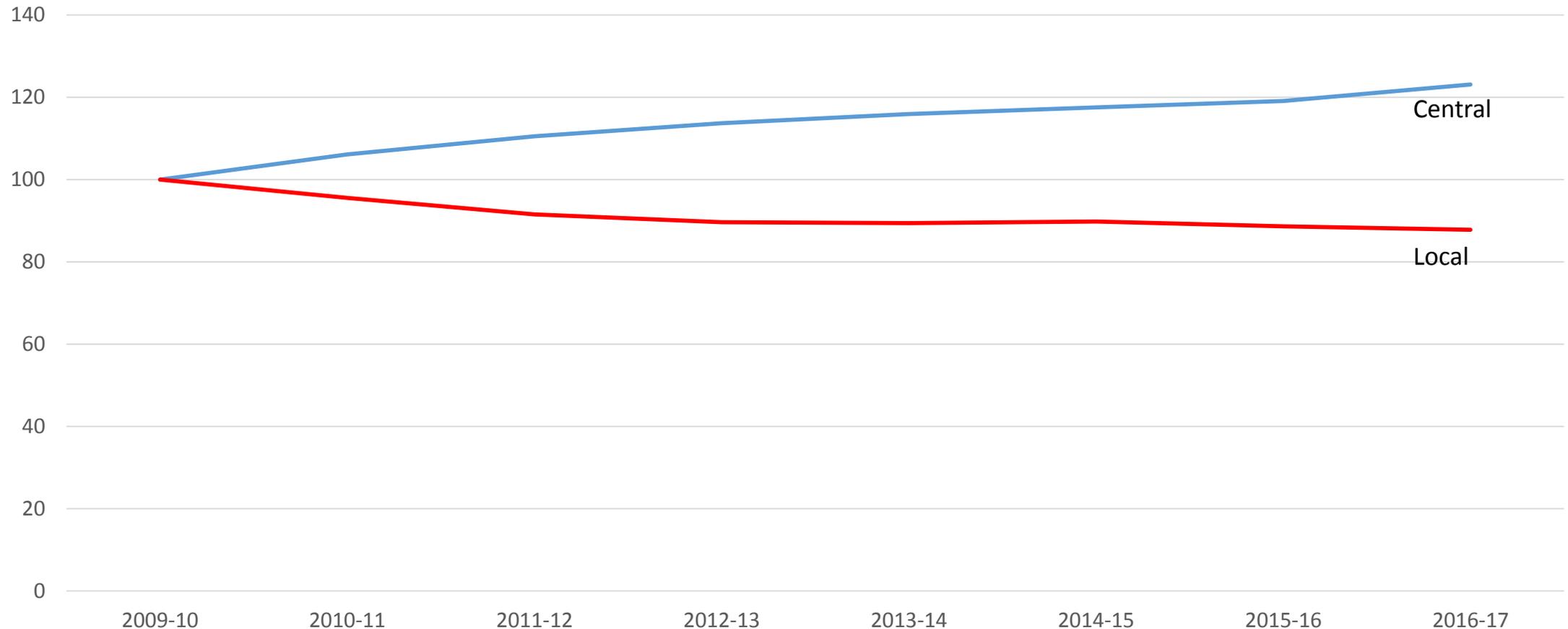
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Recent trends

- Local government has been used as a 'safety valve' to allow reductions in the growth of UK public expenditure so as to facilitate deficit reduction
- This approach was imposed from 2010, but on the assumption that the deficit would be eradicated by 2015
- It is now suggested that the deficit will be with us till the mid-2020s
- Thus, 'austerity' will continue
- Begging the question as to whether the reduction in LG revenue spending of 25% to 35% will represent the end of spending reductions....

Central government (UK) and local government (England) current expenditure (cash) 2009-10 to 2016-17



Sources: (i) Central government – HM Treasury, *Public Expenditure Statistical Analyses 2016*, Cm 9322, Table 6.2 and *Public Expenditure Statistical Analyses 2014*, Cm 8902, Table 6.2
(ii) Local government - DCLG, *Local authority revenue and financing England*, successive statistical bulletins, annual, 2009-10 to 2016-17, figures adjusted to take account of schools' transfers to academy status, transfer of public health and accounting adjustments). Excludes police and fire & emergency services

Pensions vs adult social care

- England

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Pensions (UK)	83.01	87.00	93.18	100.40	103.58	107.21	109.27	111.57
Adult social care (England)	14.57	14.40	14.74	14.52	14.56	14.50	14.40	14.39

Sources: PESA, 2014 and 2016; DCLG

Illustrative Core Spending Power of Local Government;

	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions				
Settlement Funding Assessment*	21,249.9	18,601.5	16,632.4	15,598.8	14,584.3
Council Tax of which;	22,035.9	23,247.3	24,623.2	26,082.1	27,629.0
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	22,035.9	22,858.5	23,789.7	24,760.7	25,773.5
<i>additional revenue from referendum principle for social care</i>	0.0	381.8	814.2	1,289.6	1,811.5
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.0	7.0	19.4	31.7	44.0
Improved Better Care Fund	0.0	0.0	105.0	825.0	1,500.0
New Homes Bonus	1,200.0	1,485.0	1,251.9	938.0	900.0
Rural Services Delivery Grant	15.5	80.5	65.0	50.0	65.0
Transition Grant	0.0	150.0	150.0	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	241.1	0.0	0.0
Core Spending Power	44,501.3	43,564.2	43,068.6	43,493.8	44,678.3
Change over the Spending Review period (£ millions)					177.0
Change over the Spending Review period (% change)					0.4%
Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Funding					
*2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment					

Core spending power: 2017-18 and 2018-19

	2016-17	2017-18	2018-19
Core spending power	43564	43068	43494
Adult social care	14390	15168	16017
CSP minus ASC etc	29174	27900	27477

'Thriving' against this backdrop

- The pre-2010 local government model cannot survive as resources for some services fall by 50% or more
- Unless the recent pattern of public expenditure priorities is changed then councils will have to think radically
- Local authorities will probably have to:
 - Rely more on centrally-funded provision, eg the NHS, Network Rail, benefits
 - Lobby government for legislative change to remove (some) statutory duties
 - Lobby for significantly greater powers to charge for services
 - Go into business, especially housing development and regeneration
 - Jointly provide services
- The public will need to have all this explained....

EU referendum result: challenges for UK politics and government

The political geography of the result

The future government of the UK

Constitutional implications

Challenges for government

- Exiting the EU
- Parliament
- Issues raised
- The government
- The judiciary
- The civil service
- Managing and reforming the economy
- Sub-national impacts

44 years of the UK within the EU

- Absorption of EU law, regulations, etc into UK law
- Economic decision-making and planning within EU rules
- Decades of particular media and political depiction of 'Europe'
 - Rarely positive...
 - Some real problems, eg, CAP; migration policy
- Evolution of 'regional'; 'urban' and 'local' policy within EU, Commission

Exit from the EU: institutions

- Parliament
 - and political parties
- Government
 - departmental differences
- Civil service
 - Impartiality during a 'culture war'
- The Judiciary
- Devolved governments; sub-national/local government
 - Any role within the UK 'constitution'?
- [The public]
 - Expected impacts....

Issues for Parliament, Government, all

- Future of existing EU legislation
 - “the Great Repeal Act will convert existing EU law into domestic law, wherever practical”
 - IfG report: need for up to 15 Bills in addition
- Future of UK trade policy
 - Currently being determined, but ‘free trade’
- Future of UK immigration policy
 - Visas; work permits; something else?
 - Non-EU net migration is well above government’s target
- Respective roles of:
 - Parliament
 - The UK government
 - Devolved governments
- How (if?) to consult the electorate?
 - Second referendum
 - General election
 - Vote in parliament

Government: delivery

- Need to deliver Brexit
- Need to decide what 'Brexit' means
 - There was no 'Brexit' party fighting to 'leave'
- Need to create a bureaucratic machine to deliver Brexit
- Need for this machine to negotiate
 - Exit from EU
 - New trade/migration deals with individual countries, blocs
- Need to link external treaties and deals with the economy within the UK
 - Every overseas trade/migration deal will have a geographically-specific impact within the UK

Reforms to the Whitehall machine

- Department for Exiting the European Union (new)
- Department for International Trade (new)
- Foreign Office (partial reform)
- Department for Business, Energy & Industrial Strategy (partially new)
- Department for International Development (pre-existing)
- Department for Environment, Food & Rural Affairs (pre-existing)
- Cabinet Office (pre-existing)
- Treasury (pre-existing)

Ministers

- Department for Exiting the European Union
- Department for International Trade
- Foreign Office
- Department for Business, Energy & Ind Str
- Department for International Development
- Department for Environment, Food & Rural
- Cabinet Office
- Treasury

David Davis

Liam Fox

Boris Johnson

Greg Clark

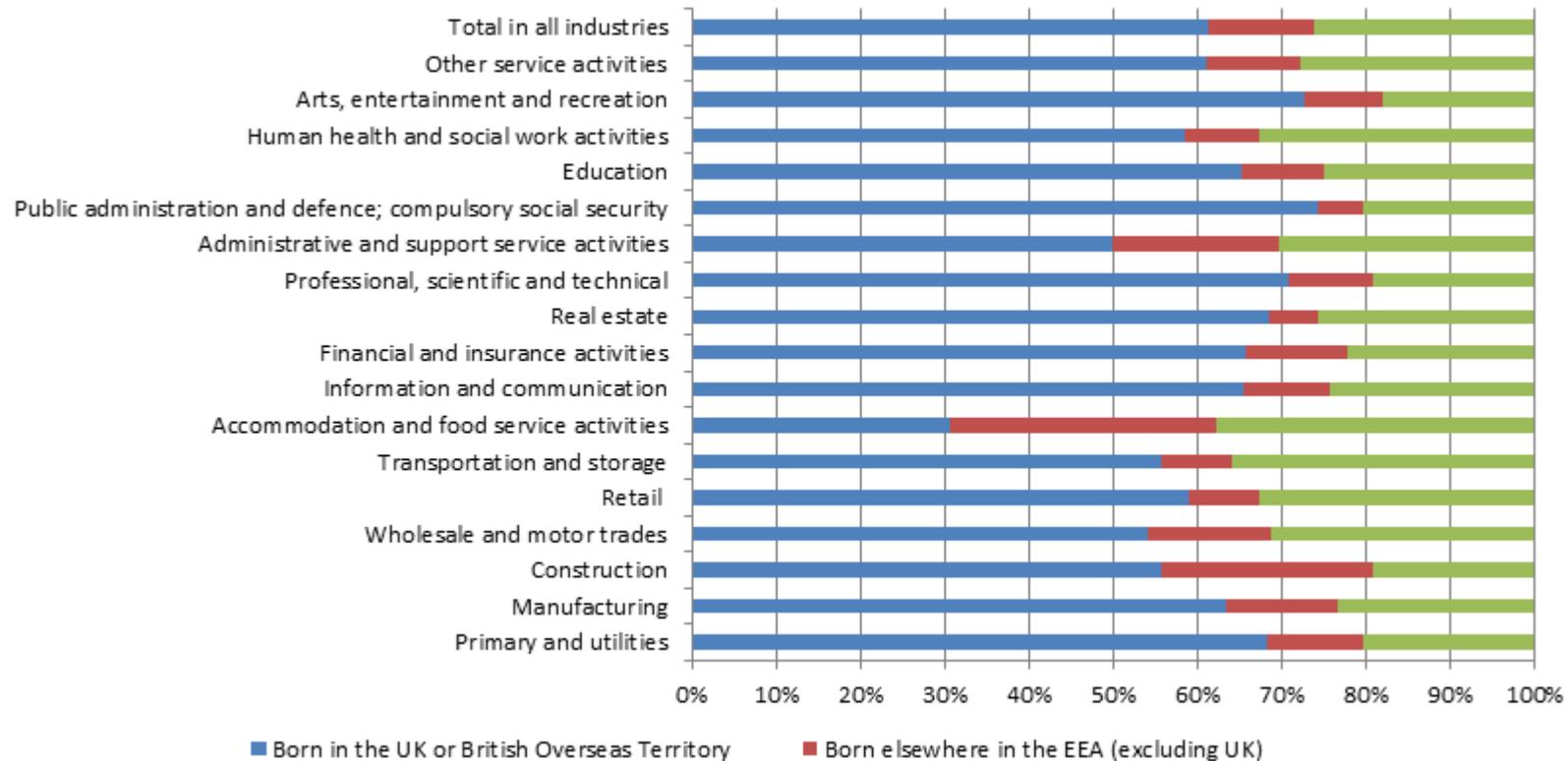
Priti Patel

Andrea Leadsom

PM/David Lidington

Philip Hammond

Jobs in London by SIC and place of birth



Source: Greater London Authority

Nations and regions of the UK

- Scotland, Northern Ireland, London all voted 'remain'
 - By a wider margin than the national 'leave' vote
- Should this difference have any force: is the UK a unitary or quasi-federal state?
- Scotland: SNP-led government threatening a second independence referendum in certain circumstances
- Northern Ireland
 - threat to Good Friday Agreement?
 - Complexities of the NI/Ireland border
- London: Mayor has demanded special visa rules

Constitutional implications

- The implication of the UK government's stance in relation to exiting the EU is that the UK is still a unitary state, where only the UK Parliament/government can vote/negotiate on international issues such as EU membership
- Scotland, Wales, Northern Ireland will be consulted but have no veto
- 'The Union' now depends on responses to the deal struck by the UK government in the coming years
- The UK government is negotiating not only the UK's position within international trade and migration rules, but also the continued size and shape of the country itself...

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