BRIEFING NOTE

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SUBJECT Investing in local public services is foundational for the UK's economic growth

PURPOSE This briefing provides new evidence that investing in local public services underpins and supports economic growth and prosperity.

SUMMARY

- New CLES analysis shows that, had local public services spend per resident been maintained at 2009-10 levels, in 2023-24 there would have been additional direct, indirect and induced GVA generation of £43.6bn in England.
- This would have happened because the spend would have boosted demand through employees and local businesses, as well as having supported supply side mechanisms such as improved local infrastructure, business support services and training and skills provision.
- If spend on employment had been maintained at 2009-10 levels then, in 2023-24, there would have been an additional 900,000 jobs within the local public sector in England.
- Furthermore, for every additional job in the local public sector, another job would have been maintained in the wider economy, through supply chain and consumption expenditure.

THE OPPORTUNITY COST OF UNDERFUNDING PUBLIC SERVICES

At the same time that the government is driving forward an ambitious programme of policies to boost economic growth, councils up and down the country are struggling to balance their budgets, with increasing numbers serving Section 114 notices. But it would be a mistake to assume that funding local public services is at odds with the need to grow the economy.

Investing properly in local public services is a prerequisite for delivering economic growth to places across the UK and in ensuring that the impact of that growth is meaningful. That was the argument of Kickstarting economic growth: maximising the contribution of local council services, a paper developed last year by CLES, the Association of Public Service Excellence (APSE) and the University of Staffordshire. Now further analysis from CLES has revealed that:

- Since the beginning of austerity, local government spending has significantly reduced in real terms, with spending falling by 21%, from £3,628 per resident spend in 2009-10 to £2,857 per resident spend in 2023-24, across English local authorities.

- Over this period spend on employees fell by 38% and spend on running expenses fell by 5%. It should be noted that the majority of employee spend lost was on education, police and fire and rescue services.
- If local authority per resident spend had been maintained at 2009-10 levels there would be an additional 900,000 direct jobs within the local public sector in England. Additionally, for every direct job maintained in the local public sector, an indirect job would have been maintained in the wider economy, through supply chain and consumption expenditure.
- If total expenditure per resident had been maintained at 2009-10 levels, then in 2023-24 there would have been additional direct, indirect and induced GVA of £43.6bn in England alone.

RECOMMENDATIONS

- The upcoming Spending Review should not only consider the ability of departments to generate efficiencies but also their contribution to the government's mission to support and promote growth.
- Historically, economic development has not been a statutory responsibility of local government, but place-based authorities are best positioned to enable and facilitate private sector investment within their area. This should be taken into consideration when agreeing local and combined authority settlements.
- Ministers should critically examine the Spending Review, asking questions such as:
    - Has the government analysed the opportunity cost of continuing to underinvest in local public services?
    - Has the government considered the contradiction between the commitment to local economies (e.g. Plan for Neighbourhoods) and the continued squeeze on local government funds?
    - Does the government agree that a community wealth building approach to the allocation of funds, which prioritises investment in local businesses, social enterprises and targeted recruitment and regeneration, could generate more bang for our buck?
    - Does the government calculate the local economic impact of policy changes (e.g. the current proposals on welfare reform) on local economies where their impact is greatest?
    - *Sample question: When local economies thrive, the entire UK benefits. Research from the Centre for Local Economic Strategies shows that austerity in local public services since 2009-10 has cost over £43bn of annual growth in England alone. Given that the Prime Minister himself has emphasised that "fixing the foundations of growth" requires such investment, wouldn't the government agree that now is the time to support our local public services?*