1. **Executive summary**

1.1. Local government funding has experienced some of the most significant cuts during the recent period of public sector austerity. Neighbourhood services and councils serving more deprived areas have been especially hard hit.

1.2. Financial pressures have resulted in the loss of vital community spaces and assets. While alternative ways of preserving these spaces for local people, such as community asset transfer, have been successful in many places they are not a viable solution in every case and some types of community asset, such as parks, do not have sufficient revenue-generating possibilities to make this work.

1.3. The government should reform its approach to target funding and resources at the areas facing the greatest economic, social and environmental challenges. Funding should be based on an evidenced assessment of the needs and priorities of communities, a subject on which Groundwork is currently undertaking research.

1.4. The government should work with local government and communities to explore new ways of involving local people in decisions about services and spending.

1.5. Local government funding should be complemented, but not replaced, by other sources of funding to support communities, including a Community Wealth Fund (utilising dormant assets), the UK Shared Prosperity Fund and the use of social value requirements in public sector contracts.

2. **About Groundwork**

2.1. Groundwork is a federation of charities which has been changing places and changing lives across the UK for more than 35 years. Established as a one-off experiment to regenerate green spaces on the Merseyside in 1981, Groundwork has grown into a national network and international movement building better, greener neighbourhoods in the areas that need it most. In 2018, Groundwork’s work improved 4,300 public spaces, planted 6,750 trees and supported 24,000 community groups.

3. **What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services?**

3.1. Local government funding has experienced some of the most significant cuts during the recent period of public sector austerity. Government funding for local authorities fell by an estimated 49.1% in real terms between 2010-11 and 2017-18. ¹

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3.2. An increasing proportion of local authority spending is going on statutory duties such as social care, while spending on non-social-care services saw a real-terms reduction of 32.6% between 2010-11 and 2016-17, leaving less for neighbourhood services and social infrastructure which are essential for individual quality of life and for communities to thrive.

3.3. Neighbourhood services (highways and transport, cultural services, environmental services and regulatory and planning services) have been hardest hit, with spending in England falling by £3.1bn between 2010/11 and 2015/16. It is particularly concerning that those living in the most deprived local authorities have experienced the biggest fall in spending on these services: spending on neighbourhood services fell by 22% among the most deprived fifth of local authorities compared to only 5% among the least deprived fifth. In the most deprived fifth of authority areas, the services which saw the biggest cuts included support to bus operators, road safety and school crossings and community centres.

3.4. As well as cuts to spending, the financial pressures local authorities have experienced has led to the loss of vital places and spaces for communities to meet. A recent investigation based on freedom of information requests to local authorities found that more than 12,000 public spaces had been sold by councils since 2014/15, raising £9.1 billion. The buildings and spaces sold by local authorities during this period include community centres and green spaces which communities had used to meet, collaborative and share activities, often for generations. Their sale will have provided a short term boost to local authority finances but the loss to the community is permanent. Given the wider context of declining budgets, local authorities cannot be blamed for making these difficult decisions. However, it is clear that future funding should be set at a sufficient level to protect and support the places and spaces that matter to communities.

3.5. Alternative ways of managing places and spaces, such as community asset transfer, have proved successful at preserving places that the local authority can no longer afford to maintain for the benefit of the community. Support it needed, however, to ensure that all communities have equal access to this option. In areas where a large proportion of the population are experiencing forms of deprivation and may be working long or unpredictable hours to make ends meet, additional support is likely to be needed to ensure communities are able to access opportunities. The government should ensure that communities have access to this support and to sufficient long-term funding to acquire and manage assets where there is an appetite among local people to do so.

3.6. It is important to recognise that, while there are examples of community asset transfer working well, this is not a solution in all cases. Many strong, willing community groups will decide not to take on the management on community assets either because of the risk involved, the capacity required, or because it is not possible to create a revenue-generating business cases. For example, a minority of parks are able to cover running costs through commercial concessions and events. A wider strategy is needed to maintain funding for assets like parks, which

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2 Ibid.
3 Association for Public Service Excellence (2017), Redefining neighbourhoods: A future beyond austerity? Available at: https://bit.ly/2XDcW0O
community groups would be unlikely to be able to mobilise. The committee may wish to engage with the ongoing work of the Parks Action Group on this point.

3.7. In addition to the loss of community spaces, the period of austerity in local government has often led to a loss of experienced staff with expertise in key areas such as parks management. Local government funding should be at a sufficient level to support the development and retention of specialist skills and to make high quality training and employment available to local people.

4. The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

4.1. Groundwork does not have the relevant expertise to give a full answer on this point. However, Groundwork believes that funding and resources should be targeted at communities facing the greatest economic, social and environmental challenges and the current system does not achieve this. Analysis by the Institute for Fiscal Studies (IFS) has found that, not only have councils serving more deprived areas faced slightly larger cuts on average to date, extra funding in the 2019-20 local government finance settlement has benefited richer councils with less dependence on the central grant more, on average, than poorer councils which are more dependent on grants. The removal of the deprivation factor from the Foundation Formula calculating central government funding could exacerbate this problem, potentially leaving many of the communities most in need of support worse off. The IFS has highlighted that the rationale for removing deprivation from the formula is weak, and therefore Groundwork hopes that this decision will be reviewed through further research and analysis.

5. How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.

5.1. Groundwork does not have the relevant expertise to comment on the detail of the funding formula for local government. However, funding should be based on an evidenced understanding of the needs and priorities of communities, including the types of social infrastructure that are needed to support them. Groundwork is currently undertaking research on this topic and would be happy to share this with the committee once complete.

6. The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

6.1. The government should recognise the service areas and geographical areas which have suffered the greatest negative impact as a result of public sector austerity and work to ensure that the

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5 Institute for Fiscal Studies (2018). Extra local government funding found to ease cuts has benefited councils serving richer areas more than councils serving poorer areas. Available at: https://bit.ly/2Bkz9aw
services communities rely on are safeguarded going forward. Neighbourhood services underpin local prosperity and wellbeing, providing a foundation on which communities can build with their own actions.

6.2. The government should work with communities and local government to explore new ways of involving the community in decisions about neighbourhood services and wider public services, recognising that local people are the experts on their area and needs. Increasing attention is being paid to ways of reimagining the relationship between individuals, communities and public services to move towards greater collaboration and more equal sharing of power.\(^7\)

6.3. Funding should be targeted at the most deprived areas in order to address the disproportionate impact of previous cuts to local government funding and to address higher levels of need for support and investment in deprived communities.

6.4. Local government funding should be complemented – but not replaced – by other sources of funding which support communities:

6.4.1. Groundwork supports the campaign for a Community Wealth Fund to provide long term investment in deprived communities, controlled by local people and financed by the next wave of dormant assets.\(^8\)

6.4.2. The government has committed to introducing a UK Shared Prosperity Fund to replace European Structural and Investment Funds when the UK leaves the European Union. These funds should be targeted at the areas that need them most and flexible enough to allow communities to identify their own priorities for spending. The consultation on the UK Shared Prosperity Fund was originally due to open towards the end of 2017 and the long delay has created uncertainty among communities benefitting from current EU funding and organisations involved in administering the funding; Groundwork looks forward to providing a full response to this consultation in due course.

6.4.3. Collaboration between local government and other public services, such as schools and the health service, should be the default to ensure that best use is made of existing budgets. The use of social value requirements in public sector procurement has the potential to bring significant additional benefits to communities. While social value requirements will never provide for the total need for community services, they have the potential to create additional value in terms of environmental improvements as well as boosting the local economy.

\(^{April 2019}\)

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\(^8\) For more detail on this proposal, see the Local Trust website: [http://localtrust.org.uk/library/research-and-evaluation/community-wealth-fund](http://localtrust.org.uk/library/research-and-evaluation/community-wealth-fund)