

30 November 2023

Clive Betts

Chair, Levelling Up, Housing and Communities Committee
House of Commons
Palace of Westminster
London SW1A 0AA

Dear Clive,

Thank you for the opportunity to provide our view on the recent Autumn Statement and the impact that it will have on the public sector and local public services. We see the recent statement as a missed opportunity to look at long-term solutions to the crisis in our public sector after chronic underinvestment and real term reduction in funding. Essentially, public services are broken and this Autumn Statement does nothing to fix them.

In our recent [Performance Tracker](#), we found that the public sector has not been able to recover since the pandemic. In fact, eight out of the nine public services featured performed worse in 2023 than on the eve of the pandemic. These are not isolated problems in individual services, but rather structural system-wide issues. They have been caused by a lack of adequate funding and historic underinvestment in capital infrastructure. We set out clear steps that could be taken to address this, and none of these have been taken.

While the announcements have offered a degree of certainty for business, they have ignored the key role that the public sector plays in growth, and indeed certain announcements such as on minimum wage will increase pressure on public sector finances through their own wage bill and costs of their suppliers. Looking at the announcements we fail to see the government address any of the key public sector asks – there is nothing on public sector long term funding nothing on climate sustainability and nothing on fiscal devolution.

As our Chief Economist wrote in *The Municipal Journal* last week, the government's spending plans are unsustainable. Much higher-than-expected inflation has eroded the real-terms value of the current spending review to the tune of £19bn. Worse still, according to the Office of Budget Responsibility (OBR) government commitments to boost spending on defence and overseas aid mean that unprotected departments may see their resource spending cut by anywhere from 2.3% to 4.1%.

Without more generous funding settlements, most public services will be performing worse in 2027/28 than in the years before the pandemic. Higher demand, increased costs and less funding has meant the closure or restructuring of libraries, bus networks and road maintenance. Real spending on neighbourhood services in the decade since 2009/10, excluding children's services and adult social care, has been down by nearly 40%. With the backlog in crown courts at a record high and the prison population up 13% over three years ago, there is little remaining capacity to flex. These services are already in crisis mode.

Local Authority finances are in a perilous position. Pressure for local authorities to bridge the gap through more innovative financing strategies has contributed to more bankruptcies – or section 114 notices – being announced over the past three years. Yesterday's announcement from Nottingham City Council is just the latest, and will not be the last.

Many local authorities are managing huge demand led pressures in services for the most vulnerable members of society. Demand for adult social care, children's services and homelessness has continued to increase and are now at unsustainable levels. It was disappointing that none of the fiscal headroom available to the chancellor was used to address the immediate pressures which are currently crippling local services in this country.

Long-term financial certainty and investment is needed and we welcome the step towards local devolution through the expansion of single settlements. We also welcome a focus on public sector productivity but this is coming into system reeling from decades of underinvestment. To have any chance of delivering real change, Government needs to tackle the underlying causes – such as lack of longer-term funding certainty, capital investment and a workforce plan that tackles recruitment, retention, morale and improved industrial relations.

Our practical experience providing support services to Local Authorities shows that there are there 5 broad scenarios playing out across those authorities that are under pressure:

- High debt/risk – commercial strategies failing due to high exposure to risk and capacity and capability
- Legacy issues – unresolved, lack of cost control
- Broad pressures – commercial strategy, low council tax strategy, savings delivery
- Delivery and demand – Social care demand, temporary housing, failure to deliver savings plans
- Specific one off events out of the authority's control.

At CIPFA we continue to work with other key stakeholders across the public sector to tackle some of the tangible effects of this stress on the system. I would welcome the opportunity to speak with you and the committee at any time, and would be happy to provide any further information on the issues raised here.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rob Whiteman', with a stylized flourish at the end.

Rob Whiteman CBE

Chief Executive