

# Austerity, Debt and the Local State

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# Austerity and the Circulation of Debt

Global Financial Crisis

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graph TD; A[Global Financial Crisis] --> B[Sovereign State Debt]; B --> C[Austerity at Local Scale]; C --> D[Community Assets decline, Low-income Household Debt]; D --> E[Concentrated in place];
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Sovereign State Debt

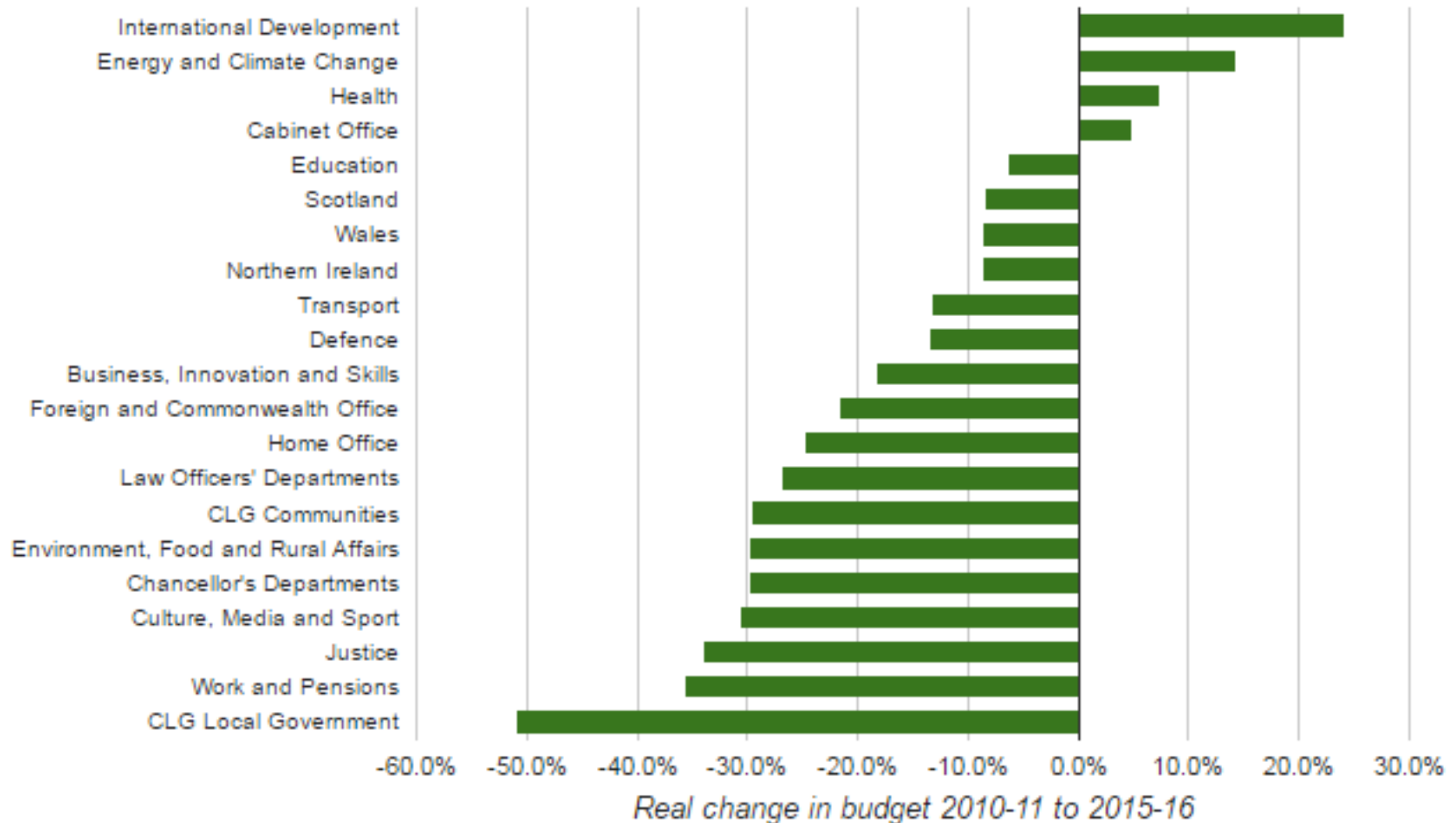
Austerity at Local Scale

Community Assets decline,  
Low-income Household Debt

Concentrated in place

# Austerity Impacts (Source: IFS)

Figure 2. Real-terms % cuts in departmental expenditure limits, 2010-11 to 2015-16 [[Download the data](#)]



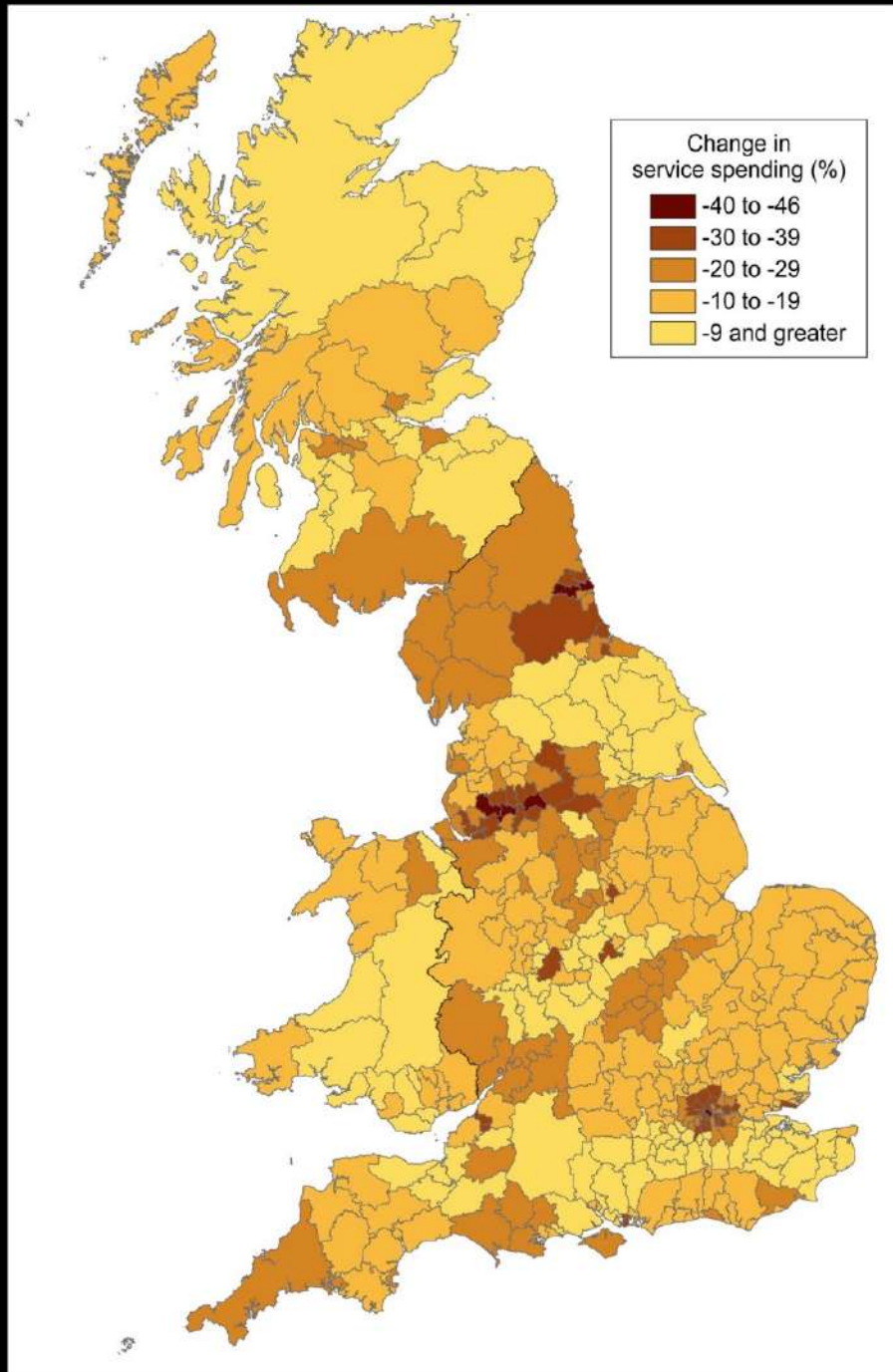
# Local Govt Cuts

# Austerity & Local Government

## Local Government Cuts

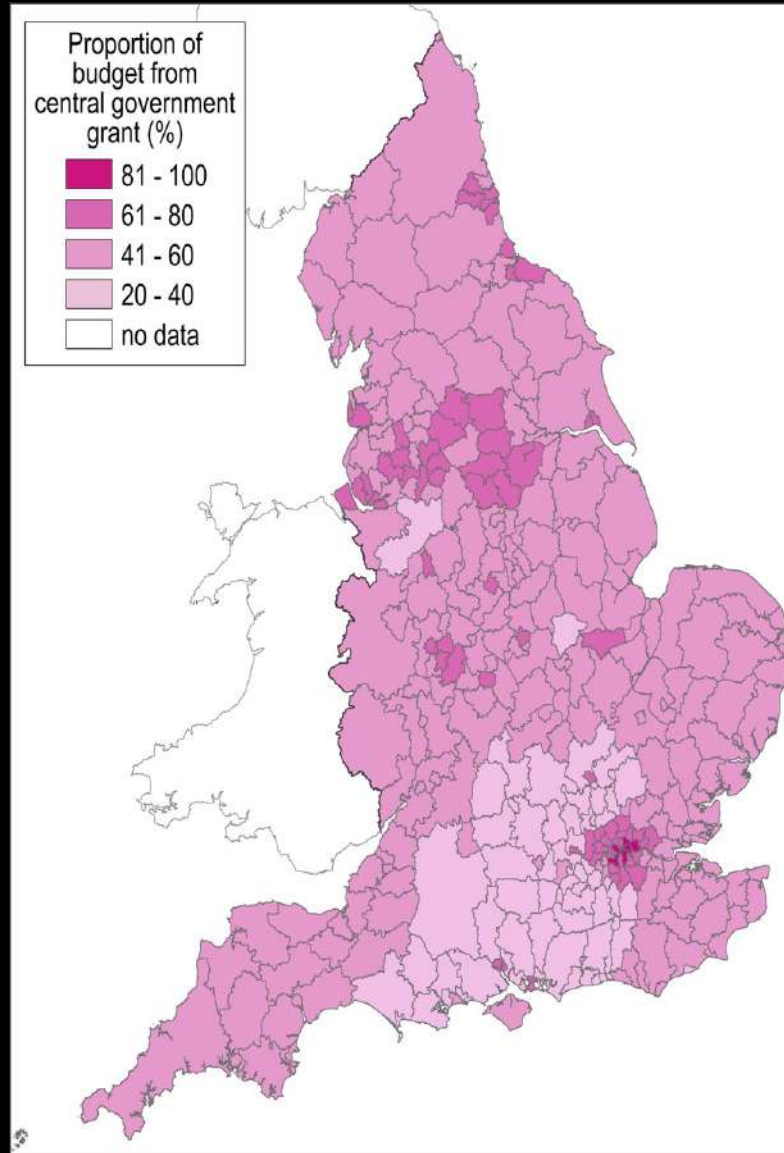
### Decrease in the Central Govt Grant

- Increased reliance on local tax
- *Increase tax base*
- *Increase collection rates*



Local Govt  
Service  
Spending  
Cuts,  
2009-10 to  
2016-17  
(IFS data)

# Proportion of Budget from Central Government Grant 2009-10 (IFS data)



# Increased reliance on council tax:

Local authority revenues by source (2019/20 prices) IfG



Central Grant cuts = 37%

Council Tax increase = 25%

(real terms)

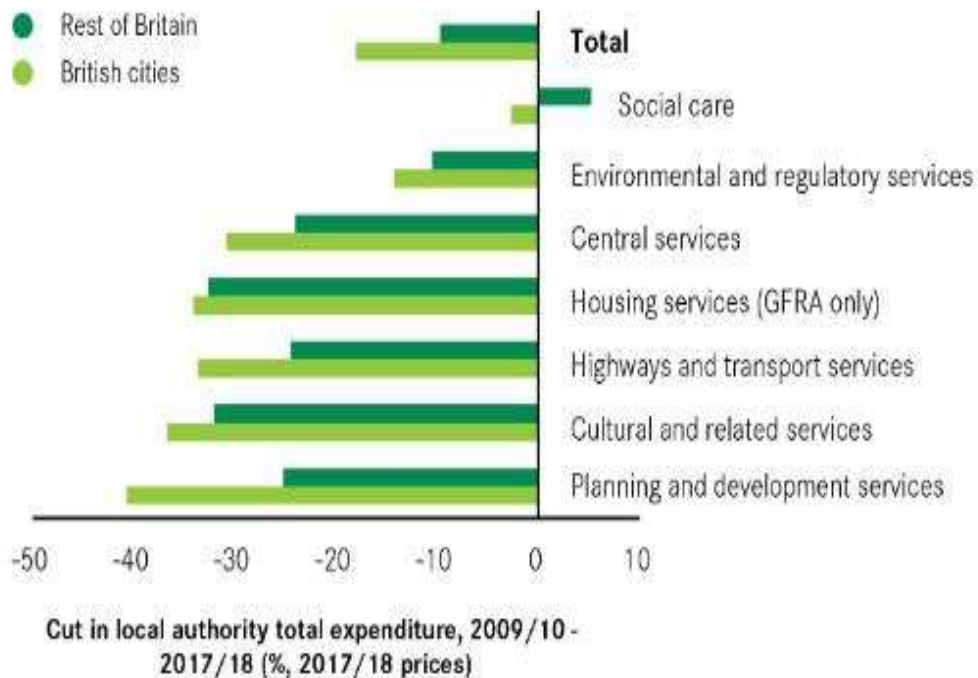
Source: Institute for Government analysis of MHCLG, Local Authority Revenue expenditure and financing in England: individual local authority data - revenue outturn. Excludes grants for education services, police and public health. 2019/20 includes one month of emergency Covid-related funding (March 2020) which increased the proportion of funding from government grants. CC BY-NC

Local authority revenues by source, 2019/20 prices (£bn) (Updated: 07 Jan 2022)



# 1) Shift towards the statutory (Source: Centre for Cities, 2019)

Figure 6: Change in total spending on different areas in British cities and elsewhere in Britain, 2009/10-17/18 (2017/18 prices)



Social care has taken up a growing share of overall spending.

In 2009-10 four cities spent more than half of their budgets on social care.

By 2017/18 half of all cities did so.

# Spending by Local Authorities responsible for Social Care

Spending by local authorities in England with responsibility for social care (2019/20 prices)

IfG



Source: Institute for Government analysis of MHCLG, Local Authority Revenue expenditure and financing in England: individual local authority data - revenue outturn. Excludes grants for education services, police and public health. 

Spending by local authorities in England with responsibility for social care (Updated: 07 Jan 2022)

Social care has taken up a growing share of overall spending in metropolitan, district, unitary, and London authorities

## 2) Defunding place - Social Infrastructure

(source: APPG commissioned report on 225 'left behind' neighbourhoods, 2021)

	LBNs	Other deprived areas	England
Density of community space assets	254.4	391.1	320.2
Density of cultural assets	24.1	45.4	40.9
Density of educational assets	231.5	343.7	309.6
Density of sport and leisure assets	187.8	349.0	269.2
Green assets (density)	272.9	366.1	356.4

Source: AddressBase 2021

## 2) Defunding of the *local* safety net

- Local basic services cuts: Sure Start, youth centres, women's refuges, libraries, sports centres, ...
- Discretionary Emergency funds closed or cut
- Fewer green spaces, charities, grants/capita

### 3 )Council Tax Increases for low-income households:

*Minimum* council tax payments, requiring all households to pay at least a certain proportion of their gross council tax bill

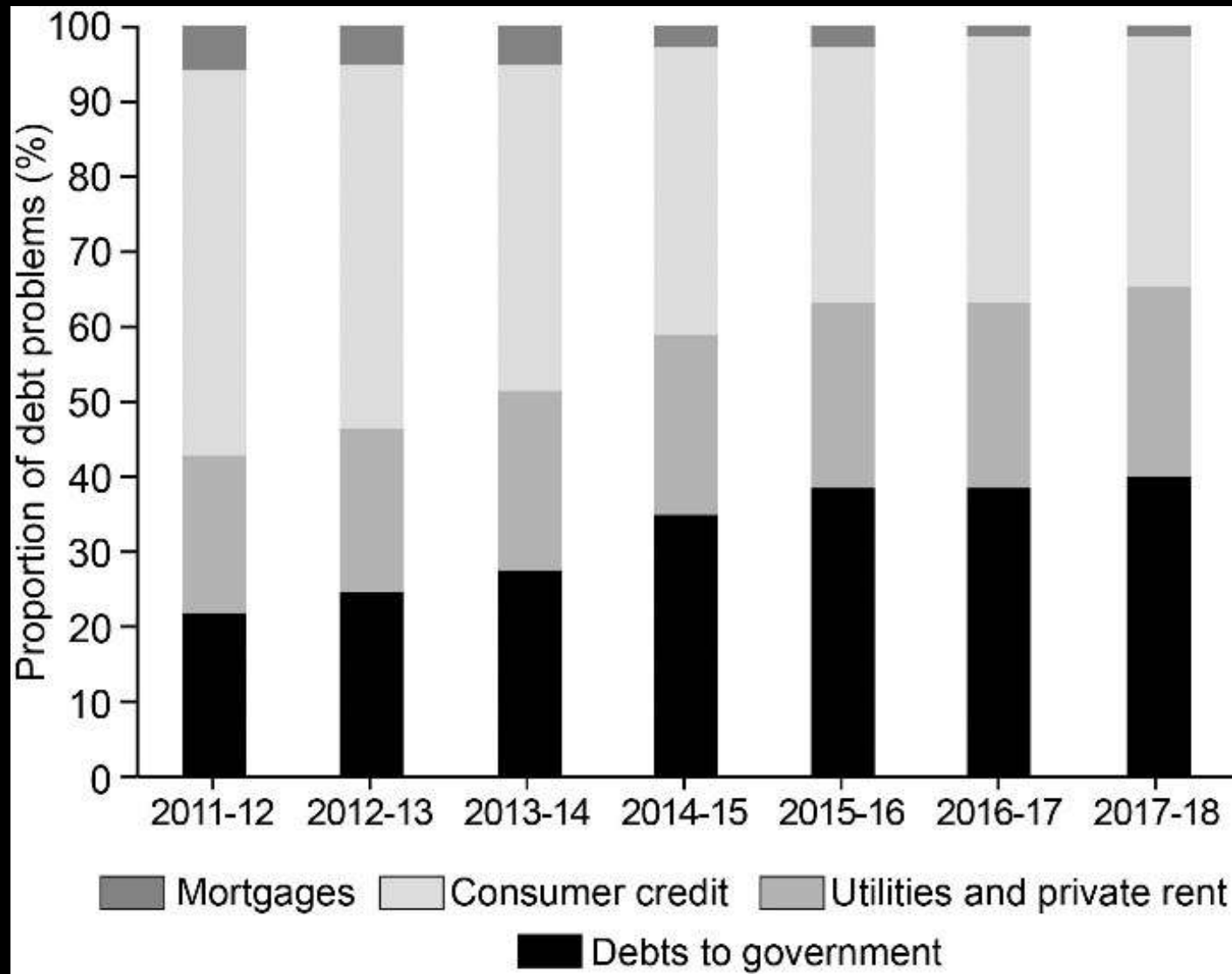
By 2018, **almost 75%** of households who were previously *exempt* from paying any council tax now had to pay some local council tax

# Council Tax Increases:

Large increase in low-income personal debt to the local state -- rather than with banks or high-cost lenders.

Proportion of problem debt owed to the local state nearly doubles in the six years from 2011–12 to 2017–18

Money owed to the state became the largest source of problem debt reported to Citizens Advice



Debt problems reported to Citizens Advice Bureau (NAO, 2018)

# Local State as Debt Collector

- Local Authorities as debt collectors ...
  - Less regulation of debt collection practices of *public sector*
  - more likely to use abusive practices like escalating fees and bailiffs.
  - In 2017 the majority of debt collection contracts (£2.3 million out of £2.5 million of debt) passed to bailiff firms *originated from local government*. (Gardner and Gray, 2022)



# State as Debt Collector –

Invidious position as regulator, welfare provider & creditor

- As regulator of debt collection-- ensuring fair treatment of those in debt and proportionate collection measures
- As welfare provider -- ensuring all citizens are provided with the social minimum & this is protected from debt collection
- As creditor -- high rates of tax collection as a matter of fairness of funding public services and ensuring the long-term survival of the public entity
- Inherent conflict -- does the local state protect the most vulnerable or does it aggressively pursue debt owed to the public sector?
- The creditor-debtor relationship distorts the social contract and the relationship between resident and the local state.

# Pandemic and Local Govt—

## Local authority costs incurred and income lost as a result of Covid-19 (2020/21 prices)

ifg



Source: Institute for Government analysis of MHCLG and DLUHC, Local Authority Covid-19 financial impact monitoring information round 13.  BY-NC

Local authority costs incurred and income lost as a result of Covid-19 (2020/21 prices) (Updated: 07 Jan 2022)

# Pandemic Debt –

- Financial hardship in our communities increased - more people turning to local services for help
- Councils increased costs & lost income (£11.9 billion)
- Emergency Grants from Central Govt minor (£291.1 million)
- So the gap in service provision, collective resources, individual resources is large and growing

Conclusions

# Austerity and Role of the local state:

Austerity changes the role of the local state (to statutory provider of social care)

Austerity fundamentally changes the relationship between the state and low-income citizens

The state becomes one of the major generators and collectors of debt and the local state is put in an invidious position

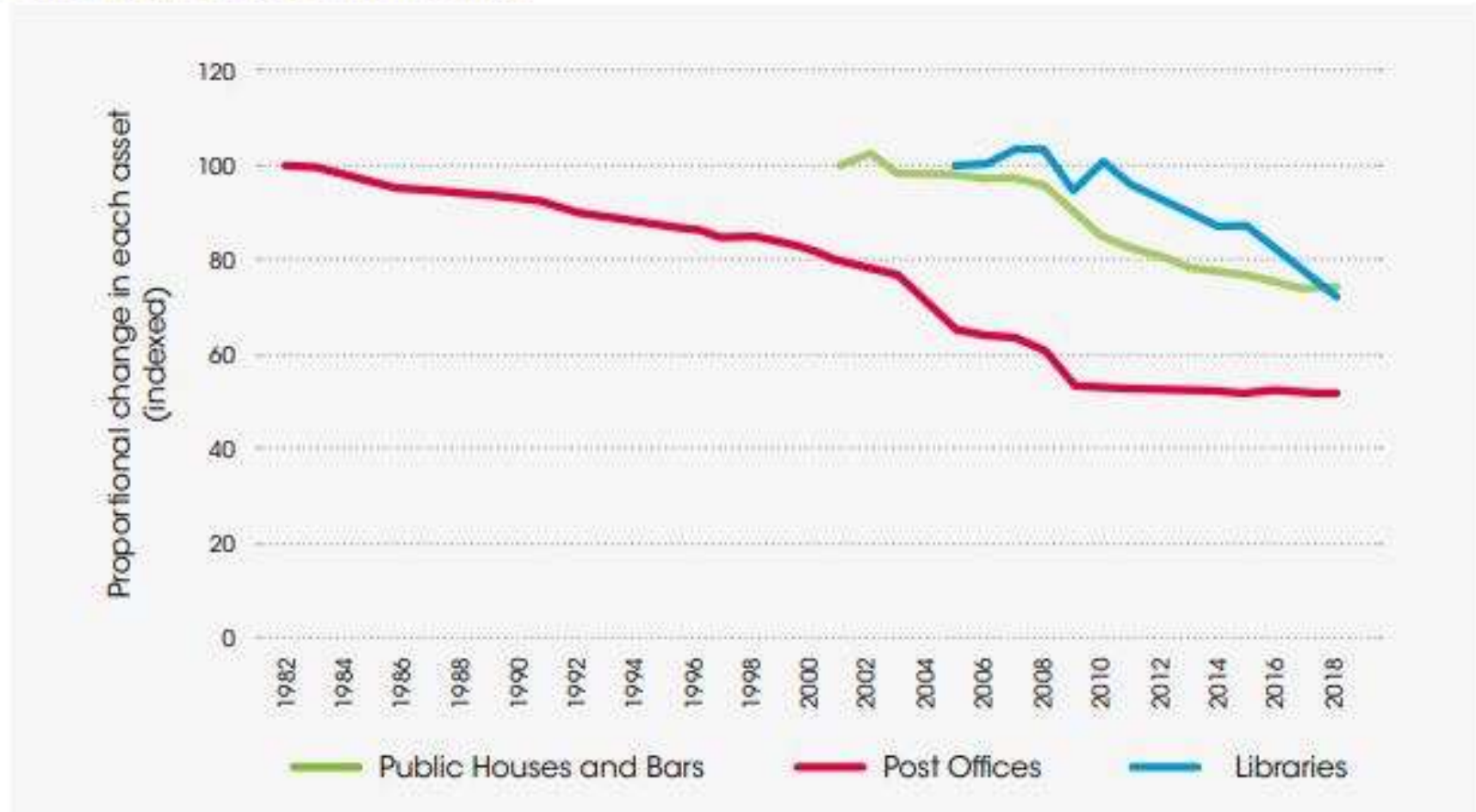
Please get in touch

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# Defunding place - Social Infrastructure

APPG commissioned *Communities of Trust* (2020)

## Pubs, post offices and libraries



Source: State of our Social Fabric 2020, presentation to the APPG by Will Tanner

# Institute for Govt: Local government funding in England