



# **COPING WITH THE CUTS? LOCAL GOVERNMENT AND POORER COMMUNITIES**

## **MAIN REPORT**

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- In England, local government spending (excluding police, schools, housing benefit) is set to fall by nearly 30 per cent in real terms between 2008 and 2015; an equivalent figure for Scotland would be 24 per cent. As funding covers some new service burdens, the underlying cut in funding for existing services is even higher.
- Cuts in spending power and budgeted spend are systematically greater in more deprived local authorities than in more affluent ones, with a difference of around £100 per head in both England and Scotland; cuts are also generally greater in the North and Midlands than in the south of England, and in the west rather than the east of Scotland.
- Reductions in spending tell only part of the story as authorities also have to cope with rising costs and demands. Three case study local authorities in England – two in deprived urban centres, one in a relatively better off ‘growth area’ – illustrate the real scale of the ‘budget gap’ that councils have to tackle. In two cases, the annual level of savings required since the 2010 Local Government Grant Settlement averages 9 per cent. In the third, the average is 12 per cent.
- Substantial savings have been generated by the case study authorities via a range of ‘efficiency’ programmes which, in theory at least, do not impact directly on the level and quality of front-line services. Opportunities to identify such savings are rapidly diminishing. As a result of having to find other kinds of savings, significant repositioning of local government is currently underway.
- In the coming years, local government will play a different role in relation to individual well-being and quality of life as well as economic leadership. This repositioning will involve:
  - The withdrawal of local government from the provision of a number of services and the dilution of provision in respect of others, accompanied by a transfer of responsibility for some services and client groups to other agencies, sectors and partnerships.

- A redefinition in the relationship between citizens and local councils. Citizens will be expected to take greater responsibility for their own well-being, as well as for quality of life within their neighbourhoods.
  - A refocusing of resources on meeting the needs of the most disadvantaged and vulnerable citizens within council areas and on measures designed to prevent such needs intensifying.
  - A renewed emphasis on developing and managing economic growth as a means both to generate income and to develop the economic competitiveness of the local authority and its region in the longer term.
- It is clear that the local authorities are taking significant steps to protect poor and vulnerable social groups from the most severe effects of austerity. At the national level and in our case studies, authorities have on average made less severe cuts in services which tend to be used more by poorer groups and greater cuts in those used more by better-off groups. At the same time, however, low income groups may still be affected much more adversely by these savings. Public services play a much more important role in the lives of people on low incomes. The next phase of this research will address this question directly.
  - Residualisation of local government service provision is a real danger, in that services are increasingly targeted on the most vulnerable groups and councils risk losing the support and buy-in of better off social groups. Protecting pro-poor services in the context of diminishing resources could undermine the capacity of councils to provide a broad range of services to groups across the social spectrum.

The 2010 Comprehensive Spending Review and subsequent Local Government Finance Settlements in 2010 and 2012 were the ‘worst in living memory’ according to a press release from the Local Government Association. In June 2013, a Spending Review for one further year (2015/16) indicated that the budget for English local government would be reduced by a further 10 per cent and further consultation about the technical implementation of the cuts reveals that funding for core services may in fact be cut by up to 15 per cent. While there is evidence that Scottish Government policy has offered a degree of protection to the budgets of councils north of the border, it is clear that local government is one of the foremost casualties of austerity in the UK.

This report is part of a larger study of the management of austerity by local government in England and Scotland. It is particularly concerned with impacts on disadvantaged people and places. The core of the project comprises detailed analysis of change in local government finances nationally as well as in-depth case studies of four local authorities – three in England and one in Scotland. The project is being conducted in three phases.

1. The first phase analysed the distribution of the local government budget cuts in the period 2010/11 to 2011/12 for England only. It also involved surveying 25 representative English local authorities to understand the early strategic responses to the initial wave of austerity. The results of this phase of the work were published in January 2012 (Hastings *et al.*, 2012).
2. The second phase involved extending the analysis of national change in England to 2013/14 and providing the first analysis of the distribution of budget cuts in Scotland. It also involved detailed analysis of the strategic approaches of three English local authorities to managing austerity, based on forensic analysis of budgetary information and savings proposals, analysis of key documents and plans, and a series of interviews with senior officers within the authorities. This document is a full account of this interim phase. A separate summary report of its findings and implications are published as a Joseph Rowntree Foundation Programme Paper and can be found at <http://www.jrf.org.uk/publications/coping-with-cuts>.
3. A third and final phase of the project will update the analysis of national change and the strategic approach of the three English case studies to include 2014/15. A Scottish case study will also be reported on in this

phase. However, the main focus of the third phase will be on the impacts of austerity, focusing on the experiences and perceptions of service users, operational managers and front-line officers. A report based on the final phase of the project will be published in the spring of 2015.

### SUMMARY OF KEY FINDINGS ON THE NATIONAL PICTURE

- Current cutbacks in local government spending follow a period of sustained increase in real terms expenditure, amounting to 68% in England and 47% in Scotland between 1997 and 2009. However, local government's share in the economy in 2012 was no larger than in 1991.
- We estimate that spending power of local authorities in England is set to reduce by 19% in nominal terms by 2014 relative to 2010, equivalent to 24-26% in real terms. By 2015 the reduction will have reached 29% (24% in Scotland). By 2013 budgets, the actual real reduction was 18% in real terms.
- Spending power cuts are slightly greater in London and slightly less in shire areas, but with wide variation between individual authorities. There is a clear relationship of greater cuts with greater deprivation across most classes of authority and most services. Relationships with political control of council are not very clear.
- The main impacts of the cuts, and the differences in impact between different types of area, are driven by cutbacks in what were specific grants up to 2010, although there are moderate changes in the needs aspect of the Formula Grant at work as well.
- The services seeing the greatest cutbacks are education support, partly due to academies programme, transport and cultural services, and planning, with smaller cuts in social care and housing
- The cuts have been more concentrated on services which are used more by the better off, together with some services used a bit more by the less well-off, while spending has been increasing in some services, particularly social care, which are more focused on the less well-off
- Capital expenditure has not so far seen major reductions overall, but further reductions may be anticipated
- Apart from the special case of education, the budgeted spending changes are systematically more negative in the North, and to varying degrees in the Midlands, than in the South of England
- It is possible to fit statistical models to explain the more systematic variations in budget spend up to 2013 across English local authorities. These confirm expected structural effects from previous spending levels and spending power cuts, while showing a positive association between marginal spending and deprivation across most services and overall. Relationships with demographic

change seem weaker, while there is little evidence that political control of councils made much difference to budget changes in this period.

- Scottish local government expenditure trends show similarities with the picture for England, but the scale of cutback post-2010 has been less. Overall, in the period 2009-13 overall local government spending in Scotland fell by 11%, compared with 13.5% in England. Spending excluding education and police fell by 13.4% in Scotland compared with 20.4% in England.
- There is some east-west pattern in recent changes with Scotland (more negative in the west), with more reductions in more deprived authorities and those previously spending at higher levels. The greater per capita reduction in spending for the most versus the least deprived authorities is observable in Scotland to almost the same extent as in England (around £100 per head difference).
- A number of system changes have been instituted in England, particularly the localisation of part of the non-domestic rate, and these introduce both complexity and uncertainty into the picture. Consultation proposals on funding for 2014/15 and 2015/16 herald an acceleration of the cuts.

## 2.1 BUILDING ON NATIONAL FINDINGS OF PREVIOUS STUDY

### 2.1.1 *Previous study findings*

The report of the first phase of this research (Hastings *et al*, 2012) highlighted the sheer scale and magnitude of the cuts required from local government in England in the period following the 2010 Emergency Budget and Spending Review. It was pointed out that over the following four years the cuts would amount to 28% for local government services excluding schools, police and fire, equivalent to up to 38% in real terms. These are manifestly not incremental changes which can be absorbed by managerial efficiencies.

The study examined budget changes in the first year following these major announcements (2011/12) as well as changes within the transitional year of 2010/11 and various surveys of intentions. One significant finding was that the way the Department of Communities and Local Government presented the changes in terms of local authority spending power significantly understated the true extent of the cut, mainly because it absorbed the 'mid-year' cuts of 2010/11 into the base position.

In the first main year of the cuts it was found that the pattern of reduction was very skewed, with much larger reductions in deprived urban areas and small impacts in affluent southern shire and suburban areas. A number of factors contributed to this, notably the rapid rundown of specific and 'area-based' grants which were more targeted

on deprivation, technical changes in the general grant distribution, and damping arrangements.

This study also looked at the early pattern of intended and reported budget changes by service, and attempted to relate this to evidence from surveys and other research about the distributional character (progressive vs regressive) of different services. Overall spending was still rising marginally in social care and was only slightly reduced in transport, whilst the largest cuts were in planning, cultural services and housing, and central services. There were quite large cuts also in education but this service is affected by structural changes due to the Academies programme so these need to be interpreted with care and might be better dealt with separately (although they cannot be separated from some of the analyses). Cuts were systematically greater in more deprived areas across virtually all services but, when we look at the distribution of cuts within each authority by service, there was a more nuanced picture. Services taking the biggest cuts were often those used more by the better off, while some of the most redistributive services (e.g. social care) were more protected. The other noticeable and concerning patterns were the heavy cuts in services geared to young people. These come at a time of high youth unemployment, when the young have already borne the brunt of cuts in welfare spending and when there is a general sense that preventative services were being sacrificed to protect the core of statutory provision for the most needy.

### *2.1.2 Questions for this study*

In the light of these findings, the elapse of time and the broader aims and scope of the project, we set the following questions as the focus for the national level of analysis in this study.

- What is the distribution of the cuts **between different types of local authority**, particularly in terms of region, urban-rural character and deprivation level?
- What is the pattern of spending reductions **between different services**? Are there marked differences in patterns for different kinds of local authority?
- Given what we already know about how different services are used by different groups or places in general, what are the **likely impacts of this pattern of cuts**, by service and cumulatively?
- Are there any **significant differences in the picture in Scotland** as it emerges, in terms of the distribution of cuts between authorities and services, and hence their likely impact on particular groups and places?
- How do the **case study local authorities** selected for the rest of our work compare with the broader patterns seen across all local authorities or similar types of authority?

The methods of analysis build on work initiated in the previous study but extend these in time and scope. We draw on DCLG grant settlement data up to 2014/15 (and in outline



for 2015/16) as well as local authority budgetary estimates up to 2013/14 and expenditure outturn data up to 2012/13, derived from CIPFA, DCLG and Scottish Government sources. We have built a more detailed understanding of the changes to the system of local government finance by studying system documentation, supplemented by discussion with national experts within and beyond local government. We take a wider look at influences on local authority spending and service provision, drawing on contemporary academic and policy literature. We have refined our analysis of the distributional profile of different services. Finally, we extend our work to include Scotland where the national context is rather different.

Differences in the spending decisions of local authorities with different characteristics are explored more systematically, including the use of the multivariate statistical technique of regression modelling. This explores the role of factors, such as political control, previous spending levels, demographic patterns/changes, urban-rural differences, deprivation and socio-economic profiles, in accounting for some at least of the differences in budget changes between different local authorities.

We seek to understand clearly the further changes which have been introduced to the system of local government finance, for example the localisation of part of the non-domestic rate income and the transfer of certain services into, and others out of, local government, including the 'academies' programme affecting school education.

We have also refined the analysis of selected national surveys and previous research to help clarify the typical distributional profile of different services. This provides a basis for the generalizable conclusions drawn in this chapter on the distributional impact on deprived groups and neighbourhoods likely to result from the pattern of budget changes by services which we are finding. This also feeds into the more detailed analysis of impacts at case study local authority level in Chapter 5.

Finally, this chapter provides a first opportunity to look at Scotland, the location of our fourth case study. Scotland was not covered in the previous study, in part because the policy cycle in Scotland has had a somewhat different time profile. We review the patterns of spending and budgets in Scotland up to 2013/14 and analyse these in a similar fashion to the analysis presented of the English local government system.

## 2.2 LOCAL SPENDING POWER AND BUDGETS IN ENGLAND

### 2.2.1 Introduction

This section provides descriptive information about the changes in spending across the local government system in England. A broad distinction may be drawn between the money central government provides to local authorities (grants), together with the consent it gives to authorities to spend their own money ('spending power'), and the actual spending decisions by local authorities (as revealed by their budget estimates and

subsequently by expenditure outturns). While the first two cover the totality of local resources to finance spending, the latter reveal different trends by services as local authorities exercise their discretion in how to use their (diminishing) resources. We discuss each of these types of analysis in turn.

Distributional impacts on deprived groups and areas are addressed in two ways: firstly, in terms of the differential changes in spending power or spending budgets by type of area, measured primarily through the Indices of Multiple Deprivation (IMD) but also region; secondly, and indirectly, through the pattern of spending reduction by service linked to the general distributional character of different services evidenced by wider surveys and research. This chapter reports the analysis by deprivation level and other local authority characteristics. Chapter 5 examines patterns in relation to services.

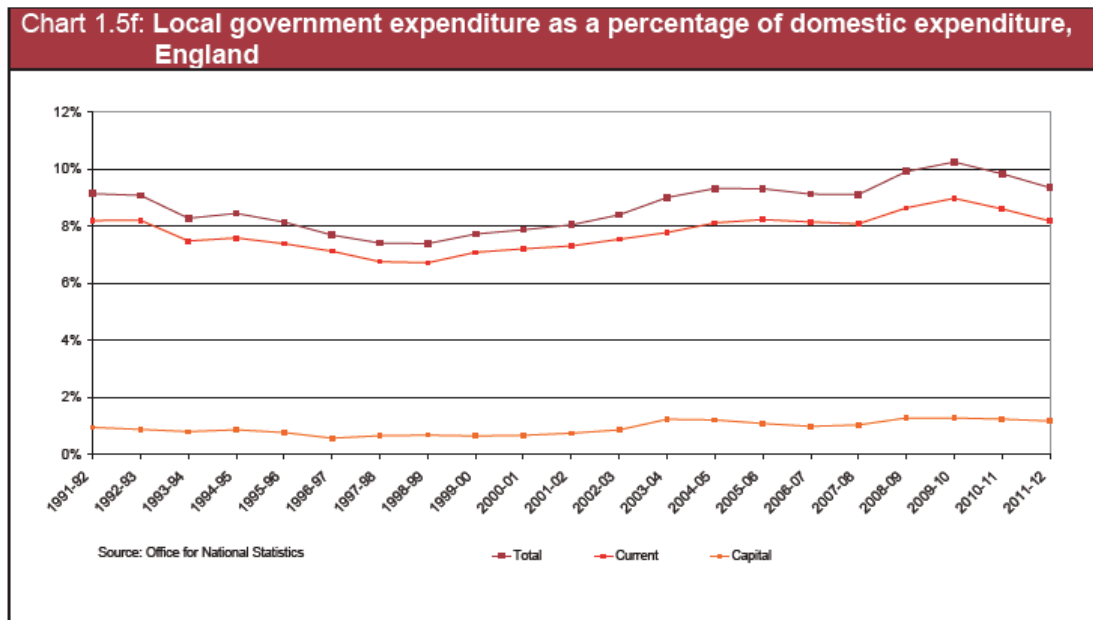
In January 2013 the DCLG announced a further two-year local government finance settlement for the period up to the financial year 2014/15, which was combined with details of changes to the local finance system discussed separately below. Further cuts were announced for 2014/15 and 2015/16 in the July 2013 Consultation on the Local Government Funding Settlement, reflecting the 2013 Spending Review. This enables us to project changes from a 2010 base position over at least a four to five year period.

### *2.2.2 Medium term perspective*

It is desirable to put the recent changes in spending power into context, by comparing with the previous period, because this had been in fact one of very considerable expansion. Box 2.1 presents information on the relative size of local government within the economy as a whole.

### Box 2.1: Local Government Expenditure in the Wider Economy

In this box we present a picture of the share of local government expenditure in the total economy, measured by Gross Domestic Expenditure, over the period 1991-2011. The following 'Chart 1.5f' is taken directly from *Local Government Financial Statistics 2013* and refers to the whole of the UK.

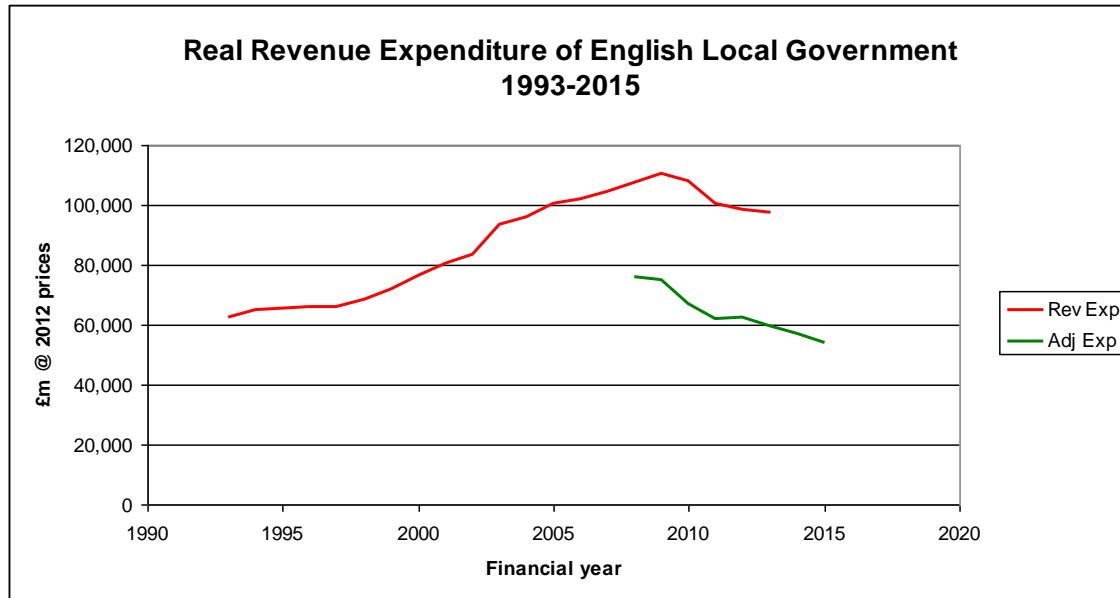


It can be seen from this chart that local government's share in the economy fell from 1991 to 1998, dropping from just over 9% to around 7.5%. It then increased over the next eleven years, peaking at just over 10% in 2009, before falling back to 9.4% in 2011. There was a relatively strong increase between 2001 and 2004, and again from 2007 to 2009; in the latter period this increase was partly driven by the decline in GDP in the recession. It is noteworthy that the share of local government in the economy in 2011 was almost the same as it had been twenty years earlier, at just over 9%. Importantly, reductions expected between 2011 and 2015 will bring its share of the economy down to a level significantly below that in 1991. This is discussed further below.

We next consider medium-term trends in the real terms scale of local government spending in England. Figure 2.1 shows the trend in real revenue expenditure from 1993 to 2013 for the whole of English local government, on a broad definition including education and police. The first period up to 1997 was characterised by low real growth, around 1-2%, below the general growth rate of the economy (as shown in Box 2.1). The second period saw a gradual acceleration, with local expenditure annual growth rising to 6.9% in 2003. There was then a period of more moderate consolidating growth,

averaging 2.5-3% up to 2009. Expenditure then fell by 2.1% in 2010, 6.9% in 2011 (the first main year of the cuts), 2.3% in 2012 and 0.9% in 2013.

Figure 2.1: Real revenue expenditure of English Local Government 1993/4-2014/15



Sources: DCLG (2013) *Local Government Financial Statistics 2013*, Table 3.2e; CIPFA (2013) *Financial and General Statistics 2013/14*. and H M Treasury (2013) *Public Expenditure Statistical Analysis Table 7.2*.

Note: 'Rev Exp' Includes schools, capital charges, parish precepts, police, fire, GLA; 'Adj Exp' excludes schools, police and housing benefits/allowances.

One can say that the period 1998-2005 was one of high growth in local spending by any standard, with growth more than double the normal economic growth rate, while the period of 2006-2009 was one when local spending grew in line with or just above the 'normal' economic growth rate (although actually the economy was declining at this time). Some would argue the former period was one of 'catch up' to make good the underfunding and service inadequacies reflected in the period of the early-mid 1990s. In addition, some of the growth reflects rising needs and demand for services driven by a growing and ageing population while some of it reflects a widening of the responsibilities of local authorities. There is also a general tendency for the costs of labour intensive 'people-processing' services to rise in real terms as income levels rise. One can say that the size of the local spending 'economy' in 2009 was 68% larger in real terms than it had been in 1998. While this does put subsequent cutbacks into some perspective, it should be remembered that this followed a period when the share of local government in the economy was falling, that responsibilities, demands and costs have increased, and that since 2009 the process has gone substantially into reverse.

While the upper line in Figure 2.1 enables a longer retrospective look, the lower line is more useful for looking at the current and immediate future. This takes a narrower definition of expenditure, excluding schools, police and housing benefits, all major items which are no longer subject to local authority control and which are either 'protected' in the spending reviews or demand-led. This line looks forward to 2015 based on current announced plans. This shows a sustained fall which over the period 2008-15 will see a real terms reduction of 29%. Importantly, on this narrower definition local government would see a fall in its share of GDP from 5.1% in 2008/9 to 3.6% in 2014.

### *2.2.3 The picture from 2010*

Combining the Local Finance Settlements of December 2010 and January 2013 (as modified by July 2013 announcements) with data from CIPFA Estimates for 2010/11 (before the election and the imposition of the mid-year cuts), one can now look at the cumulative impact of cuts in spending power over four years. This is the basis for our estimate of the true size of the cut, although it is an approximation because we have to allow for certain definitional and coverage changes over this time period. There is no official estimate of the change in spending power over the whole of this time period, only partial estimates based on special restrictive definitions for particular pairs of years. Annex A discusses the technical definitional issues.

Table 2.1 below reports the build-up in cuts from 2010 through to 2014, broken down by class of authority. The overall reduction over four years for England is shown as 19.4%. Allowing for general inflation would knock another 7.8% off the real value of spending power (based on GDP Deflator), making a real terms cut of 25.7%. This latter figure may slightly exaggerate the level of inflation in local government costs inflation because of the public sector 'pay freeze', although pay levels in the public sector are still creeping up by about 1% p.a. largely through incremental progression, suggesting local government inflation may still be about 1.5%, vs. 1.9% in GDP deflator (suggesting real cut overall of 24.3%).

*Table 2.1: Reductions in Spending Power by Local Authority Class, England 2010-2014 (percent, nominal)*

Class	2010-2011	2010-2012	2010-2013	2010-14
Inner London	-6.2%	-12.9%	-15.0%	-21.7%
Outer London	-10.9%	-15.5%	-17.4%	-22.1%
Met District	-6.7%	-10.9%	-14.6%	-20.0%
Unitary	-7.9%	-11.9%	-15.1%	-19.6%
Shire County	-6.9%	-10.3%	-6.9%	-10.0%
Shire District	-12.3%	-14.6%	-51.0%	-56.4%
England	-7.7%	-11.8%	-14.9%	-19.4%
All Shire	-7.8%	-11.1%	-14.2%	-17.7%

Source: Authors' analysis of CIPFA Financial and General Statistics volumes, DCLG Local Government Financial Statistics and DCLG Grant Settlements.

Note: Spending power in nominal terms of main general purpose authorities, excluding police and fire authorities and schools.

Table 2.1 suggests relatively similar cut levels have applied to the Unitary and Metropolitan councils, with marginally higher cuts in London, and somewhat lower cuts in the shire areas of England. Within the shire areas, funding appears to have been shifted in 2013 to the higher tier county authorities and away from the lower tier districts.

For individual authorities, there is wide variation around the average cut of 19.4%. Within Inner London, Hackney shows the highest cut, followed by Southwark, with Lewisham having the least cut (albeit still over 15%). While this conforms to a pattern whereby some of the most deprived authorities in the country see the largest cuts, in Outer London it is more suburban Bromley and Bexley which top the list (this may be side effect of extremely high level of academisation of schools).

Among the Metropolitan councils, Manchester and Knowsley, two of the most deprived, show the biggest reductions at 26-27%, while the smallest reductions are in Barnsley and North Tyneside (4-8%), authorities which are not in the most deprived group. Among the other English unitary authorities, the largest reductions are in North East Lincolnshire and Rutland, the former being moderately deprived while the latter is relatively affluent. The smallest reductions are in Bracknell Forest and Bristol, the former a relatively affluent growth area near London, the latter a large mixed city. For shire counties, the worst cases of reduction are less extreme, and are found in Cambridgeshire and Lincolnshire, the former being a relatively affluent growth area, the latter a more middling area. The counties with the most favourable trend include the most affluent case of all, Surrey, and more middling East Sussex.

*Table 2.2: Nominal Spending Power Change 2010-14: for high and low examples of local authorities by class*  
(percent and £ per capita change)

Class	LA Name	% change	£ per capita
Inner London	Hackney	-32.1%	-505
	Southwark	-25.7%	-370
	Lewisham	-15.4%	-191
Outer London	Bromley	-34.3%	-340
	Bexley	-30.0%	-302
	Kingston u Thames	-22.6%	-223
	Richmond u Thames	-9.6%	-90
Met District	Knowsley	-25.9%	-400
	Manchester	-26.5%	-344
	Barnsley	-4.5%	-44
	North Tyneside	-8.5%	-89
Unitary Authority	North East Lincolnshire	-35.2%	-440
	Rutland	-31.9%	-368
	Bracknell Forest	-3.6%	-27
	Bristol	-5.2%	-47
Shire County	Cambridgeshire	-21.2%	-163
	Lincolnshire	-23.1%	-207
	East Sussex	2.1%	16
	Surrey	0.3%	2
Shire District	Oxford	-224.9%	-499
	North Hertfordshire	-186.4%	-282
	Sevenoaks	-8.0%	-11
	West Devon	-4.2%	-7

Source: Authors' analysis of DCLG LGFS Settlement and CIPFA Estimates data

Note: Spending power in nominal terms of main general purpose authorities, excluding police and fire authorities and schools.

Finally, for shire districts, there seem to be some rather extreme reductions for a few authorities, including Oxford and North Hertfordshire, a mixed city and an affluent commuter area respectively. Cases where the cuts are small are similar to those in the other classes, illustrated here by Sevenoaks (affluent commuter) and West Devon (mixed rural/retirement).

Overall, there is some impression here that, while there may be some general relationships with type of authority and broad socio-economic or geographical type, there are also special local factors at work, especially for cases at the extremes. The figures

also do appear to be influenced by the extent of ‘academisation’ of schools, even though direct expenditure on schools is excluded.

The three English case studies reported on in more detail in later chapters fall within the Met District and Unitary classes of authority. They can all be fairly described as falling within the upper part of range in terms of size of cut in spending power.

Table 2.3 looks at the average reduction in spending power for all-purpose authorities, broken down in three ways. The first breakdown is in terms of deprivation, measured using the IMD ‘low income score’ with authorities grouped into quintiles. This shows a definite relationship, whereby more affluent authorities saw a smaller percentage cut and a much smaller per capita cut in spending power. The second breakdown is in terms of political control of the council in 2011. This shows relatively little difference in percentage terms, except that Lib Dem councils seemed to have a slightly lower cut, although in per capita terms Labour councils saw larger reductions. The third breakdown is by broad geographical region. Again, in percentage terms the differences between regions are slight, with the South seeing slightly smaller cuts than London. These differences are a bit more pronounced in the per capita figures.

*Table 2.3: Nominal Spending Power Change 2010-14 Estimates by Deprivation, Political Control and Broad Region (all-purpose authorities in England)*

LA Typology	% change	£ per capita
<i>Deprivation</i>		
Most Deprived Qnt 1	-21.4%	-268
Mod Deprived Qnt 2	-20.6%	-222
Intermediate Qnt 3	-21.6%	-220
Mod Affluent Qnt 4	-19.4%	-184
Most Affluent Qnt 5	-15.8%	-146
<i>Political Control</i>		
Conservative	-20.3%	-206
Labour	-20.3%	-237
Lib Dem	-16.0%	-157
Green	-20.0%	-211
NOC	-20.3%	-223
<i>Broad Region</i>		
North	-20.2%	-226
Midlands	-20.0%	-221
South	-19.3%	-193
London	-21.5%	-246
All	-20.3%	-223

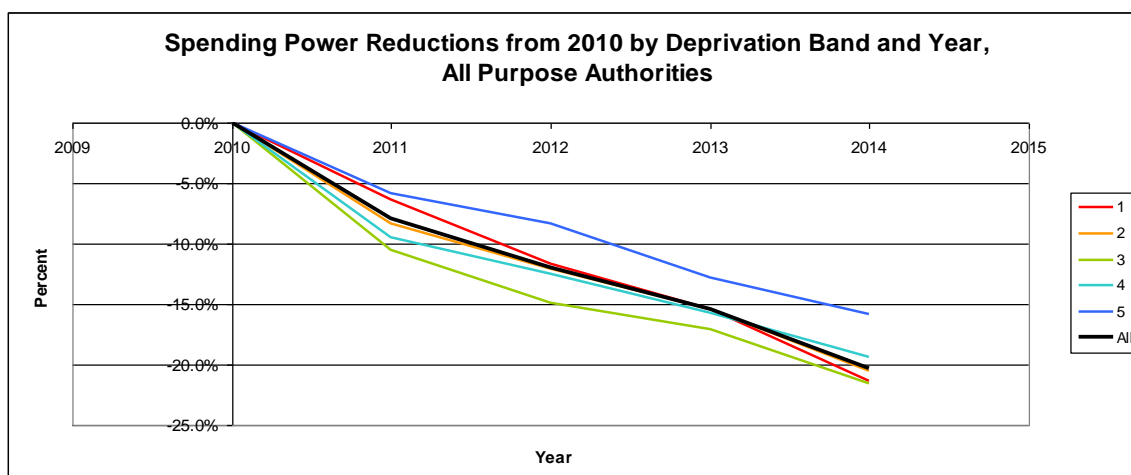
Source: Authors’ analysis of DCLG LGFS Settlement and CIPFA Estimates data + ref to website source for political control.



It might be argued that correlations between these factors might mean that the underlying relationships are confounded, either being exaggerated or concealed in this simple presentation. Two-way cross-tabulations provide a simple check on this. We can say from this that the relationship of size of cut to deprivation applies in all regions except (Outer) London, where the biggest cuts are in the middling and moderately affluent boroughs. In general, these cross-tabulations suggest that there is clearly a relationship with deprivation, but a less obvious relationship with political control or region. We explore this issue further in a later section, which summarises findings from statistical modelling.

Figure 2.2 looks at the build-up of spending power reduction over time, again distinguishing authorities in terms of their deprivation-affluence level. This suggests that the pace of cut was greatest in the first year (2011), moderated in the two following years, and then sharpened again in the final year (2014). It also shows that the most affluent authorities (blue) consistently experienced a smaller cut in spending power, while the more deprived authorities saw a greater relative cut emerging as time went on. This chart is based on percentage change – in per capita terms the difference between the cuts for deprived and affluent authorities was much greater, amounting to £122 per head.

Figure 2.2: Spending power reductions from 2010/11 by Deprivation Band and Year (all purpose authorities)



Sources: Authors' analysis of CIPFA Financial and General Statistics volumes, DCLG Local Government Financial Statistics and DCLG Grant Settlements.

In addition to the regional dimension, some commentaries have suggested that the cuts have been borne disproportionately by certain types of area, for example urban areas generally, industrial towns or seaside towns; while others have expressed concern about the position of rural areas. We can shed some light on this by tabulating the average cuts (percent and per capita) for all purpose authorities using the standard ONS area typology, using the local authority area group-level version of this, as shown in the top

part of Table 2.4. The lower part of Table 2.4 breaks these authorities down according to their sparsity measured by the ratio of hectares to persons.

The greatest percentage cuts in spending power appear to be in the 'new and growing towns' and 'thriving London periphery' categories. This would appear to be a somewhat perverse finding from the viewpoint of the Government's growth agenda, as these would be expected to be areas to be encouraged to build more housing through additional resources. In terms of per capita cuts, 'London cosmopolitan' and 'industrial hinterlands' saw even larger cutbacks, however. The smallest cuts in percentage or per capita terms, by a considerable margin, were seen in 'Prospering Southern England', generally the most affluent grouping in this typology. This would seem to be some grounds for criticism in terms of simple equity.

*Table 2.4: Nominal Spending Power Change 2010-14 Estimates by Local Authority Typology and Sparsity (all-purpose authorities in England)*

<i>LA Typologies ONS LA Group Name</i>	<i>% change</i>	<i>£ per capita</i>
Centres with Industry	-21.1%	-241
Coastal and Countryside.	-18.8%	-224
Industrial Hinterlands	-21.3%	-255
London Centre	-20.5%	-271
London Cosmopolitan	-22.1%	-294
London Suburbs	-20.3%	-204
Manufacturing Towns	-21.2%	-222
New and Growing Towns	-24.9%	-250
Prospering Smaller Towns	-17.2%	-160
Prospering Southern England	-11.6%	-98
Regional Centres	-19.1%	-212
Thriving London Periphery	-24.2%	-248
<i>Sparsity</i>		
Not sparse (<0.5 ha/ person)	-20.6%	-230
Mod sparse (0.5-1.0 ha/pers)	-19.0%	-191
More sparse (>1.0 ha/pers)	-19.6%	-205
England	-20.3%	-223

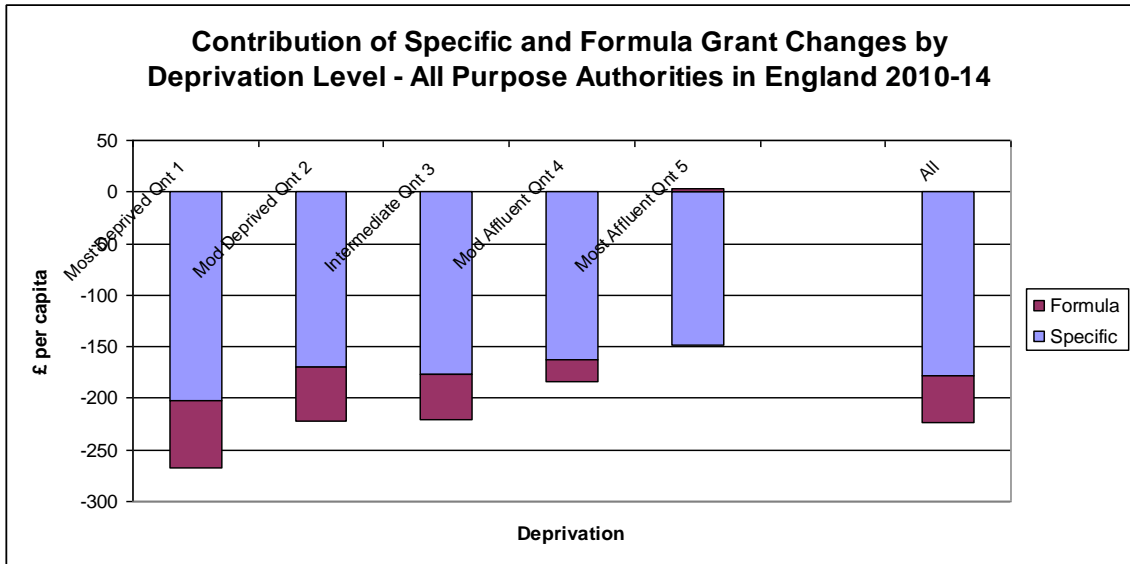
There was little difference between rural (sparse) areas and more urban areas as a whole, in terms of the percentage cut in spending power. In per capita terms the cut was a little larger in the urban areas, however.

### 2.2.4 Accounting for changes

From the analysis carried out in the previous report (Hastings et al, 2012), it was clear that a major part of the explanation of the differences between authorities stemmed from the rapid rundown of Area Based Grant. Other factors include the fact that new elements of grant for social care and public health were relatively uniformly distributed while the way that the Council Tax freeze grant was implemented slightly favoured more affluent areas. In the 2010 Settlement, two features were particularly adverse for more deprived areas in the first two years – changing the balance between the ‘needs’ and ‘resources’ elements of grant and damping based on percentage of grant. In the 2013 Settlement, these features were reversed while the formulae for grant distribution were frozen to provide stability. These decisions somewhat attenuated the adverse impact on deprived areas.

From the analysis we have now carried out of changes over the period 2010 to 2014, it is possible to distinguish the impact of two main elements: changes in the Specific Grants; and changes in the Formula Grant. In practice, these cannot be fully separated, because a great many specific grants were ‘rolled into’ Formula Grant in 2011 and again in 2013. This makes it appear that most of the reduction in spending power was due to reduction in specific grants which is somewhat misleading. Nonetheless, as Figure 2.3 illustrates, we can see that both types of grant contributed to the differentially greater reduction in more deprived authorities compared with more affluent authorities.

Figure 2.3: Contribution of Specific and Formula Grant changes by deprivation level – all purpose authorities in England 2010/11 – 14/15



A slightly more detailed breakdown is possible for the period 2010-13, which is undertaken in Table 2.5 for the selected authorities from Table 2.2 which displayed relatively extreme changes within each class. This shows the contribution of the different elements within Formula Grant separately. In this presentation, specific grants 'rolled into' Formula Grant are shown under the Specific Grant heading.

This analysis broadly confirms that most of the differential change was driven by cuts in specific grants. Most elements of Formula Grant do not change much differentially between the pairs of cases. However, there were some significant differentials in the Relative Needs Amount, particularly in Inner London and the Metropolitan Districts.

*Table 2.5: Breakdown of Grant Changes for Selected Authorities 2010-13 (£ per capita)*

	Relative Needs Amount RNA	Relative Resource Amount RRA	Central Allocation CA	Floor Damping FD	Central Education Services LACSEG	Formula Grant FG	All Specific Grants ALLSG
Hackney	-111	10	-26	-35	-17	-179	-250
Lewisham	-59	10	-36	-22	-19	-126	-50
Bromley	-2	9	-50	-22	-21	-87	-284
Richmond	8	11	-54	-5	-16	-56	-92
Knowsley	-79	-23	-64	34	-19	-151	-250
North Tyneside	-19	-5	-53	-2	-20	-99	-6
N E Lincs	-13	-27	-59	14	-20	-105	-341
Bracknell Forest	-11	-9	-52	7	-20	-85	-23
Lincolnshire	13	-14	-32	2	-20	-52	-214
Surrey	-1	10	-26	-7	-18	-41	-70

From a detailed examination of changes in specific grants between 2010/11 and 2011/12, we can identify those specific grants which appeared to be cut significantly at this time (although in some cases these were grouped together with other items). These included:

- Non-frontline schools education services (-£525m)
- Early Intervention Grant (-£518m)
- Care Matters Grant (-£55m)
- Free Personal Care Grant (-£210m)
- Police-related (BCUs, Crime Fighting, Rule 2) (-£500m)
- Housing Planning Delivery Grant (replaced by New Homes Bonus) (-£200m)

- Housing Market Renewal (-£49m)
- Green & Local Transport (net) (£-189m)
- Community Safety (net) (-£20m)
- Prevent & Cohesion (-£41m)
- LEGI, Economic Assessment (-£85m)
- Supporting People admin (-£30m)
- Free swimming (-£40m)
- Working Neighbourhoods Fund (-£508m)

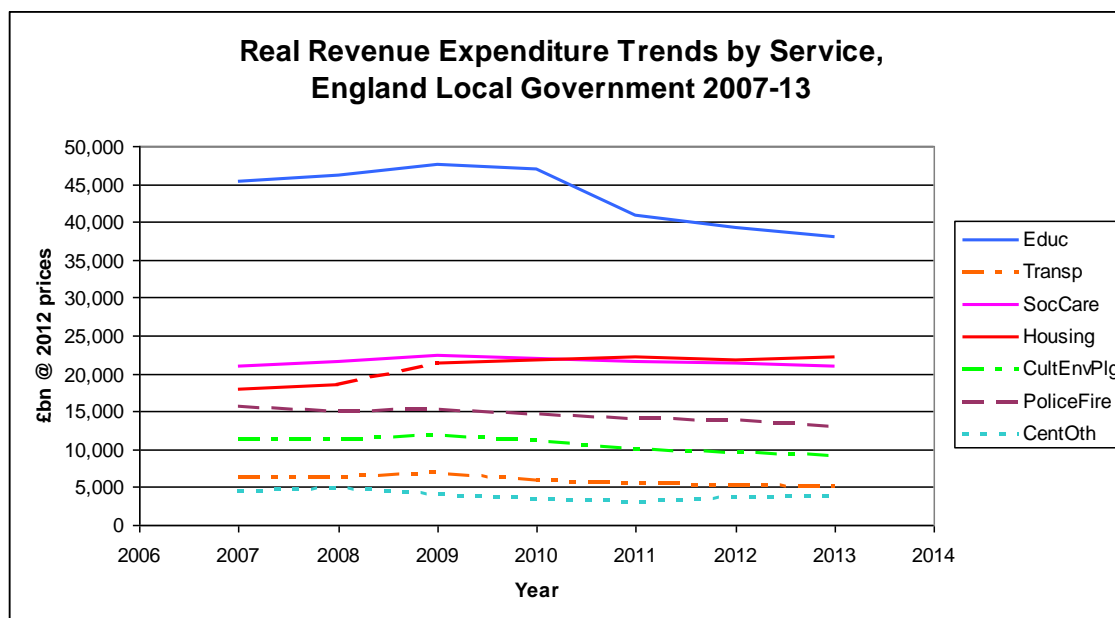
## 2.3 LOCAL BUDGET CHANGES IN ENGLAND

### 2.3.1 Trends in Service Spending

In this section, we turn our attention to actual spending changes by service based on a combination of outturn and budget estimates data. We focus particularly on the changes in spending in the period since 2007 by broad service groups, looking at how the trends changed between the run-up period 2007-09, when the economic and financial crisis was beginning to cast its shadow, and the period of 'austerity' policies introduced from 2010.

Figure 2.4 tracks spending in real terms on the main service groups. Education spending was growing moderately up to 2009, and then fell fairly sharply in 2010-11. This happened despite the ostensible 'protection' of school budgets, because non school educational support budgets were not protected and because of acceleration in the 'academisation' process which takes more schools out of the local government sector.

Figure 2.4: Real revenue expenditure trends by service, England local government 2007-13



Source: DCLG (2013) *Local Government Financial Statistics 2013*, Table 3.2a and CIPFA *Financial and General Statistics Budget Estimates 2013/14*.

Note 'Housing' in this figure includes Housing Benefit and Local Housing Allowance expenditures. Education includes schools as is therefore affected by the 'academisation' programme.

Social care expenditure was growing moderately and has fallen back only slightly since 2009. This reflects demographic pressures from an ageing population, and some policy and financial support for the transfer of some activity from NHS to LG. Housing expenditure was growing more rapidly, probably because in this analysis it includes expenditure on Housing Benefits and Allowances which was growing in this period as Government policy drove up local authority rents and encouraged a greater reliance on the private rented sector. Police and fire services were static in the first period but have fallen since 2009. Cultural, environmental and planning spending was growing before 2009 but has fallen sharply since then, with a similar pattern applying to transport. Central and other services have tended to fall through most of the period, probably reflecting attempts to secure efficiency savings in back office functions which started earlier, although in 2012 this category of spending turned up again.

Table 2.6 provides a tabular presentation of the same information. It confirms the sharpness of the reductions in local authority spending on education, transport and culture/environment/planning. It also shows the magnitude of the previous growth in housing spending and the fact that police/fire and central services were reducing even before 2009.

*Table 2.6: Real Change 2007-09 and 2009-12 by Service – English Local Government Revenue Expenditure*

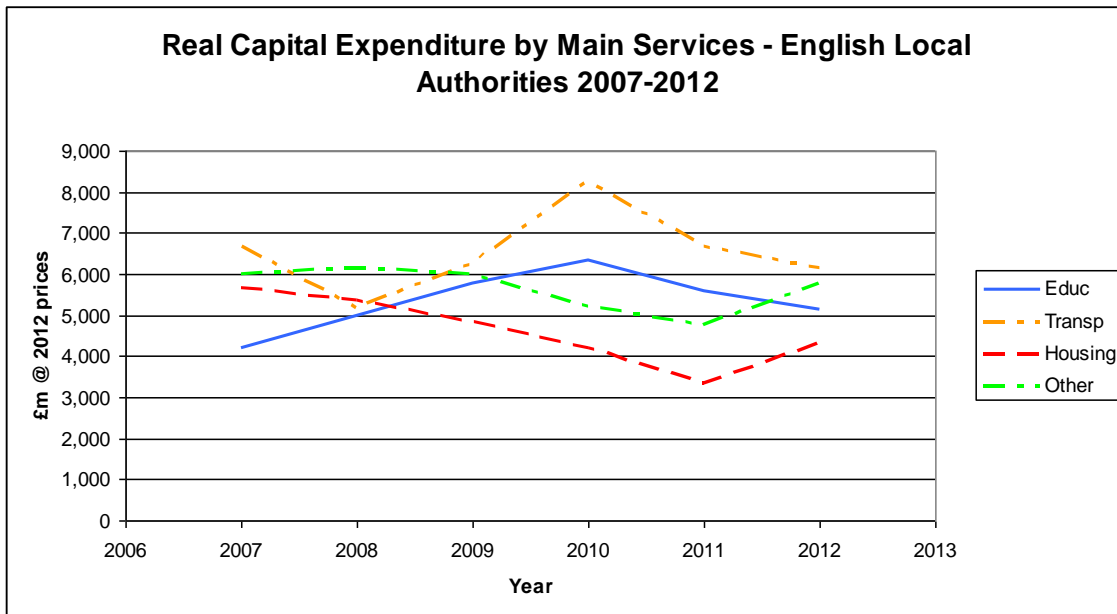
Service	Change 2007-09	Change 2009-13
Educ	5.0%	-17.5%
Transp	10.1%	-24.7%
SocCare	6.9%	-5.3%
Housing	19.8%	1.5%
CultEnvPlg	3.6%	-20.3%
PoliceFire	-3.4%	-9.1%
CentOth	-9.6%	-11.6%
All LG	6.0%	-13.5%

Sources: Source: DCLG (2013) *Local Government Financial Statistics 2013*, Table 3.2a and CIPFA *Financial and General Statistics Budget Estimates 2013/14*.

Note 'Housing' in this table includes Housing Benefit and Local Housing Allowance expenditures. Table also excludes Public Health expenditure transferred to LG from 2013. Education includes schools as is therefore affected by the 'academisation' programme.

The main emphasis in our analysis is on revenue expenditure but it is worth briefly reporting on trends in capital expenditure. Figure 2.5 shows trends in real capital spending by English local authorities over the period 2007-2012.

*Figure 2.5: Real capital expenditure by main services – English local authorities, 2007-12*



Source: DCLG (2013) *Local Government Financial Statistics 2013*, Table 4.2c

Although the 2010 comprehensive spending review foreshadowed considerable cuts in capital budgets, the impacts of this are not yet fully apparent in Figure 2.5. This may be because of the time lags involved in implementing such reductions and the pipeline of existing committed projects. Education investment continued to rise quite strongly up to 2010, before falling back. Transport showed an even steeper rise from 2008 to 2010 before falling back. Housing and other investments were on a downward track which was accentuated after 2009, but both showed some recovery in 2012. We would expect further falls in these levels of investment in the next period.

### *2.3.2 Budgeted Spend by Type of Area and Service*

Returning to current expenditure on services, we examine the change in expenditure trends before and after 2010, using the same classifications for political control and deprivation level used in Table 2.3. In this table (Table 2.7), expenditure changes are in real terms, adjusting for general inflation using the GDP Deflator. We look at expenditure changes overall and also excluding education, because structural changes associated with the Academies programme make comparisons involving education potentially misleading.

In the first period, expenditure was growing slowly in real terms, by 5.2% over the three years (3.4% excluding education). Expenditure then fell by -14.7% (-11.2% excluding education) in the following three years. In the first period, expenditure growth was similar in Conservative and Labour councils, although rather higher in Conservative administrations and Green councils. After 2010, expenditure appears to fall more sharply in Labour councils than in Conservative and other administered councils but, when looking at expenditure excluding education, it is clear that the cuts are greater in Labour and NOC ('no overall control') councils, and least in Conservative councils.



Table 2.7: Real terms changes in total current service expenditure by all-purpose authorities in England, 2007-2010 and 2010-2013

Real terms change	Total Service	Expenditure	Tot Serv Expend	excl Educ
<i>Political Control 2011</i>	% change	% change	% change	% change
	2007-2010	2010-2013	2007-2010	2010-2013
Con	6.3	-16.7	3.3	-7.8
LD	5.5	-16.0	3.5	-9.0
Green	9.8	-12.9	1.4	-10.6
Lab	4.4	-12.6	3.2	-13.2
NOC	4.8	-18.5	5.4	-12.7
Grand Total	5.2	-14.7	3.4	-11.2

IMD Band (quintiles)	Total Service	Expenditure	Tot Serv Expend	excl Educ
1. Most Deprived	3.9	-14.0	2.9	-14.1
2.	5.0	-14.2	1.3	-10.7
3.	6.7	-16.0	6.0	-9.1
4.	8.0	-19.8	4.1	-5.8
5. Least Deprived	7.7	-12.7	7.9	-1.7
All	5.2	-14.7	3.4	-11.2

Sources: Authors' analysis of DCLG RS returns and CIPFA Financial and General Statistics Budget Estimates. 'NOC' – no overall control.

Even before 2010, expenditure was growing more slowly in the most deprived local authorities than in the more affluent areas. One factor here may have been differences in population growth. After 2010, total expenditure fell slightly more in the most deprived than in the least deprived areas, with the greatest fall in the moderately affluent areas. However, when looking at expenditure excluding education, we find a much sharper difference, with expenditure in the most deprived areas falling by 14% whilst in the least deprived the fall was less than 2%. This difference is consistent with the pattern already described in relation to spending power, but with a perhaps even more marked difference. The differences are particularly marked in terms of per capita expenditure (excluding education), which fell by £78 in cash terms in the most deprived authorities while rising by £25 in the least deprived.

How far is this pattern of differential expenditure reductions affecting more versus less deprived local authorities replicated across different services, or is it mainly driven by particular services? We approach this question by providing more detail of the nominal budgeted expenditure changes between 2010 and 2013 for eight service categories and three groups of local authorities, in Tables 2.8 and 2.9 below. In this case we use £ per capita as the common currency, because this gives a better feel for the actual scale of the changes and because it overcomes problems with percentages in some cases

where net expenditure level can be negative or very small (for example district councils can have negative net transport expenditure because of large parking revenues).

Table 2.8 shows that, for all-purpose authorities, the pattern of larger cuts in the more deprived authorities applies across most services except two, education and transport. With education, the cuts are generally large but largest in the moderately affluent areas, probably because these areas have more schools shifting to academy status. In transport, the level of cuts is slightly greater in the least deprived areas. The overall difference in spending change between most and least deprived authorities is £67 per capita, rising to £104 for all services excluding education. This is largely accounted for by social care (£63) and planning and development (£26), with some contribution from housing, environment and culture (around £10-14 each). Interestingly, social care expenditure is rising significantly ((by £17-50) in the less deprived and middling authorities, and only falling in the most deprived group.

The lower part of Table 2.8 shows a similar analysis for English counties. These only provide four of the services, and none of them are in the most deprived band. In the counties, as well, education has fallen most in the moderately affluent areas. The more deprived counties have increased social care expenditure less (by £45). The differences for transport and culture are small.

Table 2.9 looks at shire districts in England, which have spending on six of the service categories. In all of these services the changes are more negative in the most deprived authorities than in the least deprived. The overall difference (£54) is particularly driven by planning and development (£19) and transport (£11).

The overall conclusion is that there is a systematic adverse change in expenditure for more deprived authorities, which applies across most services. The main deviation from this is education, but this is likely to reflect the academisation process impacting differentially. Although social care expenditure is tending to still rise in more affluent and middling areas, deprived areas are not sharing in this.

Table 2.8: Change in Expenditure per Capita 2010-13 by Service and Deprivation Level: English All Purpose and County Authorities

<b>£ per capita</b> <i>All Purpose</i> <i>LAs</i>	Social		Environ		Planning		All		All	
	Education	Transport	Care	Housing	Culture	Regulation	& Devel	Central	Servs	educ
Most depr 1	-74.5	0.1	-11.8	-22.4	-16.3	-11.9	-29.9	0.1	-152.7	-78.2
2	-102.0	-3.4	-0.2	-6.8	-12.1	-7.6	-11.5	-3.1	-142.0	-40.0
3	-133.4	-2.0	17.2	-18.6	-9.2	-4.4	-2.9	-1.4	-161.2	-27.7
4	-216.5	-5.9	24.1	-4.7	-7.0	-6.4	-3.3	-0.8	-216.9	-0.4
Least depr 5	-125.3	-8.3	51.4	-8.7	-6.8	2.0	-4.3	-1.7	-100.0	25.3
Total	-103.9	-2.0	1.8	-15.8	-12.9	-8.5	-17.7	-1.1	-153.2	-49.3
<i>Shire Counties</i>										
More depr 2	-135.9	3.2	1.6		-4.7				-99.9	36.1
3	-171.1	2.9	21.5		-4.3				-157.3	13.8
4	-202.4	2.5	10.0		-4.4				-194.3	8.1
Least depr 5	-149.5	7.2	47.1		-3.6				-103.6	45.8
Total	-175.0	3.7	21.0		-4.2				-155.1	19.9
1st-5th UA, pc	50.9	8.4	-63.1	-13.7	-9.5	-13.9	-25.6	1.7	-52.7	-103.5
2nd-5th SC, pc	13.5	-4.0	-45.5		-1.1				3.8	-9.8

Table 2.9: Change in Expenditure per Capita 2010-13 by Service and Deprivation Level: English Shire District Authorities

	Transport	Housing	Culture	Environ Regulation	Planning & Devel	Central	All Servs	% Change Tot Servs
<b>£ per capita</b>								
<i>District</i>								
<i>Councils</i>								
Most Depr 1	-19.5	-6.1	-5.8	-10.9	-20.5	-6.5	-71.3	-30.0
2	-17.1	-5.0	-6.9	-7.2	-4.2	-2.6	-43.2	-22.9
3	-15.2	-4.2	-5.1	-4.5	-3.0	-2.6	-34.5	-20.0
4	-11.0	-3.1	-5.0	-5.9	-3.1	-0.7	-28.4	-17.7
Least Depr 5	-8.8	-1.6	-2.8	-5.4	-1.9	1.8	-17.3	-10.9
Total	-12.7	-3.4	-4.7	-6.0	-4.0	-1.0	-31.4	-17.8
1st-5th UA, pc	-10.7	-4.5	-3.0	-5.5	-18.7	-8.3	-54.0	-19.0

### 2.3.3 Regional Patterns

Although the emphasis so far has been primarily on deprivation levels, given the focus of the study, it is also of interest to consider whether there are systematic differences by region. Some of the response in the local government world to the cuts has been to suggest that there is a systematic regional bias to the cuts. We therefore present some analyses using a broad four-way regional division of England, distinguishing the North, the Midlands, the South and London (Scotland is considered separately later in this chapter).

Figure 2.6 looks at changes in expenditure per capita 2010-13 by service and broad region, taking all services other than education (see below). It appears that for most services except transport the change is more negative for the North and for the Midlands than for the South. For housing, culture and central services the change is even more negative in the Midlands than in the North. London generally sees more negative change than the south, but less negative than the North and Midlands, except in the cases of social care where London sees the most negative change, and central services where London sees an increase. The increase in social care spending in the South is particularly striking.

Figure 2.6: Budget changes per capita by service and broad region, English all-Purpose authorities 2010-13

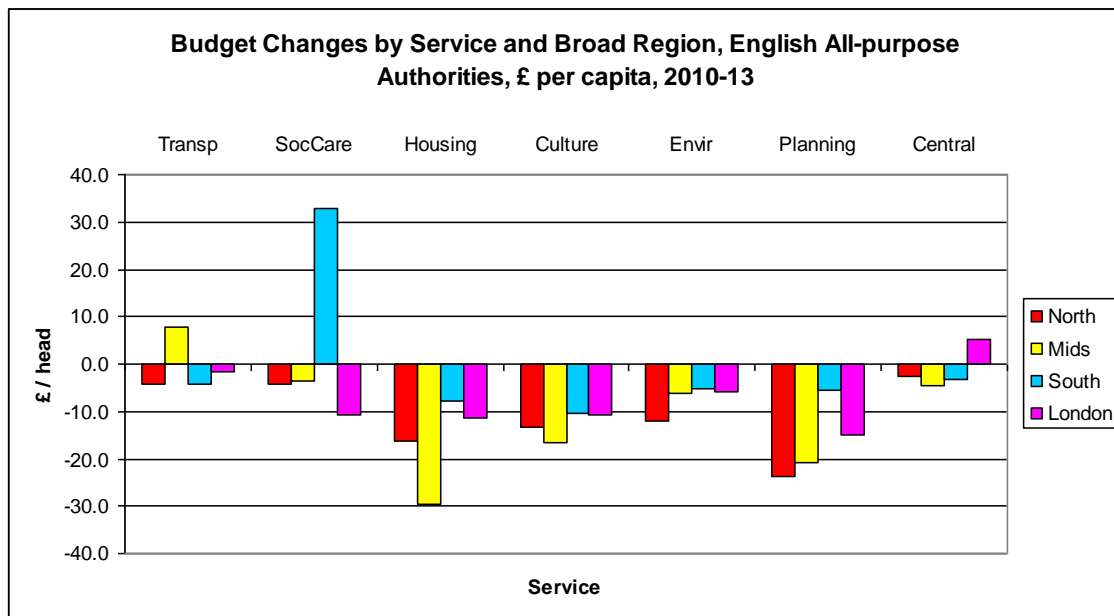
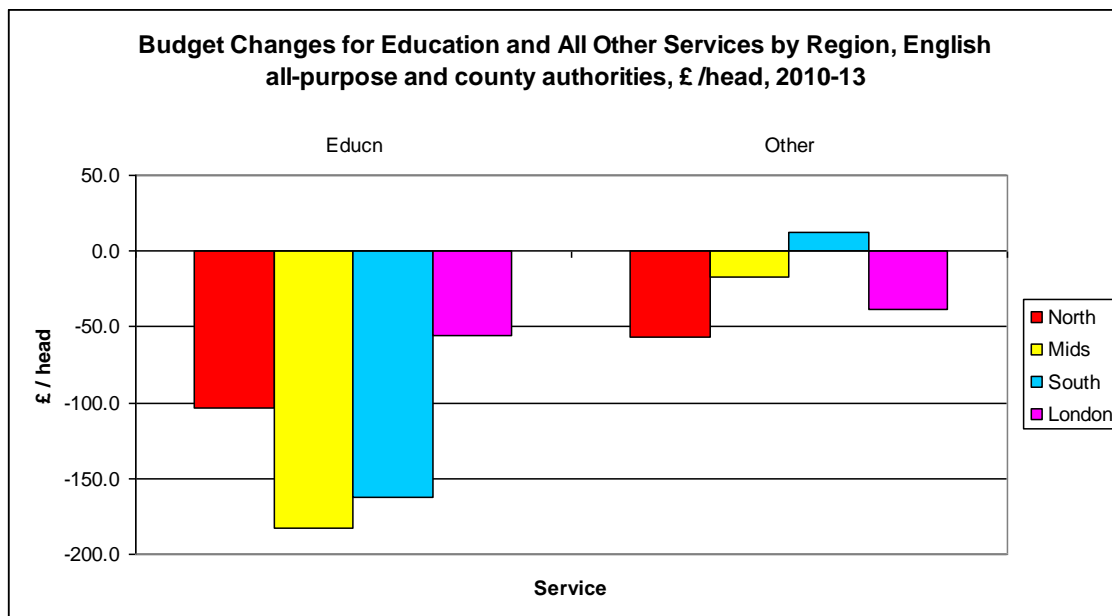


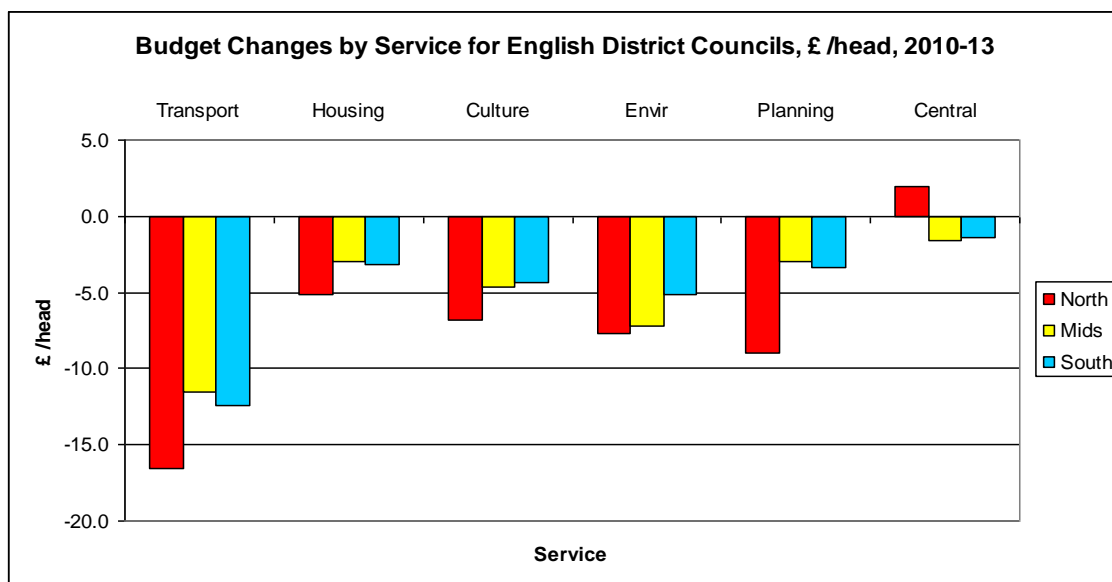
Figure 2.7: Budget changes per capita for education and all other services by region, English all-purpose authorities 2010-13 (£/head)



Because education is larger than all other services, and because it is changing rather differently due to the impact of academisation, we show this separately in Figure 2.7, alongside the sum of changes in spending per capita on all other services. This shows greater falls in education in the Midlands and the South, with least in London. For all other services, it confirms that the main reductions are in the North, London and the Midlands (in that order), with a small net increase in the South. The apparent lack of cuts in the South results from the fact that social care is actually rising significantly in that part of England, while the scale of cuts in other services (particularly planning) is quite small. The overall North-South difference for non-education services is £69 per head.

English shire districts are analysed separately, for those services which they provide, as shown in Figure 2.8. This shows a similar pattern across the three broad regions containing districts. In all cases except central services the reductions are greatest in the North, with lesser reductions in the South and also in the Midlands. The North-South difference is greatest for planning. Overall for this group spending is down by £44 per capita (22%) in the North but only £29 (16%) in the South.

Figure 2.8: Budget changes per capita by service for English district councils 2010-13



The overall conclusion from these regional analyses is that, apart from the special case of education, the spending changes are systematically more negative in the North, and to varying degrees in the Midlands, than in the South.

#### 2.3.4 Use of Balances

One of the main reasons why budgeted spending changes may differ from spending power changes is that authorities may choose to increase or reduce the amount which they hold as 'reserves' or 'balances'. Reserves or balances may also change in practice because actual spending (or revenue) turns out different from what was expected at the budget time. Authorities typically underspend on most services, so they may typically see an increase in balances relative to what was anticipated at budget time. Local authorities are not allowed to literally run a deficit, and there are reasons of prudence to maintain some positive level of reserves as margin to cope with unexpected contingencies. The authority's chief financial officer has the power to recommend changing a budget in order to comply with this, so potentially overriding local politician's decisions.

One may debate what is a prudent level of reserves. 'All-purpose' and county authorities are large organisations with a range of functions, some of which are pretty predictable in terms of both outgoings and incomes, and others of which may be subject to some volatility. District authorities are smaller and have less of the large, predictable, labour-intensive services. Capital schemes and financing and revenue generation are relatively more important, which makes district's net revenue budgets more volatile.

It is interesting to note from Table 2.10 below that for all of the major spending types of authority, apart from inner London boroughs, the level of reserves was around 20% of net revenue expenditure. That might be a reasonable estimate of the consensus view of

an appropriate level of reserves in normal circumstances. The figures were higher for Inner London, which includes some rather extreme central boroughs, and for districts, which as noted face more volatility relative to their net budget – the average for these groups being around 37%. Looking across the range of values within each class in 2010, the minimum level of reserves for the major spending authorities tended to be around 8% to 11%.

The level of spending cuts imposed since 2010 suggest that such reserves might be on the low side. Official estimates of spending power cuts in 2011/12 ranged up to 8.8%, so if an authority had other cost pressures to deal with in its 'budget gap', and needed several years to implement changes to meet that gap, then it could be struggling with reserves as low as 8%. This suggests that the period of major spending cuts may have prompted authorities to increase their planned level of reserves, particularly given the prospects of 'worse to come' heralded by the 2013 CSR and Consultations on future settlements.

Table 2.10 suggests that all classes of authority have increased their planned reserves, by 2013, so that the typical values are now 25-30% of net revenue spending, with much higher figures for district councils (65%) and noticeably higher for inner London (45%). Some of the accumulation of reserves may have occurred in an unplanned way, for example through underspending exceeding expectations as staff leave or projects are cancelled. However, having managed to gain reserves by windfall, prudent authorities in the current climate would probably hang on to them because of the expected very adverse position in 2015 onwards.

Local authorities have been criticised by ministers for building up reserves, and indeed the figures in Table 2.10 are impressive. The increase amounts to 11.6% of net revenue spending, worth £5.2 bn, and authorities could be said to be 'sitting on' a total of £17.3 bn. However, to counter that, it could be argued that previous levels of reserves were on the low side in some authorities, and that some of this increase might be justified by prudence. Even if some 'excess' reserves were released these would only equate to about one year's worth of cuts, and they would only be available for one year, not on a recurring basis. In other words, reserves could be used to smooth the cuts over a period of a couple of years, but they do not fundamentally alter the need for local authorities to adjust the scale and cost of their service activities in the medium term.



Table 2.10: Financial Reserves of English Local Authorities 2010-13

LA Class	Reserves	Reserves	% pt incr	Amount	Increase
	% of NRE	% of NRE		£m	£m
	2010	2013	2010-13	£m 2013	£m 2010-13
Inner London	37.4	45.3	8.0	1,471.2	258.2
Outer London	21.1	30.5	9.3	1,264.4	388.2
Metrop District	18.9	25.7	6.8	2,683.7	708.7
English Unitary	20.2	26.0	5.8	2,595.5	581.3
English County	20.6	27.9	7.3	3,915.8	1,026.9
English District	36.8	65.8	78.9	1,776.8	2,130.4
England	27.1	38.7	11.6	17,258.0	5,171.7

### 2.3.5 Modelling budget changes in England

Annex B describes in more detail an exercise undertaken for this research in modelling budget changes statistically for the English local authorities. The general motivation for this exercise is to identify systematic patterns in terms of associations of budget change with a range of characteristics of local areas. The major part of the analysis in this chapter has described patterns of change in relation to a few key characteristics and classifications of local authorities, particularly deprivation, political control and region. By also employing a modelling approach we can test a wider variety of factors to see which associations still appear to be significant when allowance is made for other factors capable of being included in the model.

The hypotheses underlying the attempt at modelling budget changes over the three years 2010-13 for major spending English local authorities are explained in Annex B. These both influenced our choice of variables for testing and the expected direction of effects. Overall, the attempt has been moderately successful. Reasonably fitting models can be established for most service groups and for expenditure overall. Some of the anticipated structural influences, particularly previous spending level, spending power reduction, and the share and increase in academies, have the expected effects. A wide range of other socio-demographic and geographic factors have been tested, some expressed in both level and change form.

From the viewpoint of this study's main focus, on serving deprived communities in a time of austerity, it is encouraging to find that in models for five of the seven service groups, and for all services together, there is clearly a positive relationship of budget change with deprivation (level and/or change); the only two exceptions are cultural services and environmental regulation. So local government in England, as a whole system, is tending to reduce spending less, or increase it, in areas which are more deprived, or becoming more deprived. This reflects discretionary decisions at the margin, after controlling for

other influences, including the previous spending level and the top-down imposed reductions in spending power. In a sense, local authorities are trying to resist the patterns in the spending power cuts, which we showed in Chapter 2 to be generally more adverse for more deprived areas.

We attempted to include variables, for example demographic variables, or components of IMD, to reflect needs which might be particularly relevant to particular services. This was more successful in some instances (e.g. housing) than others (e.g. social care). There was relatively less support for the notion that social care spending, or total spending, was strongly driven by demographic numbers and changes. This also has some potential implications for the 'growth and planning' agenda, given the government's attempt to increase the incentives/rewards to local authorities relating to both housing and business growth.

Finally, there is little evidence here to support the notion that political control of council makes a difference to overall budget changes, with Lib Dem control coming nearest to having an effect (-ve, p.0.163). Political control may affect the service mix in some cases (e.g. transport, culture, planning), but even these effects have been shown to be weak. That is consistent with most independent views on the local government system, which recognise the degree of entrenched centralism in overall spending decisions.

## 2.4 THE SCOTTISH PICTURE

### 2.4.1 Overall expenditure trends in Scotland

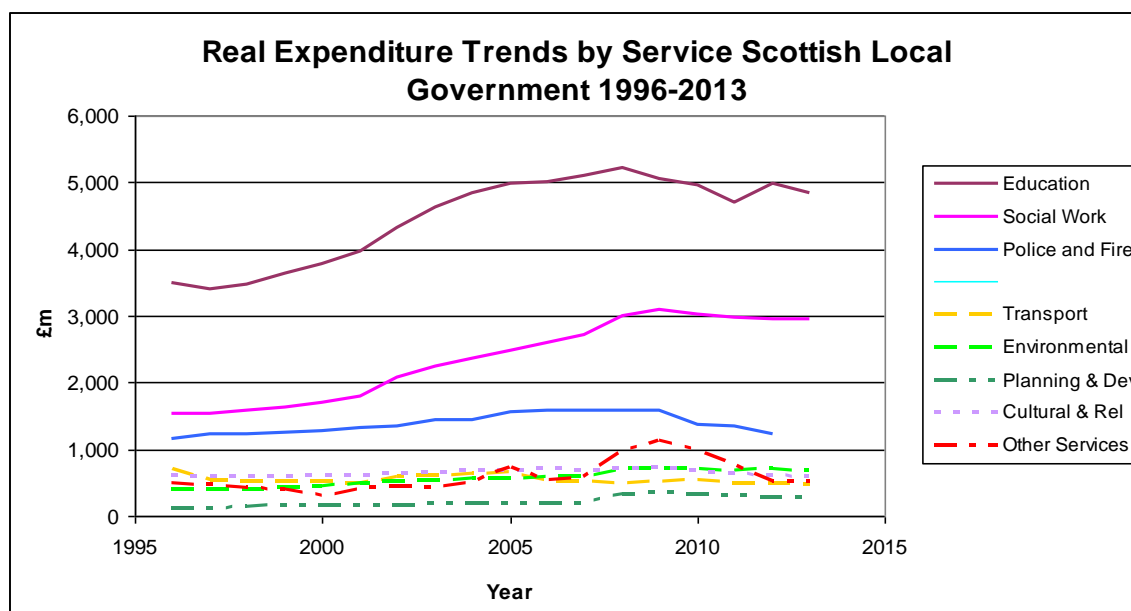
For longer term trends in Scottish local government spending, we can review reasonably consistent data for the period from 1996 (immediately following local government reorganisation) to 2013, or 2012 if we are including police and fire services which were centralised into single national organisations from 2013. Figure 2.9 shows the trends by service, while Figure 2.10 provides a more detailed picture for what are termed the 'medium sized' services. The broad shape of the spending trajectory for Scotland is not dissimilar to that for England shown in Figure 2.1. However Scottish spending rose slightly more slowly before 2001 (albeit from a higher base level), then had similar high growth to that in England (5-7% between 2001 and 2005), similar growth 2005-2007, slightly higher growth in 2008-10 (notwithstanding the 'Concordat'), and somewhat less reduction from 2010-13. Between 1997 and 2009, spending in Scotland rose by 47% (adjusting for service transfers) compared with 68% for England.

Figure 2.9 shows that social work services grew more strongly than education, more or less doubling between 1996 and 2009, whereas growth was more modest for education (45%) and police/fire (38%). For these major services, there has been some reduction since 2008 or 2009, with a somewhat unsteady trend for education, a rather slight reduction for social work, but an earlier and more pronounced fall for police and fire. 'Other' services include non-HRA housing and central services less trading surpluses.

These grew more strongly after 2003, fell back a little to 2007, then grew very strongly to 2009 and before falling back sharply to 2012. The increase in 2008 was mainly due to a definitional change, when a set of specific grants (previously netted off) were moved into the general funding pot. Other factors behind this growth may include the Scottish Government’s commitments to broaden rights and provision for homeless people. The subsequent reduction appears to be particularly in central services, indicative of strategies to make savings in ‘back office’ functions.

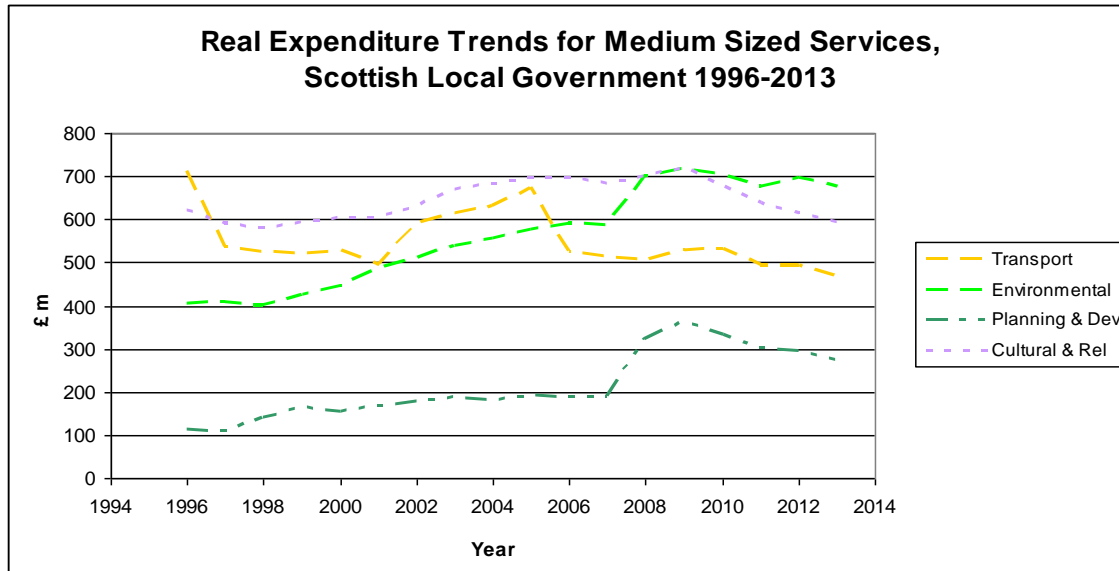
Figure 2.10 shows a rather confusing picture for the medium sized services. Transport has generally shown a downward trend since 1996, although with some spiking up in 2003-05, notwithstanding much rhetoric about infrastructure spending. Cultural services generally showed growth up to the mid 2000s but have suffered a significant cutback since 2010, as in England. Environmental services showed stronger growth and have almost maintained their level since 2009. Planning showed steady growth up to 2007, then displayed a spectacular spike in spending, almost doubling again in two years before falling back. This increase reflected the definitional change when specific grants were rolled into general funding, with the subsequent decline reflecting a rundown of regeneration spending.

Figure 2.9: Real Expenditure Trends by Service, Scottish Local Government 1996-2013



Source: *Scottish Local Government Financial Statistics*, 2003, 2007, 2013. Scottish Government *Provisional Outturn and Budget Estimates* for 2012 and 2013.

Figure 2.10 Real Expenditure Trends for Medium Sized Services, Scottish Local Government 1996-2013



Source: as for Figure 2.9

Table 2.10 focuses on the more recent transition from moderate consolidating growth to cutback after 2009, up to 2012 and 2013 (estimates, excluding police and fire). This table bears some comparison with Table 2.6 above for England. While spending in total was still rising moderately, by 3% up to 2009 (adjusting for transfers), this was accounted for mainly by social work (13%) , environmental, planning and other (including housing) spending –education spending was falling in real terms, police and fire grew only 1% and transport only by 3%. Up to 2012, the level of cutback in police and fire is striking, as is that in planning and culture and (particularly by 2013) transport. For social work it is a clear interruption of previous growth trends. For education it looks more like continuity.

Table 2.10: Real Expenditure Changes by Service, Scottish Local Authorities, 2007-13.

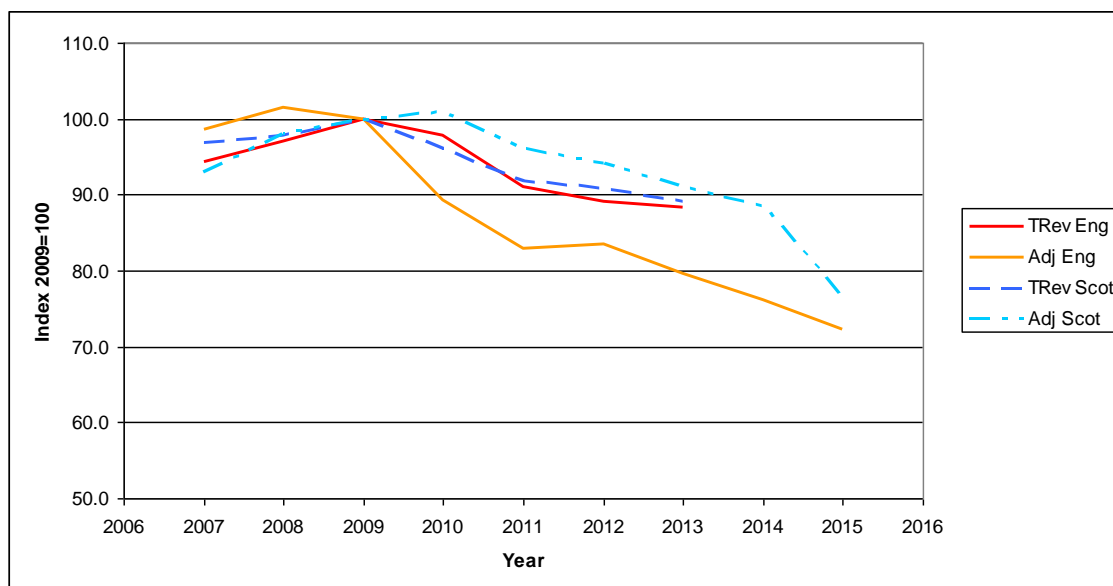
Scotland				England
Service	2007-2009	2009-2012	2009-2013	2009-13
Education	-0.9%	-1.3%	-4.1%	-17.5%
Social Work	13.1%	-4.2%	-4.0%	-5.3%
Police and Fire	1.0%	-22.2%		-9.1%
Transport	2.9%	-6.9%	-12.1%	-24.7%
Environmental	22.2%	-2.8%	-5.8%	
Planning & Dev	93.3%	-19.0%	-23.9%	
Cultural & Rel	5.8%	-14.9%	-17.9%	
Other Services	90.9%	-55.2%	-54.7%	-11.6%
Total adj for transf	3.2%	-9.2%	-11.0%	-13.5%
excl educ police fire	7.1%	-12.0%	-13.4%	-20.4%
CultEnvPlg	23.6%	-10.9%	-14.3%	-20.3%

Sources: as Figure 2.9.

Reflecting on the comparisons with England (shown in the last column), we would make the following comments. In education, there was less growth before and a much smaller cut afterwards, but there is no academies programme. For social work there was more growth while the cutback is similar or marginally less. For police/fire, there was little growth but a bigger cut. For transport there was less growth but less of a cut. For the combination of culture, environment and planning one would say more growth followed by less cut in Scotland (except that the growth is exaggerated by the transfer in of specific grant funding previously 'netted out'). Finally, 'other' spending showed sharper growth in Scotland followed by a sharper decline.

Overall, in the period 2009-13 overall local government spending in Scotland fell by 11%, compared with 13.5% in England. Spending excluding education and police fell by 13.4% in Scotland compared with 20.4% in England.

Figure 2.11: Real expenditure trends and plans, England and Scotland, 2007–15



Notes: ‘TRev’ refers to total revenue expenditure including schools, police; ‘Adj’ excludes schools, police, fire, and housing benefits/allowances.

Sources: DCLG (2013), Table 3.2e; HM Treasury (2012), Table 7.2; Scottish Government (2013a), Table 2.3; Scottish Government (2013b).

Figure 2.11 shows comparisons of real total expenditure trends for Scotland and England up to 2013 (‘Total Revenue Expenditure’) and 2015 planned spend (‘Adjusted’, see note to Figure). The former figures show relative similarity, with only slightly greater cuts in England. The adjusted figures show greater cuts in England, starting one year earlier, although with some potential convergence in 2015.

#### 2.4.2 Local expenditure changes in Scotland

We have been able to carry out a descriptive analysis of the patterns of spending change at the level of the above groupings of services across the 32 local authorities in Scotland. To focus on the ‘cuts’ we look particularly at spending changes from 2010 estimates to 2013 estimates, in nominal (cash) terms.

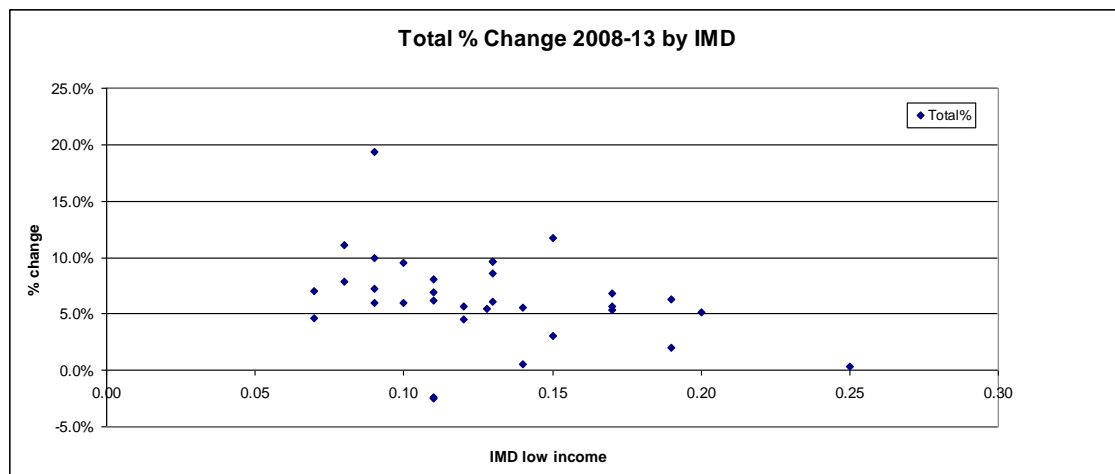
Table 2.11 shows the expenditure changes by service for individual authorities, ranked in descending order on the overall percentage change in expenditure 2010-13. The average position for Scotland is highlighted in yellow in the middle of the table. The highest and lowest individual authorities in this table are island authorities and appear to be outliers (see also Figure 2.12). Despite the talk of cuts, 13 of the authorities show a positive change in nominal expenditure over this period, with 8 increasing by more than 1% (although only one of these, Shetland, could be said to be showing a real terms increase). The reductions in the half-dozen authorities reducing the most are in the

range 3-5%. As a general comment, one might observe that the authorities in the upper part of the table tend to be in the east and centre of the country, while those in the lower part are more likely to be in the west. Authorities in the west as a group are seeing 3% points greater reduction in spending, equivalent to £47 per head. Thus expenditure change to some extent represents the contemporary economic geography of Scotland.

Figure 2.12 plots expenditure change over a slightly longer period (2008-13) against IMD low income score. This appears to show that there is a downward sloping (inverse) relationship between deprivation and spending change. More deprived authorities saw lower or negligible rates of increase in spending, while less deprived showed more positive growth.

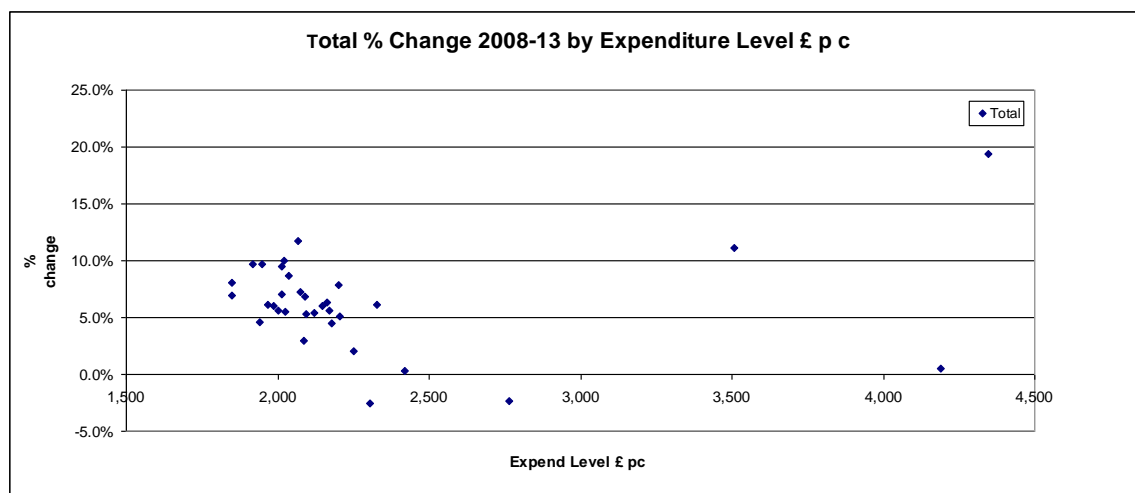
Figure 2.13 plots spending change in this period against the baseline level of expenditure per capita. This shows an even stronger inverse relationship, particularly once we discount the three island outliers lying to the right. As in England, it is those authorities which were spending at a high level which are seeing the largest cuts.

Figure 2.12 Spending change by deprivation 2008-13, Scottish Local Authorities (%)



Source: Scottish Government (2013) : *Provisional Outturn and Budget Estimates 2013*.

Figure 2.13 Spending change by expenditure level 2008-13, Scottish Local Authorities (£ per capita)



Source: Scottish Government (2013) : *Provisional Outturn and Budget Estimates 2013*.

Note: outliers to right are 3 island authorities

Table 2.12a looks across the service budget changes to see whether there are systematic patterns in terms of deprivation level, and this may be compared with Tables 2.8-2.9 for England. It does appear that there is an overall bias of the cuts, whereby these are greater in percentage terms (-1.9% vs +2.3%) in the most deprived versus the least deprived authorities, a difference of £90 per capita. This is the same order of difference as was found in England. It suggests that, notwithstanding the Scottish Government’s different rhetoric and policies about poverty, the practical reality of its local government finance system and decision making is no different in overall terms.

Spending on four of the seven service groups showed this pattern, of greater reduction in the most deprived authorities versus the least deprived – this applied in the cases of transport, social work, environment and planning. In two of the other three, spending fell more in the most deprived than in the average authority.

Table 2.12b applies the same approach to the rural-urban spectrum, using an approximation to the official classification. The table does not suggest very dramatic differences in overall expenditure changes. The most rural fifth of authorities see spending rise by 1.0% more than the most urban fifth, a different of £11 per head. However, the most rural see a somewhat greater fall in per capita expenditure compared with the middling group of authorities. Very rural areas seem to be doing worse on social work, cultural and ‘other’ services, and slightly worse on education. They seem to be doing better than the cities on transport, environment, and planning.

Table 2.12c applies the same approach to political control. This is somewhat unexciting because, following the introduction of PR, most Scottish LAs have no overall control.



Apparently, the group of authorities which have done best in percentage terms are those under Independent control, followed by Con (Minority). In per capita terms these two groups also appear most favoured. The least favoured councils in both measures are Labour controlled councils. Since the main dimension of party political alignment in Scotland is Labour vs SNP, we look in the last line of this table at the spending differences (%) between these two sub-groups of councils. Labour authorities see relative increases (or smaller cuts) in culture, environment and 'other' (including housing), compared with SNP councils; conversely, Labour councils see less growth/more cuts in education, transport, social work and planning. For overall budgets the Labour-SNP difference is a modest -0.7% or £28 per head.

Table 2.11: Nominal expenditure changes from 2010 to 2013, Scottish local authorities ranked in descending order of overall percentage spending change

Sorted	Education	Soc Work	Transp	Environ	Planning	Culture	Other	Total
Shetland Islands	-5.0%	-6.6%	-5.6%	-4.1%	-26.1%	-40.1%	-160.9%	14.5%
Clackmannanshire	1.1%	11.4%	13.1%	2.8%	-48.9%	-1.5%	14.1%	4.2%
Perth & Kinross	3.9%	4.3%	-1.1%	6.1%	13.8%	0.7%	0.9%	3.5%
West Lothian	-0.1%	8.4%	3.8%	14.7%	22.6%	14.5%	-7.6%	2.5%
Falkirk	-2.0%	7.5%	13.5%	6.7%	42.1%	3.7%	-7.0%	1.6%
Aberdeen City	6.5%	6.8%	9.8%	5.6%	2.9%	3.3%	-24.4%	1.5%
Orkney Islands	-2.8%	1.1%	-5.5%	-11.6%	12.0%	-5.0%	32.2%	1.5%
Edinburgh, City of	0.2%	15.2%	-23.3%	-16.6%	-2.0%	2.3%	-6.5%	1.3%
East Ayrshire	-4.3%	14.7%	-0.8%	-1.3%	-26.1%	-5.3%	0.3%	0.8%
South Ayrshire	-0.7%	3.9%	6.5%	-12.4%	7.6%	7.7%	0.0%	0.7%
East Renfrewshire	1.7%	5.0%	-3.6%	-4.4%	12.1%	-16.7%	0.1%	0.7%
North Lanarkshire	-0.9%	-2.6%	-7.5%	-5.6%	-6.2%	-16.7%	26.2%	0.2%
Moray	-2.9%	7.2%	-4.0%	1.3%	10.4%	-9.7%	-0.2%	0.1%
Dundee City	-3.8%	11.8%	6.5%	-13.3%	-13.8%	-19.3%	4.2%	-0.1%
Fife	-4.5%	-3.6%	-15.2%	-10.2%	-12.1%	-7.6%	34.0%	-0.1%
East Lothian	-1.8%	3.5%	5.7%	-10.1%	6.8%	9.0%	-4.2%	-0.1%
South Lanarkshire	-1.0%	-1.6%	-9.3%	14.1%	-18.3%	-12.3%	10.3%	-0.4%
Midlothian	-8.3%	9.6%	2.9%	3.2%	-10.6%	-5.1%	15.7%	-0.4%
<b>Scotland</b>	<b>-1.1%</b>	<b>4.1%</b>	<b>-6.3%</b>	<b>-2.7%</b>	<b>-13.7%</b>	<b>-6.6%</b>	<b>-0.6%</b>	<b>-0.7%</b>
Highland	-0.2%	12.5%	3.6%	-7.0%	3.0%	-21.1%	-9.8%	-0.8%
North Ayrshire	-2.9%	1.3%	-3.5%	-6.1%	91.7%	-7.2%	-6.2%	-0.9%
East Dunbartonshire	-4.2%	12.4%	5.5%	-1.2%	9.3%	-0.9%	-10.5%	-1.1%
Scottish Borders	8.0%	-5.8%	-2.1%	5.0%	-51.2%	4.1%	-18.4%	-1.3%
Stirling	-1.6%	2.5%	-0.3%	-4.6%	39.4%	-20.0%	-6.7%	-2.2%
Dumfries & Galloway	-0.8%	5.2%	-20.7%	-9.5%	21.5%	-4.2%	-10.2%	-2.3%
Renfrewshire	8.9%	-1.3%	-13.1%	-12.5%	-7.6%	2.5%	-25.1%	-2.8%
Aberdeenshire	-3.2%	-3.8%	-2.6%	-7.3%	-32.8%	-6.2%	8.6%	-3.1%

West Dunbartonshire	2.8%	-0.1%	5.3%	-4.7%	-95.2%	4.2%	-24.4%	-3.3%
Glasgow City	-4.8%	4.5%	-28.8%	11.1%	-29.9%	-8.3%	0.8%	-3.6%
Inverclyde	-0.9%	-3.2%	3.3%	-16.3%	11.8%	-11.0%	-9.8%	-3.9%
Angus	-1.4%	-1.8%	4.2%	-8.6%	-11.1%	-1.4%	-15.0%	-3.9%
Argyll & Bute	0.2%	9.8%	-6.4%	2.2%	-15.9%	-4.7%	-27.1%	-4.7%
Eilean Siar	-7.0%	-4.4%	-15.5%	11.1%	-7.1%	-30.8%	-3.3%	-6.2%

Scottish Government (2013) : *Provisional Outturn and Budget Estimates 2013*.

Note: Decreases of more than 100 per cent are possible where spend goes from a positive amount to a negative amount i.e. the authority shows net income for a service (for example, where there is income from charges such as car parking).

Table 2.12 Nominal expenditure changes from 2010 to 2013, Scottish local authorities by deprivation, rurality and political control

<b>a. Deprivation</b>									per capita
Quintile	Education	Transport	Soc Work	Culture	Envir Reg	Planning	Other	percent All Servs	All Servs
<i>Percentage</i>									<b>per capita</b>
Most deprived 1	-1.7%	-4.1%	2.0%	-9.7%	-5.8%	-7.0%	-1.5%	-1.9%	-71.1
2	-0.5%	-3.2%	3.8%	-6.6%	0.3%	-16.7%	-0.6%	-0.6%	-85.9
3	-1.4%	-3.9%	4.3%	-0.9%	-1.0%	4.8%	-4.8%	-1.1%	-60.8
4	0.4%	-0.5%	6.3%	-3.9%	-3.5%	-1.6%	-7.7%	-0.3%	-70.7
Least deprived 5	-1.8%	-2.4%	2.8%	-11.2%	-3.0%	-0.2%	-18.5%	2.3%	19.2
<b>Total</b>	<b>-1.0%</b>	<b>-2.8%</b>	<b>3.9%</b>	<b>-6.4%</b>	<b>-2.6%</b>	<b>-3.7%</b>	<b>-7.0%</b>	<b>-0.3%</b>	<b>-52.4</b>
1st-5th quintile	0.0%	-1.7%	-0.8%	1.4%	-2.8%	-6.8%	17.0%	-4.2%	-90.3
<b>b. Rurality</b>									per capita
Quintile	Education	Transport	Soc Work	Culture	Envir Reg	Planning	Other	percent All Servs	All Servs
<i>Percentage</i>									<b>per capita</b>
Most rural 1	-3.0%	-5.9%	2.5%	-20.3%	-1.9%	-6.8%	-33.8%	0.8%	-45.8
2	-0.3%	-2.3%	2.9%	-3.8%	-3.5%	-3.2%	-4.5%	-0.9%	-68.3
3	-1.3%	0.4%	5.9%	-1.4%	-1.6%	-3.4%	3.6%	0.8%	-26.1
4	-0.5%	-1.1%	1.2%	-5.2%	-2.6%	1.0%	-2.5%	-1.2%	-59.6
Most urban (Cities) 5	-0.5%	-9.0%	9.6%	-5.5%	-3.3%	-10.7%	-6.5%	-0.2%	-56.5
<b>Total</b>	<b>-1.0%</b>	<b>-2.8%</b>	<b>3.9%</b>	<b>-6.4%</b>	<b>-2.6%</b>	<b>-3.7%</b>	<b>-7.0%</b>	<b>-0.3%</b>	<b>-52.4</b>
1st-5th quintile	-2.5%	3.1%	-7.1%	-14.9%	1.4%	3.9%	-27.3%	1.0%	10.7
1st-3rd quintile	-1.7%	-6.3%	-3.4%	-18.9%	-0.3%	-3.4%	-37.4%	0.1%	-19.7

<b>c. Political Control</b>								percent	per capita
	Education	Transport	Soc Work	Culture	Envir Reg	Planning	Other	All Servs	All Servs
<i>Percentage</i>									<b>per capita</b>
Con (minority)	-0.7%	6.5%	3.9%	7.7%	-12.4%	7.6%	0.0%	0.7%	2.9
Ind	-4.9%	-8.9%	-3.3%	-25.3%	-1.6%	-7.1%	-44.0%	3.3%	-10.4
Lab	-4.7%	-11.2%	3.8%	-10.0%	2.9%	-15.5%	14.2%	-1.3%	-79.5
Lab (minority)	-0.9%	4.3%	3.2%	-6.5%	-6.5%	18.2%	-0.6%	-0.2%	-37.1
NOC	0.5%	-2.6%	4.2%	-2.1%	-1.9%	-5.4%	-7.2%	-0.7%	-59.7
SNP	-3.2%	1.8%	9.7%	-14.9%	-6.4%	-0.2%	-0.7%	-0.5%	-51.7
<b>Scotland Total</b>	<b>-1.0%</b>	<b>-2.8%</b>	<b>3.9%</b>	<b>-6.4%</b>	<b>-2.6%</b>	<b>-3.7%</b>	<b>-7.0%</b>	<b>-0.3%</b>	<b>-52.4</b>
<b>Lab-SNP</b>	<b>-1.4%</b>	<b>-13.0%</b>	<b>-5.8%</b>	<b>4.8%</b>	<b>9.3%</b>	<b>-15.4%</b>	<b>15.0%</b>	<b>-0.7%</b>	<b>-27.8</b>

Source: Authors' estimates based on Scottish Government (2013) : *Provisional Outturn and Budget Estimates 2013*, SIMD 2010, 2001 Census and Mid-Year population estimates. Political control sourced from xxxx.

## 2.5 SYSTEM CHANGES

### 2.5.1 Schools Funding

Dedicated Schools Grant (DSG) was introduced in England in 2006, effectively passing money for school budgets directly from central government to schools in a ring-fenced grant. The initial level of grant was based on actual spending by schools at that time, with subsequent incremental changes. Successive governments have committed to maintaining core school budget levels per pupil in real terms. However, fundamental rationalisation of the distribution of DSG has not yet been implemented. The residual 'central' functions of local education authorities, funded from Formula Grant and Council Tax, have been somewhat squeezed by this process, and this squeeze intensified after 2010. For example, as identified in s.2.2.4, non-frontline schools education services provision was cut by £0.5m in 2011, with a similar cut in 'early intervention' provision.

Some schools began converting to Academies under the previous Labour Government but the programme of conversion to Academies (as well as Free Schools) gained greater momentum under the post-2010 Coalition Government. Academy schools receive their funding from a separate agency and are outside local government, although their funding level is broadly determined in the same way as LEA-maintained schools. In fact the LG finance system has continued to allocate DSG for all schools to LEAs, with the amounts for academies then being 'recouped'. The proportion of school resources now accounted for by academies varies sharply between localities, while growing over time (from 11% in 2011/12 to 22% in 2013/14). In 2013 more than 40% of school resources were in academies in Bexley, Bromley, Wakefield, Leicestershire, Lincolnshire, Central Beds, Darlington, N E Lincolnshire Rutland, Thurrock and Torbay. At the same time, less than 5% were in Camden, Kensington & Chelsea, Tower Hamlets, Barking & Dagenham, Merton, Bury, Knowsley, Rochdale and Portsmouth.

In 2013/14 a further change was made in relation to the remaining 'central' education services. Prior to that year an amount had been included in the Formula Grant for these services, while an 'equivalent grant' ('LACSEG') was paid to academies. From that year, the formula for this element was simplified to a uniform per-pupil amount, for both the academies and LEA sectors. A small part of this (£15 per pupil) is retained by LEAs in respect of academies, to reflect that part of special needs provision which cannot be devolved. The net effect of this change is to reduce the total amount available for LAs to spend on these activities, particularly in areas where many academies have been established (because the 'LA' part of LACSEG was not previously recouped), and also to remove the previous 'top up' funding related to deprivation.

The changes described above have not been applied in Scotland.

### *2.5.2 Area Based Grant*

Area Based Grant (ABG) was a concept applied in the period 2007-10, whereby a large number of specific grants were grouped together, treated as 'non-ring fenced', and allocated primarily on the basis of area deprivation. Since 2010, many of the grants subsumed within ABG were cut or scrapped, while some were grouped together into new groupings or existing grants (including DSG). The term ABG is no longer used.

One important grant contained for a period within ABG was 'Supporting People'. This was originally a ring-fenced grant aimed at supporting the development of a range of housing-related support services to elderly, adult disabled or socially excluded client groups, much of which was provided by the voluntary sector. The support continues but is no longer ring-fenced and has been subject to some cutback. This is the most important of the specific grants rolled into Formula Grant in 2011, but the allocation continues to reflect specific formulae developed for this set of services, which give significant weight to deprivation.

### *2.5.3 NHS Funding Transfers*

Prior to 2010 some NHS funding had been transferred to the local government sector to support social care services, for example a programme to replace former long-stay institutions for learning disabled adults. Additional public spending transfers to local government have taken place to provide additional resources for social care reform. Initially these were provided as a new specific grant, although from 2013 this is being rolled into formula grant. This funding transfer has not been accompanied by the transfer of specific staffing and other expenditure commitments.

From 2013, under the Health and Social Care Act 2012, the Local Public Health function has passed from the NHS to Local Government in England, although the body Public Health England retains an oversight role and some specialised national functions. A transfer of both funding and staff/activities is involved here.

Consultation documents on the settlements for 2014/15 and 2015/16 herald the introduction of a much larger funding umbrella for health and social care related spending.

### *2.5.5 Police and Fire*

Police funding has been semi-detached from local authorities for a long time, because of the specific grant support and oversight powers of the Home Office, and because of past reorganisation of police forces into larger units which cover several counties or metropolitan areas. Nevertheless police authorities in England still levy a precept on Council Tax, and police funding was reported as part of the local government finance settlement before 2013. Recent changes in accountability (Police Commissioners) and finance systems (Business Rates Retention Scheme, which police are not part of) have served to further separate the police.

In Scotland, police funding was similar to the situation in England, with regional forces crossing the boundaries of many local authorities. From 2013/14 the police service has been 'nationalized' and is no longer part of the local government finance system.

Fire service funding in England is still part of the local government finance setup, but in recent years most fire authorities have been joint boards precepting on the Council Tax rather than departments within general purpose authorities (this still applies in a few counties).

In Scotland, the fire service has also been nationalized from 2013/14. As with police, the intention has been to achieve significant economies in the provision of these services, particularly in respect of their central and specialist functions.

#### *2.5.6 Business Rates Retention Scheme*

The partial re-localisation of the revenues from the business rate, at least in terms of marginal growth or decline in the business rate base, has been introduced under the above title from 2013/14. The intention is to reinforce the incentives for local authorities to plan for growth (in parallel with the similar aims associated with the New Homes Bonus). Technical changes associated with this are described in Annex A. The broad intention is that the scheme should start authorities from where they are now; in future, authorities which increase their nondomestic rate base will gain additional spending power, and vice versa. There is a safety net to prevent losses in excess of 8%.

#### *2.5.7 Council Tax Freeze*

Council Tax has in effect been frozen in England since 2010, although increasing numbers of English local authorities are declining to follow this policy in 2013. There are strong incentives to authorities to maintain a freeze, including the general political and economic climate, a specific grant which is conditional on them doing so, and onerous referendum requirements for any increases over the threshold. In Scotland, a freeze was introduced from 2008, as a result of the 'Concordat' agreement between Local Government collectively and the Scottish Government.

While one may understand the motives for such decisions, particularly given the significant real terms rises in Council Tax levels since the mid-1990s, it is important to recognise that this is a de facto system change from long-standing arrangements in British local government. Prior to this, the decision of a local authority about the level of its revenue budget, and the consequent rate of local Council Tax (previously, domestic rates), was a matter for local discretion. Central government had tried to discourage spending through various forms of grant disincentives and penalties, and through the selective use of rate or council tax capping powers, but in principle the spending level decision was still local.

With frozen council tax, the local spending decisions are mainly about the balance of spending, at the margin, between different services. There is still some scope for



discretion over the use of balances, which may alter the time profile of spending across years.

#### *2.5.8 Localisation of Council Tax Support*

One of the welfare cuts/reforms announced in 2010, but implemented from 2013, was to 'localise' support for low income households in the payment of Council Tax. This system was formerly known as Council Tax Benefit and was a uniform national scheme integrated with the social security benefits system, similar to Housing Benefit, and funded by specific grant (technically 'outside AEF', so not counted in the normal measures of spending and grant). The localisation was accompanied by a cut of 10% in the budget but an instruction that the reduction should only apply to working age households. Thus for this group the cut is of the order of 20-25%, with considerable local variation. Some guidance and regulation restricts the scope of local schemes to a degree but there is still considerable variation in the local schemes adopted. A local authority may find that the scheme it has adopted costs more than the amount of grant provided, in which case this will be an additional burden on its general fund. Local authorities may also have to provide more by way of hardship fund support for individual cases.

Scotland has decided not to implement this change, although it has received the equivalent cut in its general budget, so this will fall elsewhere in Scottish programmes.

3.1 THE CASE STUDY LOCAL AUTHORITIES

This and the two following chapters focus on the three English case studies: Newcastle City Council, Coventry City Council and Milton Keynes Council. This chapter focuses on setting out the socio-demographic and financial context within which each authority’s approach to austerity needs to be understood. It concludes by establishing the ‘budget gap’ which each authority needs to address in order to balance its budget each year. In Chapter Four we examine the strategic approach of the case studies to tackling this budget gap, identifying the nature and scale of the savings made to this end. In Chapter Five, we begin to consider the impact of these strategies on poor people and places by examining the distribution of savings in relation to particular groups of services.<sup>1</sup>

3.1.1 *Selecting the case studies*

The case studies were selected on the basis of the first phase of the project which involved a telephone survey with 25 broadly representative English local authorities. From the survey evidence, a typology was identified to classify the various approaches being taken at that time to managing austerity. Table 3.1 shows this typology and the distribution of the 25 authorities in relation to it.

*Table 3.1: Approaches to managing budget contraction 2010-11 (Phase 1 telephone survey results)*

	Approach to service provision	
	<i>Targeting Clients or Communities</i>	<i>Service focused</i>
<i>Has or plans a neighbourhood approach</i>	<i>7 councils</i>	<i>3 councils</i>
<i>A-spatial</i>	<i>8 councils</i>	<i>8 councils</i>
<i>Totals</i>	<i>14</i>	<i>11</i>

<sup>1</sup>Phase three of the project focuses on impacts in more detail and from a service user and front line operational perspective.

It was proposed to select one case study which belonged within each box. To simplify fieldwork, a decision was taken only to undertake case study work with unitary authorities reducing the pool of potential case studies to 15. Further as part of our collaboration with the LSE *Social Policy in a Cold Climate*<sup>2</sup> project, we decided that London Borough Councils would not be considered as potential case studies. This reduced the pool to 12. However, given that the survey was only conducted with English authorities, this meant a pool of 12 was available from which to select three English cases.

It was also proposed that to reflect the concern that the most deprived authorities were being hardest hit by budgetary contraction, three of the four case studies should be in the bottom third of the IMD. Given that there would only be one case study in Scotland, the Scottish case should be deprived in order to facilitate some comparison. This meant of course that one of the three English case studies would be in the top two thirds of IMD. Given that the national picture showed a regional pattern to the distribution of budget cuts, the need for some regional spread was also identified. The three English case studies were therefore selected on the following basis:

- Newcastle City Council – a deprived urban authority in the North East region of England, with a largely targeted approach to managing budget contraction implemented alongside a neighbourhood approach.
- Coventry City Council – a deprived urban authority in the West Midlands region of England, adopting a largely service approach without a significant emphasis on spatial targeting.
- Milton Keynes Council – a non-deprived urban authority in the South East region of England, operating a largely service focused approach without a significant emphasis on spatial targeting.

A final – and crucial criterion – was that the case studies would be prepared to work ‘open book’ with the research team and, in particular would give the team complete access to budgetary information and savings plans. Agreement therefore had to be given by the Council Leaders and Chief Executives of each participating authority.

However, initial discussions with the case studies designed to gain the necessary permissions for the study, quickly revealed that strategies had moved on since the telephone survey was conducted. The case studies could not be ‘boxed’ as readily as had been anticipated. Rather a spectrum of approaches was in evidence across the dimensions indicated in Table 3.1. To an extent, contextual factors, plus the authority’s

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<sup>2</sup> *Social Policy in a Cold Climate* is a research programme designed to examine the effects of the major economic and political changes in the UK since 2007. It is funded by the JRF and the Nuffield Foundation, with London-specific analysis funded by the Trust for London. See [http://sticerd.lse.ac.uk/case/new/research/Social\\_Policy\\_in\\_a\\_Cold\\_Climate.asp](http://sticerd.lse.ac.uk/case/new/research/Social_Policy_in_a_Cold_Climate.asp) (accessed 08 November 2013).

openness to the research became the overriding factors in case study selection. These factors have governed the selection of the Scottish case study.

### *3.1.2 The political and organisational context within the case studies*

Boxes 3.1 to 3.2 briefly overview the political and organizational context of the case study authorities.

#### **Box 3.1 Newcastle City Council: Political and organisational context**

Newcastle has historically been run by Labour administrations, although between 2004 and 2011 the council was run by the Liberal Democrats. The current Labour administration dates from May 2011 and further strengthened its position in the May 2012 elections. There have been no Conservative councillors in the city since 1995.

The current administration inherited the Liberal Democrats' approach to managing the first years of budget contraction (i.e. the June 2010 Emergency Budget and the first budget set in March 2011 in response to the December 2010 local authority grant settlement.) The first budget set by the current Labour administration was therefore 2012/13.

The Council is led by the Leader of the Labour group, Councillor Nick Forbes. He chairs a Cabinet of five additional elected members (all Labour) and two observers from the Lib Dems. These are the four Cabinet Portfolios:

- Investment and Development;
- Communities;
- Adult Services;
- Children's Services.

The first two portfolios were newly created for 2013. There are also a further nine deputy cabinet members with portfolio responsibilities nested within these – for example, for neighbourhoods or skills development, as well as one for the council's new public health responsibility. A new organisational structure reflecting this cabinet structure was created for 2013/14.

#### **Box 3.2 Coventry City Council: Political and organisational context**

The Labour Party has traditionally governed Coventry, although for the period 2004 – 2010 the Conservative Party held control. Labour won the 2010 election outright and strengthened their position in the 2011 and 2012 local elections. Labour currently has 43 of the 54 council seats in Coventry, with the Conservatives holding the remaining 11 seats.

The Labour party named Ann Lucas as a new City Council leader in May 2013. Each of the ten Cabinet Members has a separate area of responsibility for council services. In addition, there are two non-voting representatives on the Cabinet from the Conservative opposition.

These are the ten Cabinet Portfolios (the first one is held by the Leader):

- Policy and leadership
- Community Safety and Equalities

- Strategic Finance and Resources
- Children and Young People
- Education
- Business, Enterprise and Employment
- Public Services
- Energy and Environment
- Health and Adult Services
- Housing and Heritage

After becoming council leader, Ann Lucas made some minor changes to the pre-existing set of portfolios.. For example, “Business, enterprise and employment” replaced “City Development” and the housing post took on the “heritage” aspect.

### **Box 3.3 Milton Keynes Council: Political and organisational context**

Milton Keynes Council has been under no overall control since 2006. At the time of writing, there were 19 Conservative councillors, 16 Labour, 15 Liberal Democrats and 1 UKIP councillor. The previous administration was Liberal Democrat. Milton Keynes has been governed by a Conservative minority administration since May 2012. The Labour Party is the main opposition party.

The strategic decisions of Milton Keynes Council are taken by the Leader of the Council, Andrew Geary and his Cabinet of seven additional elected members. Each of the Cabinet Members has a separate area of responsibility for council services.

These are the seven Cabinet Portfolios

- Economic Development & Enterprise
- Strategic Finance, Housing & Regeneration
- Transport & Highways
- Adult Social Care, Health and Wellbeing
- Children's Services & Lifelong Learning
- Communities & Public Realm
- Corporate Services

Since its designation as a new town in 1967 Milton Keynes has been subject to central government involvement either through the establishment of development corporations or through the Milton Keynes Partnership, which is an arm of a government housing and regeneration quango: the Homes & Communities Agency (HCA). At the moment, the Department for Communities and Local Government is consulting on a wholesale transfer of powers from the Milton Keynes Partnership to the council.

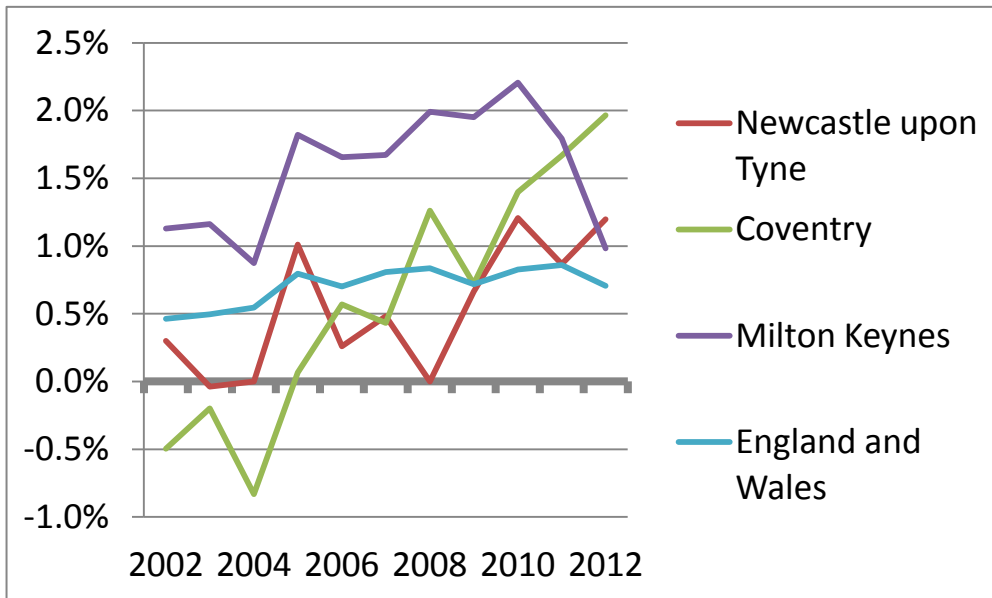
Milton Keynes has been a Unitary Authority since the Local Government Act 1997.. Milton Keynes is a fully parished Borough, with a total of 48 Town and Parish Councils.

### 3.3 THE SOCIO-DEMOGRAPHIC CONTEXT

#### 3.3.1 Population

Coventry is the largest authority with a population of 320,000 in 2012 when Newcastle had 280,000 and Milton Keynes 250,000. Milton Keynes had been experiencing markedly higher levels of population growth than the other three areas, until recently at least, driven by higher levels of natural change (excess of births over deaths) and net in-migration. It was the fastest growing city in Britain between 2001 and 2011<sup>3</sup>. In the ten years to 2012, its population had grown by 10 per cent more than the other two authorities. In the years 2010 to 2012, this growth appears to have slowed dramatically as net in-migration halted. Coventry had initially had the lowest rate of growth (actually a decline due to net out-migration) but this had changed to the highest rate of growth by the end, again due to changes in net migration. Newcastle was growing slowly throughout, rising somewhat in the most recent years.

Figure 3.1: Annual rate of population change – 2002 to 2012



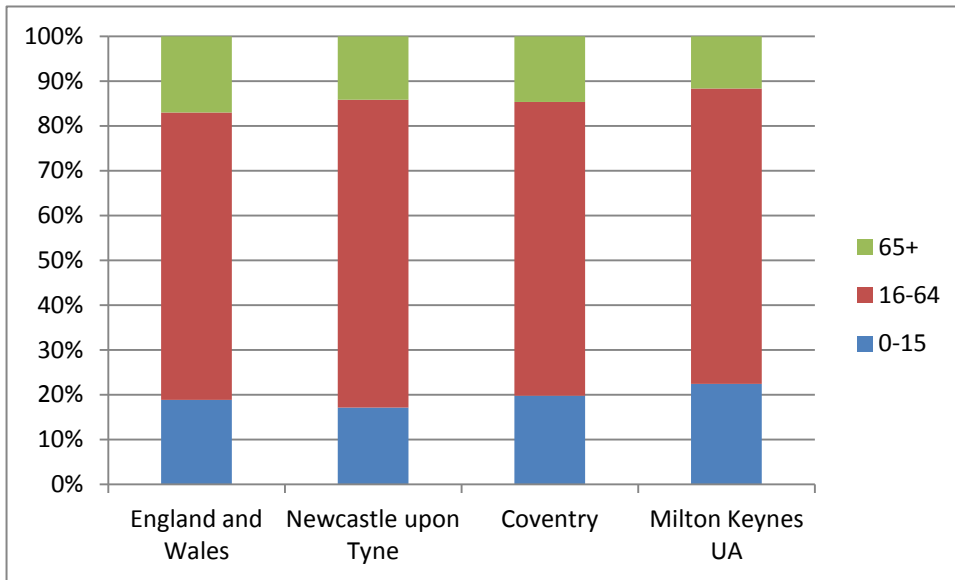
Source: ONS annual population estimates for local authorities, re-based on 2011 Census.

<sup>3</sup>[http://centreforcities.cdn.meteoric.net/CITIES\\_OUTLOOK\\_2013.pdf](http://centreforcities.cdn.meteoric.net/CITIES_OUTLOOK_2013.pdf)

### 3.3.2 Demographic profile

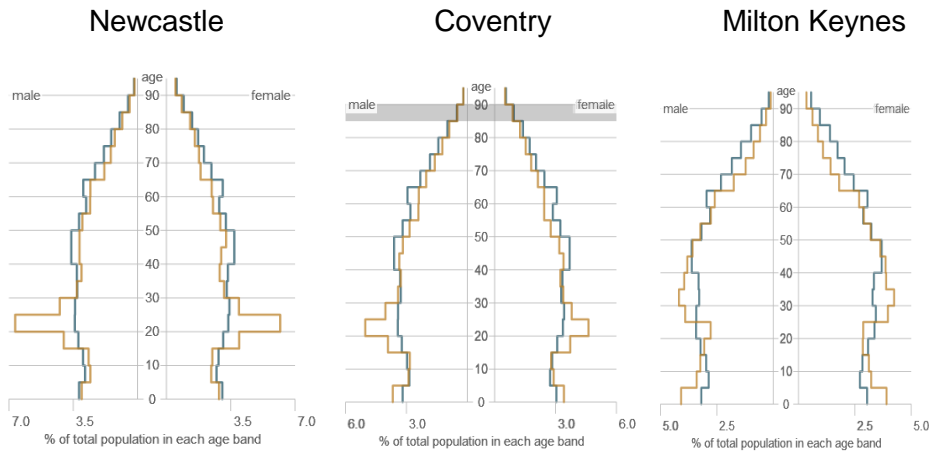
The authorities have slightly different demographic profiles. Newcastle has slightly fewer children and older people, and more of working age, perhaps reflecting its function as an urban core and its large student population. Coventry is the nearest to the national average and it has a particular high population 18-24, again due to the student population. Milton Keynes has a markedly younger age profile, reflecting its recent history as a growth centre, attracting younger adults and young families. It has relatively fewer older people (just 12 per cent of the population compared with the England and Wales average of 17 per cent).

Figure 3.2a: Demographic profiles – mid-2012



Source: Census 2011

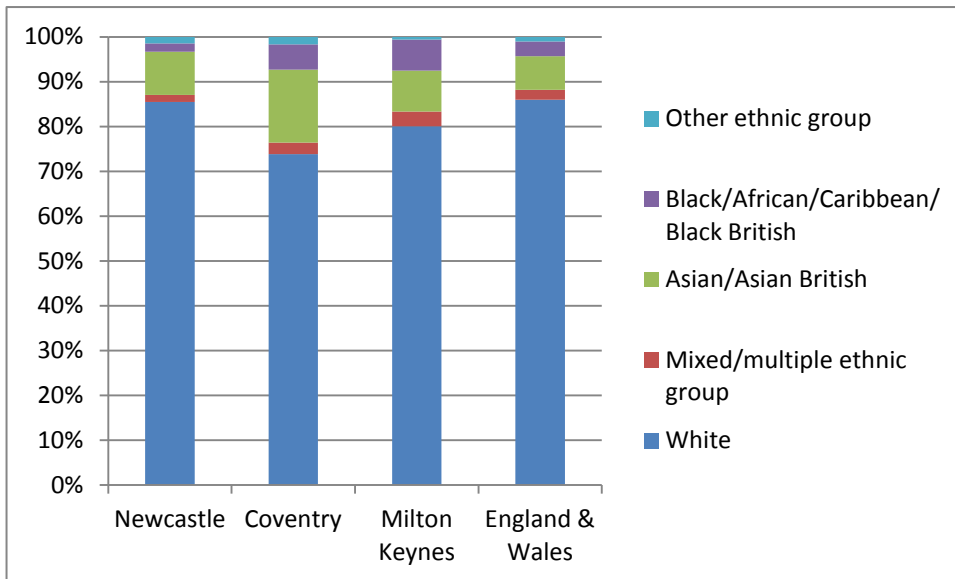
Figure 3.2b: Age profiles compared with England & Wales, 2011 Census



Source: Census 2011

In terms of ethnicity, all three areas have substantial White majorities but slightly lower than the national average. Newcastle is the least diverse, and Coventry the most, with a particularly large Asian/Asian British population.

Figure 3.3: Ethnic profiles, 2011 Census



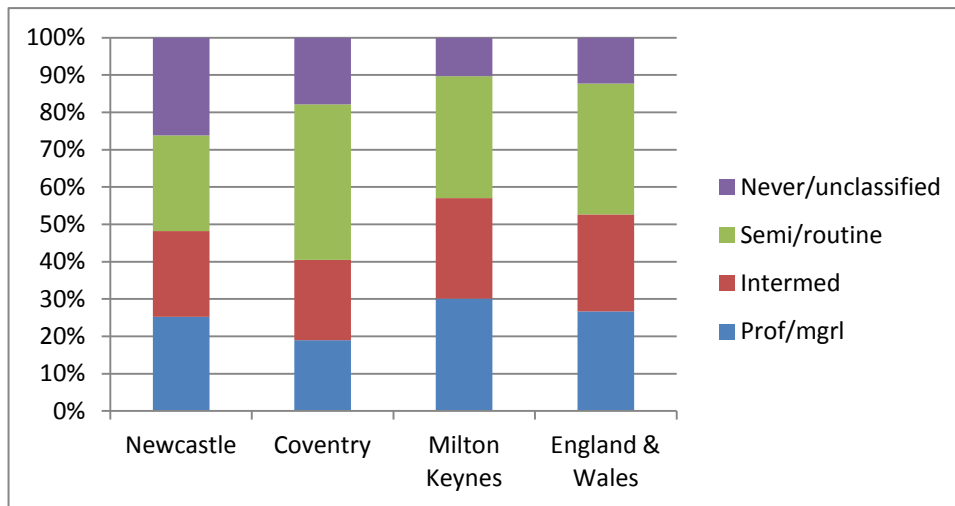
Source: Census 2011



### 3.3.3 Socio-economic profile

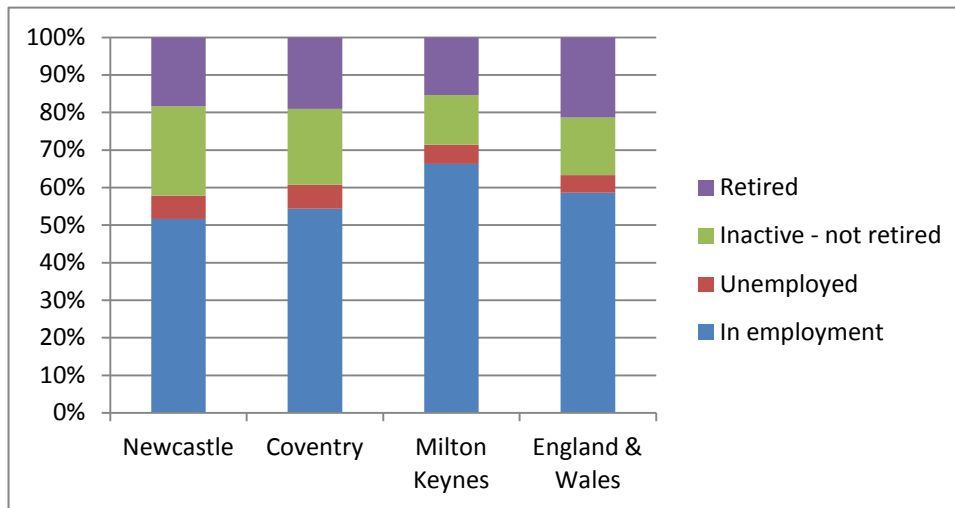
Milton Keynes has the most affluent socio-economic profile, with the proportion of residents in professional or managerial occupations above the national average, and well above levels in the other two authorities. It also has the highest proportions in employment, partly because few are of retirement age but also because it does not have a large student population. Coventry has the poorest profile with very high proportions of residents in semi-routine or routine occupations but it has marginally higher levels of economic activity. Newcastle has a very high proportion of people who have never worked or who were not otherwise classified. This is partly due to the very large student population (13 per cent of those 16 or over, compared with 10 per cent in Coventry and just 4 per cent in Milton Keynes).

Figure 3.4: Occupational class – 16 and over, 2011 Census



Source: Census 2011

Figure 3.5: Economic activity – 16 and over, 2011 Census



Source: Census 2011

### 3.3.4 Neighbourhood deprivation

Newcastle and Coventry have markedly higher levels of neighbourhood deprivation than Milton Keynes. Both are among the most deprived 20% of authorities in England based on the 'average rank' (position of each neighbourhood in national ranking). Newcastle ranks particularly highly in terms of 'local concentration' and 'extent' of deprivation, as well as income and employment deprivation, but less severely in terms of overall average. This suggests the presence of a number of relatively affluent neighbourhoods within an otherwise poor city with relatively high levels of segregation. Coventry is similar, with an average rank better than its rank on concentration and extent. It looks particularly poor in terms of individual (income and employment) deprivation. Milton Keynes has a lower level of deprivation in general, based on average rank, but, it does also have comparatively high levels of income and employment deprivation, suggesting quite widespread incidence of poverty and low income.

Table 3.1: Summary data from the IMD 2010 for England

LA NAME	Rank of Local Concentration	Rank of Extent	Rank of Income Scale	Rank of Employment scale	Rank of Average Rank
Newcastle upon Tyne	15	35	29	20	66
Coventry	37	52	24	22	53
Milton Keynes	137	152	82	83	211
<b>Maximum</b>	<b>326</b>	<b>326</b>	<b>326</b>	<b>326</b>	<b>326</b>

Source: <http://data.gov.uk/dataset/index-of-multiple-deprivation> - local authority summary table.

Notes: Local concentration: average rank of most deprived 10% of LSOAs in authority. Extent: proportion of population in authority in most deprived LSOAs in the country. Income scale: proportion of people income deprived. Employment scale: proportion of people employment deprived. Average rank: average rank of LSOAs in authority.

### 3.4 THE FINANCIAL CONTEXT

In this section we examine the overall financial pressure on our case study authorities in the period from 2010/11 through to 2013/14, as well as projections forward to 2015/16. We look at CIPFA budget data presented on a per capita basis and use these to identify the starting situation in the case studies in 2010/11 and then the relative changes to 2013/14 (the latest year for which we have CIPFA data). The data look at broad budget headings and compare each authority to the national average. We then examine data drawn from budget documents published by each authority to look at the funding gap for each, their perceptions of expenditure pressures and hence the budget gap. The way this information is presented varies between authorities so we have attempted to re-present it in as comparable a fashion as possible. The figures we present may therefore differ slightly from those used by individual authorities in their own publications. This is not meant to imply that their figures are in any way incorrect or misleading. There is always more than one way to present this kind of information.

#### 3.4.1 Per capita budgets

The tables below are derived from published CIPFA budget data, firstly for the base position in 2010/11, expressed as expenditure per head of population, and secondly for the changes between 2010/11 and 2013/14. The descriptive words in the tables are intended to reflect the level or the change *relative to* the national average as a benchmark. It should be emphasized that no attempt is made here to control for relative levels of need and therefore of the kinds of responsibilities requiring higher expenditure – indeed the structure of local government grant allocation prior to 2010 explicitly recognised that higher needs required higher expenditure. This is one of the key changes to affect local government finance in the ensuing period (see section 2). Comments are offered on the main service headings and on some of the more important sub-headings, particularly services relevant to supporting deprived groups or areas.

Newcastle was a relatively high spending/high responsibility authority in the base year, Coventry a little above average and Milton Keynes about the average. Reflecting their different starting points, Newcastle and Coventry both had higher levels of cuts than the national average, while Milton Keynes had cuts below average.

Expenditure in Newcastle was high across the board with the exception of education (in contrast to the other two authorities) and transport. Milton Keynes had high expenditure on education at the start and cut it by less, suggesting a significant priority there. It also had higher spend on environment and regulatory functions at the start, perhaps reflecting its growth trajectory, although it cut these more rapidly than average. Social care expenditure was below the national average in Milton Keynes in line with its younger population profile, and in contrast to the other two. Where the latter expanded more slowly in this area, Milton Keynes was expanding more rapidly.

*Table 3.2: English Case Study Authority Budget Levels per capita 2010/11, relative to National Picture*

<i>Service</i>	<i>Newcastle</i>	<i>Coventry</i>	<i>Milton Keynes</i>
Education	Similar	High	High
Transport	Low	Low	Similar
Social Care	High	High	Low
Housing (excl HRA, HB)	High	High	Low
Culture & Related	High	Similar	Low
Environ & Regulatory	High	Low	High
Planning	High	High	Low
Central Services	High	High	Low
<b>All Services</b>	<b>High</b>	<b>Bit High</b>	<b>Similar</b>
Capital Charges	Low	High	Low

Source; Authors' analysis of CIPFA Financial and General Statistics Budget Estimates.

*Table 3.3: English Case Study Authority Budget Changes 2010/14-2013/14, relative to National Picture by Services*

<i>Service</i>	<i>Newcastle</i>	<i>Coventry</i>	<i>Milton Keynes</i>
Education	Similar	Cut less	Cut less
Transport	Cut more	Exp	Cut more
Social Care	Exp less	Exp less	Exp more
Housing (excl HRA, HB)	Cut more	Similar	Cut less
Culture & Related	Cut more	Cut less	Similar
Environ & Regulatory	Cut more	Similar	Cut more
Planning	Cut more	Cut more	Static
Central Services	Cut more	Cut more	Static
<b>Total All Services</b>	<b>Cut more</b>	<b>Cut more</b>	<b>Cut less</b>

Source; Authors' analysis of CIPFA Financial and General Statistics Budget Estimates.

Note on terminology; 'Exp'= expanding; Similar'= similar to national budget trend; 'Zero' = no expenditure in service.

### *3.4.2 Funding gap – reduction in net budget*

Broadly speaking, the net budget for each authority reflects the income it receives from general and specific grants and from local taxes. It excludes some specific grants, for example those relating to national cash benefits like Housing Benefit. For English authorities, this also excludes expenditure on schools which have been covered by a

separate grant (Dedicated Schools Grant) since 2006/7.<sup>4</sup> It also excludes income and expenditure on local authority housing which is ring-fenced in the Housing Revenue Account. The net budget is reported after any income from charges (e.g. for leisure services, car parking, etc.) have been received (i.e. these are not counted as income but used to reduce net costs). Funding sources and recent system changes are described further in Chapter 2 and Annex A.

There have been significant system changes in the period of this study, as documented in Chapter 2. Of particular significance in relation to the financial year 2013/14 were the 'Business Rates Retention Scheme', the 'Localisation' of Council Tax support to individual households, and the transfer of Public Health responsibilities to local government.

Such changes make comparisons of net budgets from one year to the next very difficult. Net budgets for one year are frequently compared with the 'adjusted' net budget for the previous year to make real changes (funding gaps) more apparent. For Newcastle City Council, for example, the net budget in 2010/11 was £270m<sup>5</sup> and in 2013/14 it was £277m<sup>6</sup> - an apparent increase of £7m. Allowing for various budget adjustments, however, the authority estimated it lost a total of £43m from grants and tax income in the intervening three years<sup>7</sup>.

Figure 3.6 is an attempt to compare the scale of the funding gap for each authority over the five years from 2011/12 to 2015/16. The funding gap measures the level of reduction in the budget from one year to the next on a comparable basis i.e. allowing each year for the changes discussed in Chapter 2. Newcastle faced markedly higher levels of funding pressure across the five years than the other two authorities: an average of 5.6 per cent compared with 3.5 and 1.7 per cent in Coventry and Milton Keynes. Milton Keynes was initially much more sheltered, largely because it did not face significant losses due to the winding up of various specific grants in the early years. (Note that we are ignoring here the use of £2.7m of reserves in 2011/12 by Milton Keynes which actually allowed it to increase its net budget that year – but see below the note about expenditure pressures.) Coventry sits somewhere between the two.

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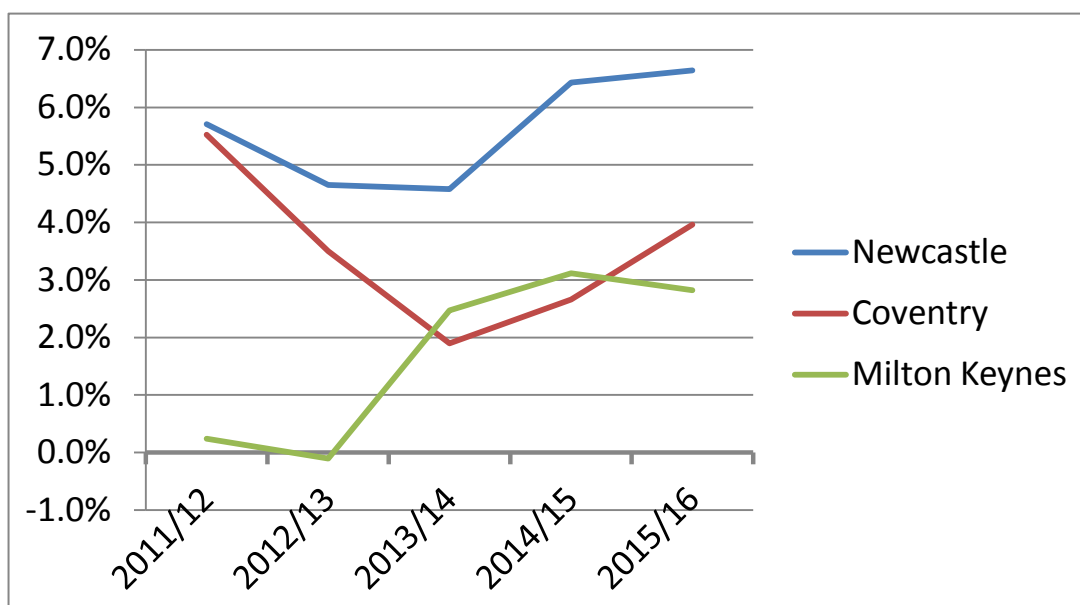
<sup>4</sup><http://localgovglossary.wikispaces.com/Dedicated+Schools+Grant>.

<sup>5</sup>Budget 2011-12, p22.

<sup>6</sup>Revenue and Capital Plan 2013-16, p6.

<sup>7</sup>Budget 2011-12, p22; Mid-Term Financial Plan 2012-2015, p8, Revenue and Capital Plan 2013-16, p6.

Figure 3.6: Funding gap – reduction in net budget 2011/12 to 2015/16



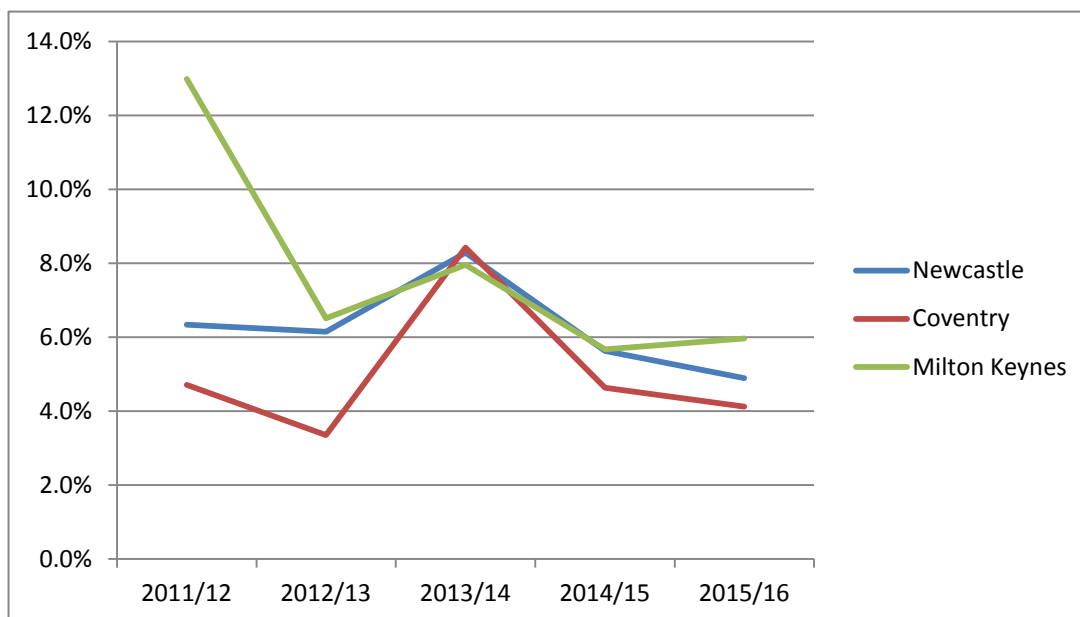
Source: Numerous budget documents. Figure shows reduction in funding (Government grants plus Council Tax) as proportion of previous year's budget on an adjusted basis (i.e. allowing for the effects of changes in the grant system etc.). Figures exclude expenditure on schools.

### 3.4.3 Expenditure pressures

These figures tell only a proportion of the story about financial pressures on the authorities as the figures ignore the impacts of various pressures on expenditure. Even without funding reductions, authorities would be having to make savings to offset expenditure pressures. Salary costs as well as general inflation in the price of goods and services drive up costs. Population growth as well as demographic change may increase demand for services in general and for some such as care in particular. Recessions also tend to increase demand for particular services. Other expenditure pressures include pension costs or the need to comply with legal judgements (e.g. on equal pay) or legislative changes. Council policy decisions may also lead to new or increased areas of expenditure.

The three councils report broadly similar levels of expenditure pressure overall, although these are marginally lower in Coventry. The first year's figures for Milton Keynes show a particularly high pressure but this appears to be associated with the treatment of the rolling of various specific grants into Formula Grant and it is offset by the lower funding pressure for that authority in that particular year (see above). Leaving aside that year, what is perhaps more surprising is the low level of expenditure pressure in Milton Keynes given the markedly higher levels of population growth there (there is some parallel with the findings of the modelling of budget changes reported in chapter 2).

Figure 3.7: Expenditure pressures – 2011/12 to 2015/16



Source: Numerous budget documents. Figure shows expenditure pressures (salary costs, inflation, corporate costs, etc.) as proportion of previous year's budget on an adjusted basis (i.e. allowing for the effects of changes in the grant system etc.). Figures exclude expenditure on schools.

Authorities provide some breakdown of expenditure pressures into different headings. While they cover the items identified above (salary inflation, demographic pressures, etc.), definitions vary greatly between authorities and between years within the same authority. Since overall expenditure pressures are similar for the three authorities in most years, we do not attempt a more detailed analysis here.

#### 3.4.4 The budget gap

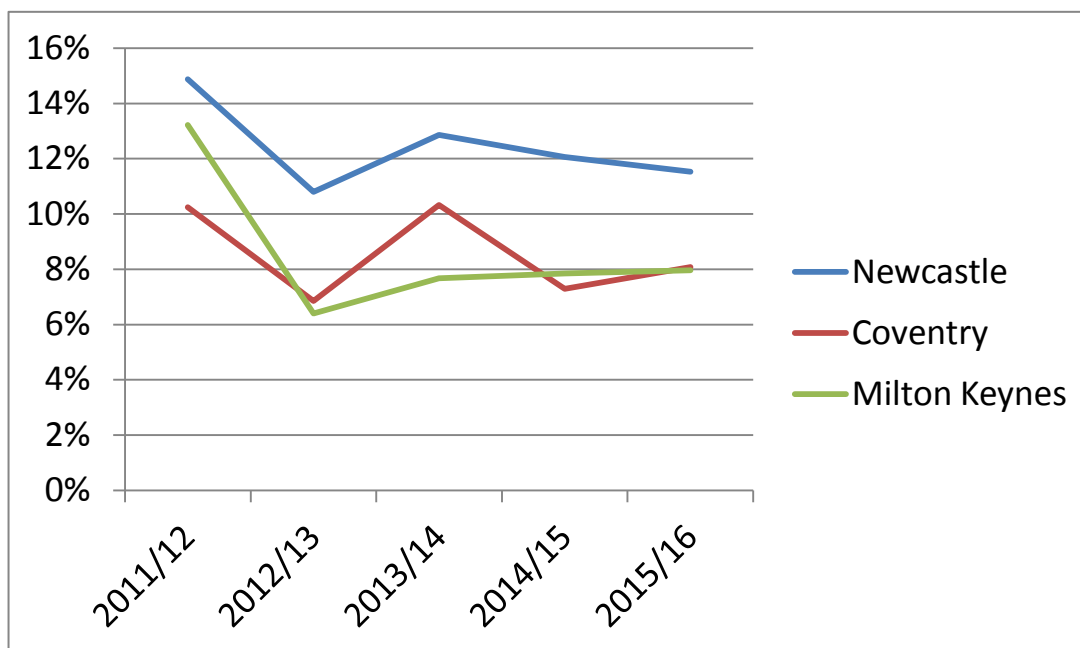
It is the combination of funding gap and expenditure pressures together which give the best measure of the scale of the challenge facing each authority. This 'budget gap' is the total amount of savings which need to be made from the previous year's budget to balance the books. There is undoubtedly some subjectivity in these figures and, to a limited extent, they are influenced by local policy choices (which may add to expenditure pressures). Figures for future years are best estimates from 2013/14. Nevertheless they provide some means of judging the relative pressures on each authority and how this has fluctuated from year to year.

There is a fairly consistent pattern in these figures. First, they show that all three authorities have faced very substantial pressures on budgets in recent years and that these pressures are set to continue. Budget gaps average 9 per cent a year or more in all three authorities. This implies that very profound changes must be being made in patterns of expenditure to balance the books. It is highly unlikely that savings of this



scale can be delivered through efficiencies, year on year. Second, the figures show the uneven impacts over the three years, with particularly large gaps in 2011/12 and, to a lesser extent, in 2013/14. The cuts in the next two years are predicted to be slightly lower than 2011/12, reflecting the front-loading of cuts for local authorities. It is important to bear in mind, however, that these are cumulative: they come on top of the previous cuts. Assuming that authorities start with the easiest savings or by reducing the least important services, the potential impact of the later cuts are even greater. Third they show Newcastle facing consistently higher pressure across all five years – averaging 12 per cent per year compared with 9 per cent in the other two.

Figure 3.8: The budget gap – 2011/12 to 2015/16



Sources: Mid-term financial plans, pre-budget reports and budget reports – various years and authorities. Figures as a % of previous year's budget. Projections for 2014/15 and 2015/16 subject to increasing uncertainty. Figures exclude expenditure on schools.

### 3.5 SUMMARY

Our case studies were selected on the basis that they were all unitary authorities outside Greater London. Two were selected on the basis that they were relatively deprived and one because it was less so. They were also selected on the basis of an earlier telephone survey which suggested they were taking different approaches to managing their cuts although subsequent research suggested approaches had moved on in the intervening period.

The less deprived authority (Milton Keynes) differs in a number of respects beyond deprivation. It is a New Town which is developing into a city. It has been growing faster for some time and growing through in-migration which meant it has relatively fewer older people and more around 30-40 and, as a consequence, more children. On the other hand, it does not have the high levels of 18-25 years olds found in the large cities due to their substantial student populations. This has implications for services, notably in education as well as other children's and youth services, as well as care.

The two established cities have similar levels of socio-economic disadvantage. Coventry is poorer than Newcastle in relation to occupational class, but a slightly larger proportion of the population are in work. Both have marginally fewer elderly people than the national average but, given the high correlation between deprivation and poor health, demand for care services for the elderly are likely to be at least as great as the average if not higher.

The most important contextual issue – and the one which will largely drive the approach taken to managing austerity – is the scale of the 'budget gap' experienced by the authorities. This is a measure of the combined pressure created by the funding gap and the expenditure pressures. It is this budget gap which needs to be plugged each year by savings in order to deliver a balanced budget. The analysis shows that all three authorities have faced very substantial pressures since 2011/12 with budget gaps averaging 9 per cent a year or more. Newcastle, however, has faced a consistently higher level of pressure, averaging 12 per cent a year. The scale of the budget gaps year on year, plus the fact that pressure is expected to remain for some years to come, suggests a very challenging context for the case studies. In the next chapter, we examine their strategic response to addressing these gaps.

### 4.1 INTRODUCTION

This chapter identifies the key strategic approaches developed by the case study authorities in order to tackle the budget gap detailed in the previous chapter. It provides an insight into the practical implications of these strategies by detailing some of the actual savings made in pursuit of these strategies. The discussion explores the rationales for both the strategic approaches and some of the individual savings as well as constraints and challenges in delivering them.

The chapter is based on the following three sources of data.

1. A set of strategic interviews conducted with senior officers within each case study including Chief Executives, members of Directorates and Heads of Service. These interviews were conducted in a staged process from the summer of 2012 to summer of 2013. This has allowed the research to capture some sense of how approaches and challenges have developed. For each case study, a session was conducted with senior officers to obtain feedback on and validation of the research team's analysis<sup>8</sup>. Senior officers were also given the opportunity to comment on a draft of this report.
2. Detailed analysis of the strategic documents prepared by each authority detailing overall strategy, council plans and savings plans for individual service areas.
3. Forensic, line by line analysis of budgetary information for the five year period from 2011/12 to 2015/16 to identify the nature, scale and pattern of savings designed to address the budget gap. These five years capture the first two years of the savings implemented by the case studies in response to the 2010 Comprehensive Spending Review and Grant Settlement. They also capture the proposals developed by the three authorities in the three year prospective budgets available at the time of writing. By analysing this data, a quantitative indication of the balance between different aspects of each authority's strategic approach can be made, triangulated with the qualitative evidence from interviews and documents.

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<sup>8</sup>In the case of Milton Keynes, this was done by telephone rather than face to face.

## 4.2 OVERVIEW OF STRATEGIC APPROACHES

The interviews with senior managers and the documentary and budgetary analysis revealed that a wide range of strategic approaches were being devised in order to manage austerity. Table 4.1 is a summary of the framework which we have devised to order to structure these different approaches. It defines three headline strategies:

- Efficiency: Actions which aim to **reduce costs** of council services without changing service levels as far as the public are concerned;
- Investment: Actions which aim to **reduce the need** for council services or reduce the cost of services in future;
- Retrenchment: Actions which **reduce the council's role** in terms of the services it provides and for whom.

The table also highlights specific sub-strategies within these and illustrates what these entail through their key dimensions.

We use this framework to explore the approaches of the case studies to tackling their budget gap. Each case study deployed elements of all three strategies although the balance varied between them and changed over time. It should be noted that the framework was devised and refined iteratively during the process of data gathering and analysis, rather than imposed on the evidence. Our interpretation of how each case study fitted within the framework was validated in feedback sessions with senior officers.

Table 4.1: Strategies to manage the budget gap

Headline strategy	Specific sub-strategies	Key dimensions
<p><b>Efficiency</b></p> <p>Actions which aim to <b>reduce costs</b> of council services without changing service levels as far as the public are concerned</p>	1. Reduce 'back office' and 'fixed' costs	Management delayering; corporate redesign; reduced support functions; technology used for support; reduced interest payments; reduced office space
	2. Income generation or loss reduction	Increase traded income via selling services; more effective debtor management
	3. Seek savings from external providers	Re-commission existing contracts (unilaterally or with other local authorities); outsource services; bring outsourced services 'in-house'
	4. Redesign front-line services	Generic working; integration of services; consolidation of services in 'hubs'; smarter working using technology; hot-desking
<p><b>Investment</b></p> <p>Actions which aim to <b>reduce the need</b> for council services or reduce the cost of services in future</p>	1. Encourage economic growth or increase local returns from employment	Attract investment or jobs; improve residents' access to jobs; improve returns from work (e.g. Living Wage)
	2. (Accelerate) capital investment	Growth-orientated investment (e.g. site preparation); service-orientated investment (e.g. technology or facilities which reduce service delivery costs)
	3. Preventative revenue spend	Introduce/ expand services aimed to future reduce needs (e.g. re-ablement in domiciliary care)
<p><b>Retrenchment</b></p> <p>Actions which <b>reduce the council's role</b> in terms of the services it provides and for whom</p>	1. Renegotiate division of responsibilities between council and other agencies	Pass responsibilities/costs to or share these with other agencies (e.g. NHS, vol. sector); development of collaborative activities; new models of provision (e.g. co-operatives)
	2. Renegotiate division of responsibilities between council and citizens	Asset transfer to community groups; citizen volunteers to supplement or deliver services; civic responsibility and self-service
	3. Individual charges (for existing services)	New or increased charging for services
	4. Reduce the range of services supported by the local authority	Service no longer provided; 'statutory' only level of service provided; withdrawal of subsidy for service;
	5. Continue to provide the service on a universal but reduced level	Reduced number of a specific facility (e.g. libraries); reduced frequencies (e.g. refuse collection); reduced staffing of service
	6. Continue to provide the service but target towards 'need'	Provision targeted proportionately across the social gradient; provision focused only on the most needy groups or neighbourhoods

The range of activity underway across the case studies suggests the need for understanding of the implications of austerity to move beyond simplistic – and often politically driven - representations of austerity in action. These tend to highlight either its capacity to squeeze waste or ‘efficiency’ out of a profligate system of local government or, alternatively, widespread service reductions and closures. Table 4.1 suggests that broader and more nuanced change is underway within local government at the present time, change which is likely to have significance over the longer term. The headline strategies and their constituent parts are discussed in turn below.

#### 4.3 EFFICIENCY

The ‘Efficiency’ category captures the range of activities undertaken by local authorities which aim to reduce the costs of the organizational, democratic and service provision aspects of their work. It is important to note that the term is intended to capture those savings which do not result in an obvious direct change to service levels from the perspective of the public. The question as to whether ‘efficiency’ savings do indeed impact on service provision in a more indirect fashion will be considered in the third stage of this project.

In common with the majority of local authorities<sup>9</sup>, the three case study authorities have been engaged in programmes designed to generate internal efficiency savings prior to the budget contraction announced in 2010. The search for annual ‘efficiency savings’ has been a feature of the work of local government since Gershon at least<sup>10</sup>, and it is apparent that local government began to ‘gear up’ for the need to develop more significant efficiency savings as soon as the Recession began in 2008 with budgets under Alistair Darling entailing a significant onset of austerity, albeit on a more gradualist basis. It is clear however, that current financial context has brought these imperatives to the fore in ways which were not a feature of previous periods.

In all three case studies, major strategic, organizational change projects of one form or another were underway prior to 2010, badged with terms such as ‘transformative’ and ‘fundamental’. These have been reshaped and accelerated in parallel with the changing financial context. Efficiencies have also been generated via smaller scale, more ad hoc activities.

In Table 4.2 (which is included in Annex C) we provide detail of the various Efficiency strategies underway across the case studies, organised under the four ‘specific sub-

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<sup>9</sup>See <http://www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf>, page 25

<sup>10</sup> The Gershon Efficiency Review was a review of efficiency in the UK public sector conducted in 2004-5 by Sir Peter Gershon

strategies' identified in Table 4.1. In what follows, we discuss some of the examples outlined in Table 4.2.

#### *4.3.1: Reduce 'back office' and 'fixed costs'*

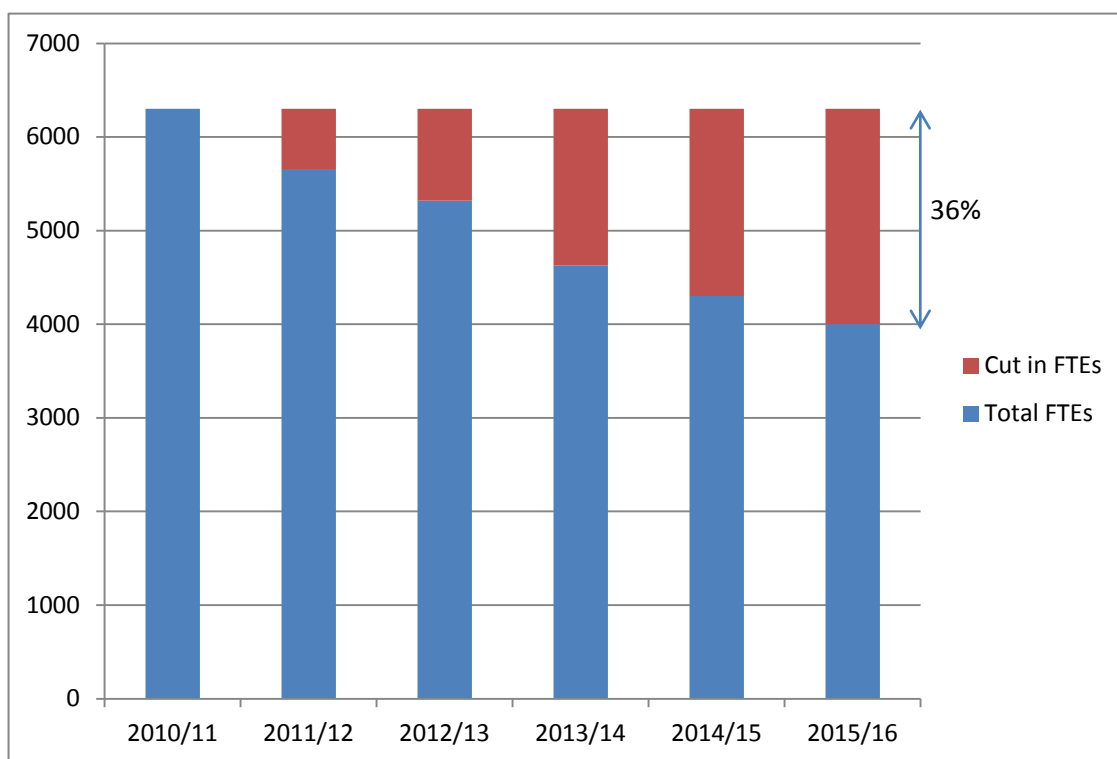
Back office, 'business support' functions have been subject to the biggest cost reduction programmes across the three case studies. This reflects an explicit desire to protect front line services. As Coventry's 2011-2014 Council Plan notes:

"The Council has to find considerable savings while at the same time trying to protect a range of front line services" (page 1)

Back office savings have been made via a range of measures across the authorities. Business support services such as Finance, Legal and HR have been redesigned and staffing complements shrunk. In addition, some of the more outward-facing corporate services such as policy, research and communications functions have also undergone very significant change. Systems have been introduced designed to enable non-specialist staff to be more self-sufficient in terms of HR and finance systems. Other forms of fixed costs have been tackled via rescheduling of PFI payments and reducing interest rate costs. An important component of Coventry's approach is the development of a set of shared services with Warwickshire and Solihull councils focused on procurement. In Milton Keynes a raft of (relatively small) changes to staff terms and conditions have also been implemented.

In each authority, a substantial programme of staff reductions has been implemented across the non-front line aspects of the organization, managed in large part via voluntary severance. Very senior posts have been deleted, and 'management layering' has shaped significant change throughout the organisations. In Figure 4.1 we show the annual loss of FTEs in Newcastle since the baseline year of 2010/11 when the council employed 6302 FTEs. By 2015/16 the council estimates that it will employ 4001 FTE – a cumulative loss of 36%.

Figure 4.1: Newcastle cumulative cut in FTEs from 2010/11 to 2015/16



For Coventry and Milton Keynes, we only have data for the four years 2010/11 to 2013/14. In Coventry, staffing reductions amounted to 1,427 FTE (22%) over the period, while in Milton Keynes the reductions were of the order of 18% from a baseline of 2494.

Another way in which savings have been generated is via reductions in office space. In Coventry during 2013, a process was embarked on in which the 27 office buildings used by the council for administrative purposes would be reduced to nine – eventually generating a gross overall loss of office space of 20%. In Newcastle, a major rationalization of staff into the Civic Centre and closure of 13 other office buildings is underway (saving £2.1m by 2016). (NCC, March 2013 a: page 46). As a result of staff losses, Milton Keynes is similarly able to consolidate staff within its two main buildings and to generate income from renting out vacated space. In all cases, direct savings are anticipated via sharing support and maintenance services, as well as via reducing the amount of time some staff spend travelling between buildings. A more indirect – and less certain – set of savings are anticipated in relation to generating capital receipts via asset sales.

A key element of Milton Keynes search for efficiency savings has involved buying out the last three years of a £20m annual contract with a private company providing 12 business support functions for the authority. The services and staff will be taken in house in a new service delivery vehicle. This is the largest single saving proposed by the council



(amounting to £4.7m of direct savings and underlying savings of around £6m a year). Senior officers are clear: savings will be generated by the council having more control: “going out to the market is not a way of retaining control”. In Coventry, the previously outsourced IT function has also been brought back in house.

This development may be of some significant interest. The previous period of local government cuts was characterized by an ideological drive to gain efficiencies via outsourcing and compulsory competitive tendering. As 4.4.4 discusses, all three councils are involved in outsourcing services and renegotiating contracts with commissioned providers in deliberate attempts to extract efficiencies. In light of this, it is interesting that, efficiencies are also being sought by reversing previous outsourcing decisions. One interpretation is the current phase of austerity is manifesting in a less ideological way in relation to this aspect of local government at least. The case studies demonstrate that they have the latitude to decide whether in-house or outsourced is the most appropriate vehicle for generating efficiency savings – an example, perhaps, of localism in action?

#### *4.3.2: Re-design of front-line services*

Section 4.5 explores a range of changes to front line services beyond ‘redesign’ in some detail. However, according to senior officers, savings have been generated by redesigning front line services in ways which do not impinge on the quantity or quality of the service as experienced by the service user, and which therefore should be considered as efficiencies. Indeed, as senior officer from Milton Keynes argued a range of actions had “improved services to the public while taking money out”. And in Newcastle, discussing the early rafts of savings which affected front line as opposed to back office services, one officer suggested, in relation to their own service arena :

“none of the changes we made have worsened our service to people [...] Feedback from questionnaires supports that our offer is still of good quality and effective, judged by our performance indicators [...] A good quality offer – whether that is possible from here on is an entirely different matter. [...]”  
(Newcastle, Senior Officer, summer 2012)

It should be said that subsequent interviews suggested that this early view was an overly optimistic version of the impact of early savings strategies.

To some extent, the strategies devised to generate efficiencies from front line services mirror those devised for back office functions. Thus, management de-layering has been a feature of front line service efficiencies. In Milton Keynes, a number of Heads of Service posts have been deleted. In Newcastle, an early action was to delete a third of managerial and supervisory posts in environmental services, generating a “huge range of efficiencies” by increasing “spans of control from middle managers to front end, of one to two hundred”. Different services have also been consolidated into single buildings – such as libraries into leisure centres.

The authorities are also attempting to gain efficiencies from the smarter use of data and information technology. Milton Keynes, for example, has a major project underway around making the right data available to staff in the right form, while Newcastle is attempting to improve mobile computing for social work staff to free up more time for interacting with clients. In Coventry services such as libraries and housing have moved onto much more of a self-serve basis by utilising technological possibilities.

Working practices are being changed in other ways – from ‘double shifting’ in street cleaning in Coventry to generic working in leisure services in Newcastle. In the latter case, cleaning, reception and other operational roles have been consolidated within one generic role with the loss of 23 FTE posts for 2012/13. The impact on the remaining staff is argued to be positive: “it’s helped to develop roles... people’s self-esteem” and “the pay rate’s gone up”.

The most far reaching aspect of service redesign is likely to be the integration of previously distinctive services. Milton Keynes has brought together music and adult learning, for example. Such strategies may become more prominent in the future, but an indication of the direction of travel is the significant reshaping of the organization and delivery of services focused on the early intervention agenda in both Milton Keynes and Coventry.

#### *4.3.3: Income generation or loss reduction*

Austerity has undoubtedly provided an impetus for local authorities to develop more entrepreneurial kinds of activity and to explore new markets for this. In Newcastle, one of the council’s various workstreams devised to address the budget gap is labelled ‘civic enterprise’. Focused on “how the Council can maximise income through trading services”, the ambition of the workstream is to expand the existing portfolio of traded services beyond Environment and Regeneration and school specific services to a much broader range – including services as diverse as HR, ICT, pest control and Highways and Traffic Signals. Rationales for the priority attached to this activity are that it is a way of “safeguarding the future of high quality Council services” and protecting jobs (2800 staff are said to have their employment underpinned by the range of traded services proposed). Additional social benefits are also identified such as supporting SMEs and the voluntary sector and developing new apprenticeship opportunities.

One senior officer suggested that the increased targets set for commercialization could be daunting to achieve. Further, the capacity of councils to make substantial inroads to tackling their budget gap via selling services on a commercial basis was doubted by more than one of the senior officers interviewed. For example, one argued: “everyone (all local authorities) are looking as hard as they can at it (commercialization)... It’s going to be a crowded market” (Senior officer, Milton Keynes).

There is evidence that the authorities are exploring the income generation opportunities presented by information innovations such as open data and as well as smart technology. Milton Keynes is working on positioning itself as “Britain’s premier digital smart city”, with a bid led by the Open University to the Higher Education Funding Council for England (HEFCE) for an *MK:Smart* programme which will centre on establishing the *MK Data Hub*. This will draw together and make available information relevant to how the city functions - including data from key infrastructure networks (energy, transport and water) and sensor networks (eg. weather and pollution data); satellite data; and data from social media and specialised applications.<sup>11</sup> Access to the data will then be sold to commercial developers. The proposal also envisages significant economic development potential from the initiative.

#### *4.3.4: Seek savings from external providers*

The three authorities have strategies in place designed to reduce the costs to the council of services commissioned from external providers in the private, voluntary and independent (PVI) sector. Milton Keynes has traditionally outsourced a range of services and is reviewing a number of contracts such as Meals on Wheels and Day centres within social care, and those with trusts providing some swimming pools. Additional services are being outsourced such as landscape maintenance, and nurseries. Coventry, which does not have a large portfolio of externally commissioned services is, nonetheless, generating savings by externalising its meal service and re-commissioning specific adult care services. A major review of procurement and commissioning was underway at the time of writing.

In Newcastle, a relatively early action was to re-tender Homecare Services for adults in 2012/13, saving £443k identified. The result was to reduce the number of provider organisations, re-organize provision on a zoned basis and reduce the number of staff employed in service provision. It also led to a lower price paid by the council to the provider for an hour of service. The view of one senior officer was that the basis of the recommissioning process was not just to create savings: “we tried to create opportunities to improve user experience as well.” This meant that the council tried not to “squeeze the sponge too much” particularly in relation to the wages of front line staff as there was a concern that paying lower wages “would begin to affect quality”. Discussing the same initiative a second officer did express some discomfort over the extent to which the council has “had to drive down contract prices... there is a balance between getting a good price, not driving costs down, maintaining quality and not damaging the market ... intuitively I worry for quality. People tell me feedback is still positive but I worry about a time lag”

A further set of proposals for Newcastle for 2013-16 suggest a small number of additional attempts to generate savings from external providers. For example, changes

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<sup>11</sup> <http://cmis.milton-keynes.gov.uk/CmisWebPublic/Binary.ashx?Document=39746>

to the contractual arrangements with third sector learning disability providers are planned for 2013 -14, saving almost £1.15m. In addition, a payment by results model will be introduced in 2014/15 designed to incentivise providers “who successfully achieve a minimum reduction of 10% in support delivered to an individual by sharing any savings made.” This move is anticipated to save the council £ 262k<sup>12</sup>A second example is development of a consortium of North East local authorities to jointly commission residential placements for looked after children.

#### *4.3.5 Reflections on risks and threats*

One of the strongest narratives emerging from the interviews with senior officers was that efficiency savings were becoming ever harder to achieve. For example:

“We have always held on to our fundamentals, but we have got to the point that we have nowhere else to go. ... We have not scratched the surface of difficult decisions yet” (Senior officer, summer 2012, Newcastle)

“We have to stop slicing; we’ve already trimmed all we can. Some services are just going to have to go” (Senior officer, autumn 2012, Coventry)

“Going forward the council are running out of easy reductions. They real worry is what we do as we move forward. We now have another two years ahead<sup>13</sup> and we have taken out the easy savings.” (Senior officer, summer 2013, Milton Keynes)

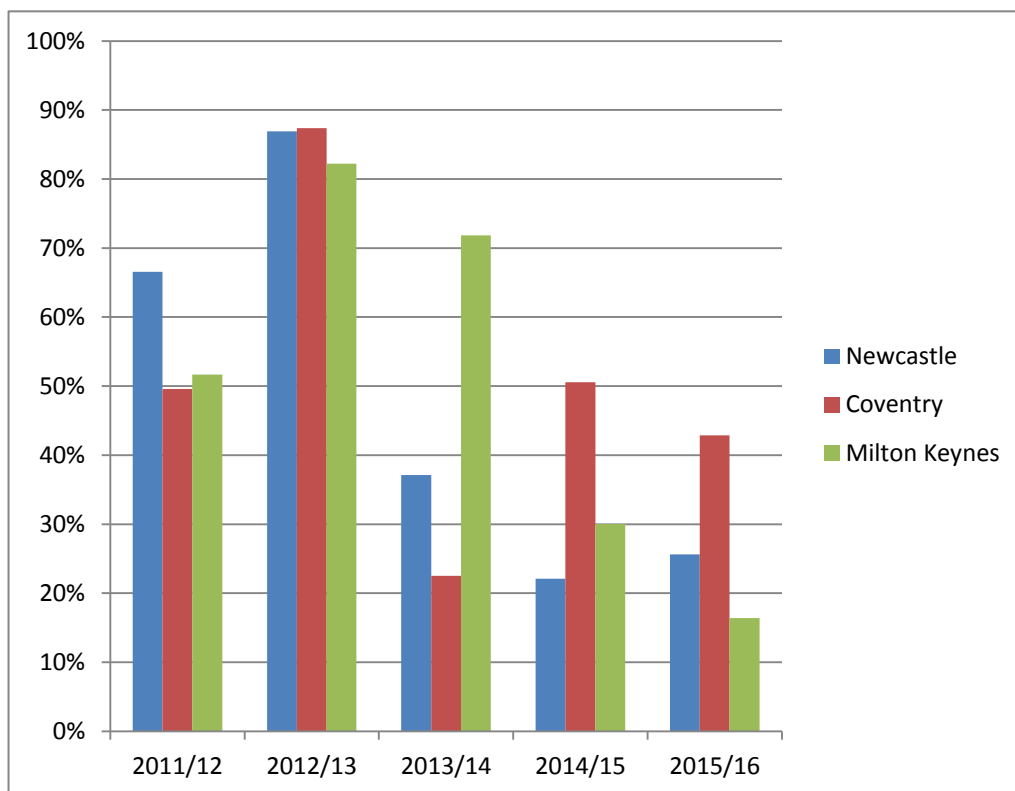
In Figure 4.2, we detail the savings generated from efficiency savings by the three authorities over the five year period under scrutiny and show the contribution which these savings make to addressing the budget gap.

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<sup>12</sup>budget\_2016\_-\_45\_-\_learning\_disability\_contractual\_changes\_0.pdf

<sup>13</sup>A reference to the further cuts announced in the June 2013 Spending Review

Figure 4.2: Savings through efficiencies as a percentage of the budget gap – 2011/12 to 2015/16



The figure shows the massive contribution which efficiency savings have made to closing the budget gap in the three authorities, particularly in the first two years of budget contraction. Indeed efficiencies generated upwards of 80% of all of the savings needed in the three authorities in 2012/13.

The figure also shows that the three years ahead look very different, supporting the interview evidence that Efficiency measures were becoming harder to find. Milton Keynes appears to have one further year in which substantial efficiency savings can be made before alternative strategies become necessary. Newcastle appears to be running out of ways to generate efficiency savings. At the time of writing, Coventry were still firming up the detail of their savings proposals for 2014/15 and 2015/16. The pattern of savings presented for these years may not therefore fully capture the balance between Efficiency and other strategies—particularly since the interview evidence was clear that efficiencies were becoming progressively harder to identify. We will endeavour to capture the more detailed picture in the subsequent report from the project.

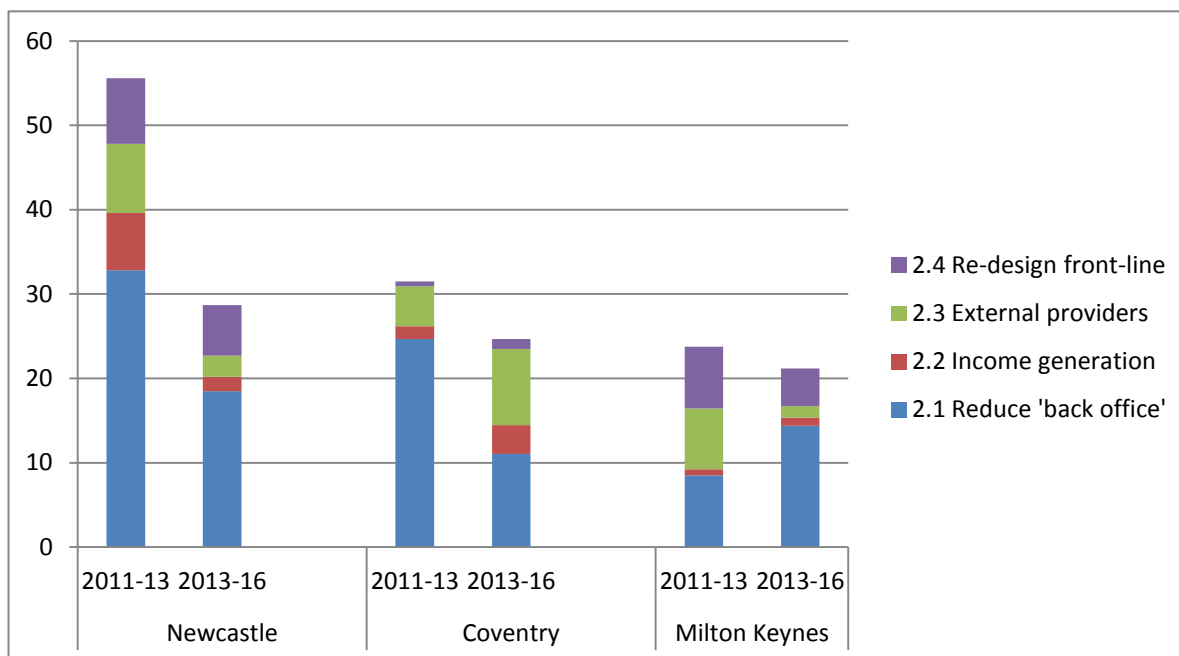
It is interesting to pause and consider the actual scale of savings achieved or planned. Figure 4.3 shows the value of the efficiency savings by the three authorities divided into two periods – the two years of savings implemented thus far at the time of writing (2011-

13), and the three years in prospect (2013-16). It shows the scale of the savings in relation to each of the four distinctive strands of efficiency savings.

*Figure 4.3 Efficiency savings (past and prospective) by sub-strategy (£million)*

<b>Newcastle</b>	2011-13	2013-16	<b>Coventry</b>	2011-13	2013-16	<b>Milton Keynes</b>	2011-13	2013-16
Reduce 'back office'	32.81	18.47		24.68	11.04		8.50	14.37
Income generation	6.79	1.74		1.52	3.44		0.73	0.98
External providers	8.21	2.50		4.71	9.01		7.19	1.36
Re-design front-line	7.78	5.99		0.57	1.18		7.34	4.45
<b>Total efficiencies</b>	<b>55.59</b>	<b>28.71</b>		<b>31.48</b>	<b>24.67</b>		<b>23.76</b>	<b>21.16</b>

Figure 4.4 Comparison of Efficiency savings 2011-2013 and 2013-2016 by sub-strategy and case study (£millions)



In Newcastle total efficiency savings (delivered and planned) amount to £84.3m. Those in Coventry are £56.15m, while for Milton Keynes they are £44.92m. This is clearly a very significant scale of activity.

What is striking is the proportion of these savings generated from 'back office' initiatives – in Newcastle's case it is over £51m, or just over 60% of the total; in the case of Coventry it is over £35m or nearly 64%, while in Milton Keynes it is £22.87m or just over 50% of total efficiency savings. In contrast savings generated via similar processes with regard to front line services are of a much smaller in scale –although there is significant variation. In Newcastle, the total is £13.77m (just over 16%); in Coventry the total is just £1.75m (or just over 3% of the total) while the Milton Keynes figures are more substantial at £11.79m (26%).

In section 4.5, we discuss the range of strategies focused on front line services which go beyond efficiency savings and redefine service provision in some way. Given that it may be that some of the savings labelled as efficiencies in this section do actually manifest as changes to service levels or quality, it may be important to consider the scale of change to front line services as a whole in the analysis and in the final report from the

project. The findings of the research with service users and service providers will be used to guide this decision<sup>14</sup>.

Clearly, efficiency savings have impacts which run through organisations. Like the other headline strategies discussed in this chapter, these measures will fundamentally change the organization of local government. Some interviewees in two of the case studies observed that there was a paradoxical situation at play – at time when local government was being asked to remake itself; it was divesting itself of the capacity to change – particularly because so many senior and long term staff had left. In an allied point, there was also evidence of a loss of morale among some staff:

“You work harder....you do work much harder. Sometimes the quality’s been compromised, ah, what I’d call the spit and polish isn’t there anymore - the icing on the cake, the finishing touches. Ah, we can’t do as much as we want to do, and I find that hugely frustrating... its just – its back to back”

#### 4.4 INVESTMENT

Investment captures an area of activity which – in relation to austerity – could be labelled ‘demand management’ or ‘needs reduction’. As Table 4.1 shows, three specific kinds of strategies are captured by this heading:

- i. Strategies focused on economic development/growth and interventions designed to diversify the labour market or re-distribute opportunities from it. Measures designed to grow the economy, maximize business rate income and to distribute benefits in ways which impact on the level of need within the council area and therefore demand for services are captured here.
- ii. Strategies designed to accelerate capital investments and to strategically deploy these investments in an attempt to minimise demand for services funded from revenue sources.
- iii. The strategic deployment of revenue budgets in order to try to minimize need or demand for service provision over the longer term. .

Table 4.3 in Annex C highlights the various ways in which each the three case studies are seeking to manage austerity, classified within this framework.

The evidence of Table 4.3 is of a plethora of activity developed by the case studies designed to reduce levels of demand on services. By categorizing this activity within the framework, similarities and differences between the case studies can be drawn out, and the drivers and practical details of selected approaches can be explored.

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<sup>14</sup>As indicated earlier, the final phase of the project will explore whether and how efficiency savings impact on the nature and quality of services. This report will be published in the winter/ spring of 2015.



#### 4.4.1 Encourage economic growth and/or increase the returns from employment

Newcastle and Coventry City Councils prioritise this area of activity to a significant degree. Austerity appears to have intensified the emphasis placed by both councils on growing and diversifying the local economy, on repositioning the cities in terms of their attractiveness to mobile capital and labour, and on initiatives designed to provide employment opportunities to disadvantaged groups. Thus both councils published economic development strategies in 2011 as early actions to tackle austerity and have refreshed these agendas since. Indeed, interviews suggest that the priority attached to economic growth as an austerity-management strategy has strengthened over time. Newcastle has identified £400m of capital investment over three years focused on business growth and aligned with its revenue programme to deliver preventative spend (see 4.4.3). In Coventry, the Chief Executive of Coventry Council has taken ownership of economic development as an aspect of a larger strategy in which economic growth and job creation dovetail with the “organizational blueprint” to encourage greater “self-sufficiency” amongst Coventry’s residents. (This is discussed in detail in 4.5.2)

Indeed it is important to highlight that, in both authorities, economic growth is conceived of as a means to an end. Whereas development is undoubtedly valued as a source of additional income in the form of business rates – income which can be invested to pump prime further investment– growth is also viewed as a way to directly intervene in levels of demand. Whilst there is less of an emphasis overall in Newcastle on generating ‘self-sufficiency’ in comparison with Coventry, the idea that economic growth will foster “resilience” and reduce reliance on the council also drives Newcastle’s approach:

“People in work also means fewer community tensions, fewer health and social problems, less crime, and is the best way of increasing the resilience of individuals and communities. So creating jobs, and ensuring local people have the skills to do them, is part of our vision for a fairer city, where people rely less on public services”

Cllr Nick Forbes, Leader of the Council, Foreword to *Newcastle – a working city. Promoting opportunity in tough times*, November 2012:

As Table 4.3 illustrates, a significant focus of economic activity is on city centre development. In Newcastle, the emphasis for business growth is on the city’s central station and adjacent area, as well as on working with the University and other partners on initiatives designed to enhance its ‘science city’ status. This latter initiative is said to have the potential to generate 600 construction jobs and the prospect of a further 13,000 new permanent jobs (Newcastle City Council, 2012: page 6). Coventry is embarking on a major city centre regeneration plan, underpinned by a £59million investment from its capital programme. The centrepiece of the plan is a property-led, business investment scheme - ‘Friargate’ - anchored by the re-location of the majority of the council’s central

functions to the development. Both councils are using newly available central government support for these initiatives – Newcastle’s developments are facilitated by the freedoms and flexibilities afforded by its successful negotiation with central government over City Deal status in 2012, while Coventry’s ‘Friargate’ is underpinned by a £12.7million grant from the Regional Growth Fund. In addition, the final outcome of a collaborative City Deal application focused on remaking the engineering base of the sub-regional economy of which Coventry is part was awaited at the time of writing. This suggests that there is some degree of central government financial support for strategies designed to manage austerity predicated on reducing demand via growth. The extent to which this can be understood as part of the Coalition Government’s broader agenda in relation to remaking local government must remain open for now.

The Milton Keynes case study presents some important contrasts with those of Newcastle and Coventry. As was described in Chapter Three, Milton Keynes was the fastest growing city in England until recently. A key issue for the council is how to manage the impact of growth: both on its capital budgets in terms of the need to fund the infra-structure to support housing and other forms of development; and on revenue budgets as a consequence of increased demand for services.

In relation to pressures on capital budgets, Milton Keynes was the first council in England to introduce a ‘roof tax’ or infra-structure tariff of £22,000 per new property. The tax is levied on developers and is designed to cover towards 75% of the costs of the infra-structure necessary to support development, with the shortfall theoretically made up central government grants provided in support of growth, including the new grant - the New Homes Bonus. Interviewees suggested however that the council was “in a much tighter position” now than prior to 2010/11 in terms of bridging “the significant gap” between developers’ contributions and the costs of development to the council via capital support. Despite these challenges, Milton Keynes is also investing in projects designed to reflect its growing city status – for example by providing a new campus for the University of Bedfordshire.

The council is also attempting to use the benefits of economic growth to reduce demands on services, for example by using the income generated from a casino development to fund area regeneration and employment support initiatives. However, a number of interviewees highlighted how the trajectory of socio-economic change within the authority heralded longer term challenges likely to become commensurate with those of other major cities and with the potential to exert significant pressure on service provision. Thus, an “inner city problem” was emerging with older more central parts of Milton Keynes becoming home to increasing numbers of new migrants to the UK, often with low qualifications and poor command of English.

#### *4.4.2 Accelerate own capital investment*

Whilst the activities described under 4.4.1 largely involve the local authority in marshalling other private and public sector actors and agencies to deliver Investment, this second strand (and indeed the third discussed next) focuses on actions of the

councils themselves in developing ‘invest to save’ approaches. This includes areas of activity traditionally associated with capital budgets – such as growth-orientated investments. The re-location of council offices to a major regeneration site in Coventry can be understood in this light. In Milton Keynes, capital spend is being used instrumentally to ‘pump-prime’ the transfer of council buildings to parish and voluntary groups. One senior officer suggested that assets would be more attractive and transfers more likely when repairs and decoration were up to date. Another example from Milton Keynes illustrates a further driver of activity under this heading: an investment in a waste treatment facility which will not produce direct savings for 15 years is also viewed as an eventual source of income when excess capacity can be sold commercially.


Whereas local authorities are not allowed to offset deficits in revenue budgets from capital expenditure, austerity appears to have enhanced the imperative to use capital funds creatively in order to reduce pressure on revenue budgets. The most obvious example is the investment common to all three case studies in assistive living technology which is designed to promote independence and reduce pressure on care costs. Clearly, investment in this kind of technology pre-dates austerity and its capacity to augment and extend ‘care’ has been recognized for almost two decades. What is striking however is that the understanding of the potential of such technology appears to have shifted from how it can be used to enhance care, to how it can save other more costly forms of care. In Newcastle, for example an expansion of the reach of the council-run Telecare system to new fractions of the elderly population aims to “mitigate against the triggers which typically cause residential care admissions” and which place substantial pressure on council budgets. The scale of the saving anticipated over the three years 2013-16 is significant at nearly £2.7 million.<sup>15</sup> In Coventry, the rationale for such investments links strongly into a wider ambition to instill more self-sufficiency.

#### *4.4.3 Preventative revenue spend*

Strategies under this heading capture where local authorities are introducing or expanding service provision in a deliberate attempt to reduce need in order to reduce cost in the longer term. In the case studies, such strategies would appear to be primarily focused on the more costly services areas such as children and adult social care. Clearly these are areas of provision with the capacity to absorb more and more resource unless needs can be reduced or managed more effectively. This kind of strategy might be understood therefore as one way in which councils are trying to avoid the ‘cliff edge’ situation in which social care absorbs the majority of the resources available to the councils.

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 budget\_2016\_-\_41\_-\_whole\_system\_whole\_community\_concept\_for\_prevention.pdf

One major strand of this activity relates to attempts to reduce or minimize numbers of 'looked after children'. Newcastle and Coventry have higher than average proportions of children with this status, while Milton Keynes numbers are "low": a situation which senior staff suggest reflects a long term commitment to early intervention. However, organizational transformation as a response to budget contraction has led Milton Keynes to establish a service - Children and Families Practices - providing low-level support within local areas. The service is designed to enhance early intervention via more integrated working. Coventry have developed a similar Children and Families First Unit merging services and developing multi-disciplinary teams as well remitting some of the staff within Childrens' Centres to focus their intensive work on children in danger of being taken into care. Newcastle's approach has been to recruit five additional staff to the adoption team in early 2013 in an attempt to increase the scale and the rate of adoption in the city. A major campaign has also been designed to recruit new adoptive parents. It is worth noting that both Coventry and Newcastle anticipate significant savings on budgets associated with looked after children – Coventry £3.5m between 2012-14, and Newcastle £3.7m over the period 2013-16. It is also notable that Coventry consider their decision to fully fund council tax benefit - and therefore to absorb the loss of 10% of the cost of this benefit in other savings - as form of preventative revenue spend: "members are very committed to this ... the last thing families in poverty need is this additional cost".

#### *4.4.4 Reflections on risks and threats of Investment strategies*

The emphasis placed on Investment by the three authorities reflects an understanding of the long run nature of austerity. As one senior officer observed: "there's a second wave of cuts coming, beyond what we have planned for. We don't expect things to improve until 2020"

It has been good practice within local government for some time to develop early intervention approaches to address and minimize need – supported in the past by the Early Intervention Grant focused on family support. The interviews suggested that austerity had given new impetus to developing such approaches, and was perhaps encouraging a more energetic extension into additional service arenas such as looked after children.

Clearly local government has also prioritised economic development to a greater and lesser extent over the past decades. In the case of the two deprived urban case studies, it is clear that austerity is driving a much more vigorous approach here. The drive is more than simply demand management from a service perspective. It is about re-positioning the authorities as the drivers of successful places. As one senior officer argued, a direct outcome of budget contraction will be the production of "two leagues of local authorities": those who lead their area out of the recession and those that fail to do so. The emphasis placed by both Newcastle and Coventry City Councils on investment and labour market initiatives should be understood in this light. As has already been

indicated, in Milton Keynes the situation is rather different. For the local authority there, the task is to manage the effects of growth, and the perceived contraction of central government support in this regard.

The evidence of the strategic interviews can be triangulated with quantitative analysis of the proposed and implemented 'savings' in each authority. This allows another perspective to be gained on the extent to which Investment is being used as a strategy to manage austerity.

As indicated in 4.1, for each case study a detailed analysis of saving proposals was undertaken for the five year period 2011-2016. Information was derived from appendices to budget reports - which gave brief descriptions of proposed savings - supplemented by information provided in Equality Impact Assessment reports where available. Each saving was categorized according to the framework identified in Table 4.1. (See Annex D for more detailed information on sources and process)

Figure 4.5 shows how savings generated from Investment approaches are anticipated to contribute to closing the overall budget gap experienced by each authority over each year of the five year period under scrutiny.

Figure 4.5: Savings through investment as a percentage of the budget gap – 2011/12 to 2015/16

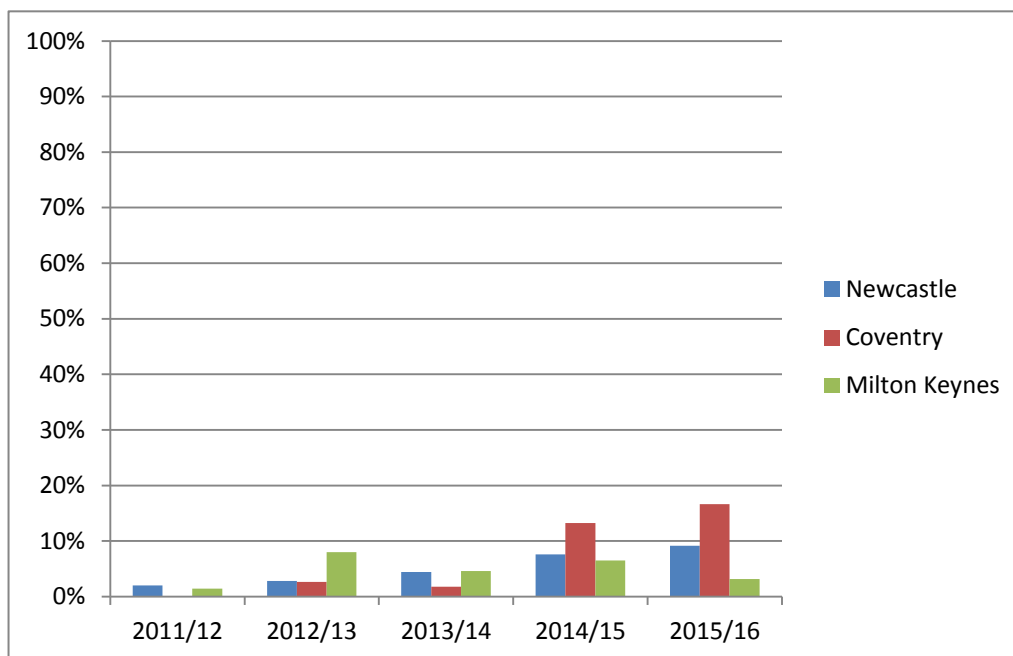


Figure 4.5 shows that despite the emphasis placed on Investment, actual savings anticipated plug only a small proportion of the budget gap in each of these years for each case study. Clearly, it is anticipated that savings will take time to accrue and that they will become a more significant component of managing the budget gap in the later stages of austerity. This is most apparent in Coventry – a trend which was clearly signalled in the strategic interviews

A key point to note is that - despite the priority which Newcastle and Coventry attach to economic development as a means to manage demand - neither authority has attempted to identify the scale of savings it might expect to generate via such activity. Thus Figure 4.5 only captures savings anticipated as a result of two of the categories: preventative revenue spend and those aspects of accelerated capital spend which are not simply about pump priming inward investment. Clearly, it is difficult to be precise about the savings to be generated via growth agendas (and – importantly – it should be noted that returns are expected to accrue over the next 20 or so years, rather than over the three years considered in the budget cycle) . One interpretation is that the authorities are being prudent in not counting savings which are not yet defined or quantifiable: the councils are therefore ensuring that budgets can be balanced in the short to medium term without substantial savings being accrued via these strategies. A second interpretation might emphasise the uncertainty of this whole endeavour. Despite the rhetoric of localism, local government is only one player in the much bigger set of factors which will determine the economic trajectory of their jurisdictions. Local authorities might therefore be sensible to avoid balancing budgets based on assumptions about growth.

Indeed, when it comes, growth will inevitably be uneven. It will also be highly competitive. One further impact of austerity might be to increase the level of competitiveness between local authorities – particularly at the regional scale.

A final point worth emphasizing is that the capacity of councils to re-think how current resources can be used effectively to save for the future would appear to be comprised by the scale of austerity. As one senior officer argued:

“If you’re gonna drive a huge change agenda, and the biggest change agenda that I’ve probably seen in 30 odd years of government - you’re gonna need more capacity, not less ”

#### 4.5 RETRENCHMENT

In Table 4.1, Retrenchment is defined as the range of strategic responses to austerity which result in a Retrenchment of the nature, purpose or role of local government. Terms such as ‘contraction’ and ‘retrenchment’ were also considered as potential labels for this set of activities, but in the end the term Retrenchment was preferred. The concept draws attention to the extent to which the traditional role of local government might be shrinking, but also to how it may be growing in other spheres. Retrenchment also captures the extent to which a range of other actors are expected to fill gaps left by budget contraction and indeed how the role of these other actors in delivering services or their associated outcomes may also be in the process of being redefined. It should also be noted that a substantial focus of Retrenchment activity is on front line services.

Table 4.5 in Annex C details those approaches of the case studies which can be captured by the concept of Retrenchment. Below we look at the specific sub- strategies in turn.

##### *4.5.1: Renegotiate division of responsibilities between council and other agencies*

Newcastle has a range of plans under development which will change the role of the council and of other agencies in providing services to a substantial degree. One senior officer argued that the time had come to develop bigger, bolder solutions. There was no point in “nipping away in an incremental fashion”. Thus the set of budget proposals that they have developed for 2013-16 envisage a range of new service delivery models, particularly in the costly social care sphere.

One example is the establishment of a ‘Health and Care City Deal’ – a “whole system” approach in which the health and social care needs of older people and people with long term health conditions are dealt with in an integrated manner by the Council and NHS. The proposal indicates potential savings to the council of around £2m for 2015/16.

The capacity of the model is also attractive in its capacity to access new funding sources such as ‘invest to save’ Social Impact Bonds is noted.<sup>16</sup> In addition, a social care “co-operative” is proposed: a not-for-profit business competing in the care market, offering services for people with complex needs. An additional element – which will presumably drive its viability – is that services will be made available to those whose care needs are self-funded as it will have the latitude to trade in the open market.

In Coventry, plans for such significant changes to the way in which adult services are delivered are not as far advanced as they appear to be in Newcastle. There are moves to renegotiate the boundary between council provided services and those provided via the NHS services and the council is hoping to make use of NHS services – such as health visitors - in order to facilitate earlier identification of problems and to allow the council to target its services more effectively. The new council leader appointed in spring 2013 has indicated that there may be a need to develop new service models and, in particular develop not-for profit social enterprises to run council services.

In Milton Keynes, an important change has taken place in the relationship between the council and the voluntary sector organisations providing, for example adult social care and community safety services funded via council resources. As an explicit strategy to manage budget change, the council has moved away from funding such organisations on a grant funded basis to a “contractual type relationship” in which the council is “much more directive in defining the service that they will provide ... it allows us to be much clearer on what we want ... we hardly give any grants now” .A second important boundary shift taking place in Milton Keynes is in relation to the division between what services are provided at local authority level and what is done at parish level. Milton Keynes is a fully parished authority, and as a result there is the potential to consider whether leisure or library services are best provided at what level, or whether the youth centre or cutting of grass within cemeteries might be better done by the parish or the local authority. The asset transfer element of this approach is discussed in the next section.

#### *4.5.2: Renegotiate division of responsibilities between council and citizenry*

Across the case studies, there is a strong emphasis on strategies which will change the balance of responsibility between the council as a service provider and the citizens who use these services. Attempts to ‘responsibilise’ service users are likely to have far reaching implications for the nature and role of local government over the medium to longer term. If these attempts are successful, some of the central tenets of the Big Society and localism agendas are likely to be borne out: namely, that when the local state contracts, individuals and communities will come forward to fill the gaps – by providing higher levels of care for neighbours or by running libraries and leisure centres for example. In this vein, responsibilisation will also halt some of the behaviours which

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<sup>16</sup>budget\_2016\_-\_56\_-\_social\_care\_commission\_-\_a\_health\_and\_social\_care\_city\_deal\_0



lead to the need for services to be provided in the first place –littering would be one example. However, if the attempts are unsuccessful then a rather different set of outcomes will be apparent – some care needs will not be met, some libraries and leisure centres will go by the wayside, some streets will be littered and degraded.

One facet of responsabilisation relates to what might be called the self-sufficiency agenda. This agenda has the status of “organizational blueprint” in Coventry and is described in Milton Keynes as “an attempt to bring about a channel shift” in how communication is achieved. The central tenet of the agenda is to reduce costs by reducing the reliance of service users on face-to-face contact with providers. Perhaps the least controversial way in which this is achieved is by replacing staff with forms of technology - such as library self-service or digital bill paying. All three case studies are using technology in these domains. While Newcastle is increasing the use of digital services, senior officers suggested that it is not a strategic priority: “people need face to face support... it protects people from dreadful situations”.

Self sufficiency of this sort is also being fostered is by managing customer interactions via call centres – ‘one number councils’ for example. Coventry has embraced this approach via the development of generic call centre staff tooled with a range of scripts to manage a range of enquiries – from lost library books to impending homelessness. In relation to homelessness, the council is attempting to manage much more of the initial contact between clients and council via the call centre, using this as a means to signpost clients to the most appropriate service where face to face contact will be made. Milton Keynes is considering developing as a one number council, but interviews suggested that complex issues such as homelessness will continue to be handled on a face-to-face basis. Clearly, while an increasing proportion of the population is comfortable navigating call centres and digital systems, the possibility of uneven impacts and exclusion remains. Indeed in Milton Keynes, there is a recognition that face to face contact will be necessary for “the ten per cent of the population with complexity around needs... we can never stop seeing people”.

A second facet of this agenda is the transfer of council ‘assets’ such as leisure centres, libraries and community centres to local groups. All three authorities had already transferred a small number of such assets to trusts prior to 2010. Austerity has however very significantly energized asset transfer programmes. In Milton Keynes a Community Asset Transfer (CAT) programme is underway, focused on the “built community infrastructure” (leisure and community facilities, libraries and open spaces) and with a long term goal of “putting more control into the hands of our local communities”. To date, 32 facilities of this type have been transferred to parish councils and third sector organisations such as residents associations, scout troops and newly formed trusts. In the summer of 2013, four “large strategic sports venues” were offered for transfer. Whereas council documentation links the CAT programme clearly to community empowerment agendas we “wish to fully embrace the localism ideology”, more than one senior officer suggested that a clear driver of the programme was the desire of the

council to “avoid future costs” and divest itself of costly liabilities: “we don’t want the liability of the buildings in the long term”.

In Newcastle, the budget proposals for 2013-16 envisage “a very significant transfer of responsibility” for swimming pools and leisure centres more generally to voluntary and commercial organisations (NCC, Nov 2012; p24). It would appear that the imperative is not about invigorating the ‘Big Society’ per se, but is to “find a way of working with communities” to deliver services and facilities in a sustainable way and, in particular to avoid closures: “the level of our subsidies will be reduced towards the point where facilities will need to secure sufficient income to become financially sustainable, or closure will have to be considered” (ibid, page 24) A senior officer was clear that it is “a shift of responsibility to the community, not a shift of the burden”. Transfers of this kind in the leisure network over the period 2013-16, are expected to generate savings of £1.07m, with around 80 FTE job losses anticipated. Coventry by contrast links asset transfer to “releasing community energy”. A number of community centres are being transferred into local management enabled through the *Your Neighbourhood Matters* Programme.

A third facet relates to the responsabilisation of citizens in terms of behavioural change by involving them in the ‘co-production’ of service provision. Newcastle has developed a range of proposals in which some of the responsibility for preventing and addressing adult care needs is passed from services to communities, to the things “available in the person’s own life and neighbourhood”. (NCC, Nov 2012; appendix 2 paras 41 and 42.) Neighbours are exhorted to take “personal responsibility” for “looking after each other”.

One of the most significant shifts of responsibilities is with respect to environmental cleanliness and maintenance in Newcastle. As a result of contraction, there is renewed emphasis on promoting “behavioural change ... and the Council accepting that it does not have the ...resources ... to do what we’ve done in the past” (Senior officer, summer 2012). The publication of the 2013-16 budget proposals document six months after this interview underlined this emphasis: “Maintaining these standards will require individuals to take personal responsibility for supporting their neighbourhoods, with the council focusing on those services which only the council can do” (NCC, 2012; p.25) Savings of £7.5m are projected as a result of this changed approach to street cleaning, green space and parks maintenance and grass cutting over the period 2013-16, together with over 200 FTE job losses. Later interviews suggested that the “overly paternalistic” terminology of behavioural change had been replaced by notion of “civic responsibility” which is meant to describe a more bottom up process.

#### *4.5.3: Individual charges (for existing services)*

There are a range of service arenas where the introduction or extension of charges to service users for council services is beginning to redefine the relationship between the council and citizens. While the three authorities are all using such strategies to generate

savings, there is some variation in relation to service areas which interviews would suggest reflect local political priorities as well as perceptions of the reaction of service users.

Both Newcastle and Milton Keynes have introduced charges for the removal of bulky waste. In Milton Keynes, there is a reduced charge for households on benefits. In Newcastle there is no such subsidy and across the city the charge was initially “hugely controversial” with concerns expressed about affordability and the potential increase in fly-tipping. However, “it is now seen a necessary change by the community” and, indeed, one of the less controversial measures introduced to deliver savings. Newcastle has also introduced charges for green waste removal and replacement bins.

Transportation is another arena in which charging policy and practice is implemented, but in which the priorities of elected members are leading to a smaller scale of change than senior officers suggest is possible. Both Coventry and Milton Keynes have increased car parking charges: in the case of Milton Keynes – a city built around the car – budget contraction is the clear driver of the introduction of charges across the city: “no area has escaped ... the cuts led to charges relatively quickly in places we wouldn’t have introduced them.” There was a difference of opinion however as to whether the scale of charging was sufficient “to make a real difference”. The level of subsidy provided to local bus services is also politically controversial in Milton Keynes. A number of officers suggested that increased charging in this sphere only (in the words of one officer) “nipped away” at overly generous provision: “a managerial view is that there could be more savings”.

Finally, reviews of charging in Adult Social Care were early actions in both Coventry and Milton Keynes. However, in Newcastle, a similar review decided against changing charging levels and structures, based on the view that “the financial benefits of increasing charges to affluent people wasn’t worth it. These people are already screened out and so go elsewhere” (Senior Officer, Newcastle).

#### *4.5.4: Reduce the range of services supported by the council*

Thus far, the discussion has not highlighted how front line services have been reduced as a means of tackling the budget gap, although it can be argued that the two previous strategies of charging and responsabilisation are forms of service reduction. This section and the two sections which follow focus on more explicit forms of service reduction.

The savings that accrue as the result of the councils either deleting a service or withdrawing council support (usually subsidy) from an area of provision are perhaps the most obvious forms of service reduction. The heading also captures where an authority describes its savings as resulting from no longer providing services beyond what is statutorily required.

As Table 4.4 shows, Milton Keynes has identified a number of such reductions – across a range of service arenas including arts, young people and transport. Nursery education,

for example, will no longer be provided by the council – all of the provision will be provided by private providers. One of the most significant reductions in service is the deletion of the neighbourhood warden programme for 2013/14. The wardens had responsibility for aspects of environmental maintenance – particularly for trouble shooting problems and channelling complaints - as well as a community development/ crime prevention role. However, one senior officer described the wardens as “unnecessary double handing”, arguing that community relations would be improved by a more direct relationship between the contractor providing environmental services and residents. This same service has also been identified for deletion in Coventry for 2013/14– saving around £800k annually with around 30 jobs at stake. In the case of Coventry, this is a politically controversial saving: neighbourhood wardens were viewed as an essential complement to environmental maintenance – “the eyes and ears of the community” and, indeed a number of senior officers described environmental services as generally a “no go area in terms of savings”. One officer queried the value of protecting weekly bin collections at the expense of a service which, they argued, made more of an impact in deprived areas.

Newcastle has also withdrawn from the provision of a number of services such as the youth and play service, as well as reducing subsidy to leisure facilities. However, the incremental withdrawal from subsidizing a range of Arts and Cultural organisations proved to be very controversial locally at the beginning of 2013, leading to a compromise in which such institutions would no longer be funded from core revenue budget, but could access a new fund which the council will ‘pump prime’ to the tune of £600k – a fund designed “to encourage co-investment and financial contributions from people and organisations that have shown their support for Newcastle’s cultural and artistic development”. Further, targeted outreach work will be funded by aligning arts with a health and wellbeing agenda.

#### *4.5.5: Continue to provide the service on a universal but reduced level*

An alternative strategy to deleting or withdrawing support from particular services is to maintain universal coverage but in a diluted form. In Newcastle, library provision has been a controversial example of such an approach. Ten local libraries were initially identified for closure, but subsequent to consultation the closure of three of these was delayed (NCC, March 2013a: 29) . Both the council documentation and interviews with senior staff in the winter of 2012 were keen to emphasise that the principle of universality had been maintained “ 96% of Newcastle residents will still live within 1.5 miles from a library” and the explicit aim of the budget proposal on the library service is to “maintain a comprehensive library service”. In Coventry, a number of services are being provided on a reduced frequency such as grass cutting and cleaning peripheral roads. A confidential counselling service has also seen staff reductions. A similar list of reductions have been implemented in Milton Keynes: street lights have been “trimmed and dimmed” and a housing advice service is now offered as online service. Quite significant reductions have been made to staffing complements in community safety and trading standards. In the area of environmental health, there has been a proposal to

generate extra capacity in the form of unpaid trainee (student) environmental health officers in order to offset the loss of staff capacity.

#### *4.5.6: Continue to provide the service but target towards 'need'*

A final and important strategy for bringing about reductions to services is to target provision towards need. Across the three case studies, targeting is being done to a greater and lesser extent, with Newcastle embracing the approach to the greatest degree and Milton Keynes the least it seems. Indeed, while there are some examples of targeting in Milton Keynes, the emphasis is very much on ensuring that vulnerable people are encouraged and supported to take up universal services. A 'Passport to Leisure' scheme, for example provides discounted access to leisure facilities for local residents who are on low income and/or are disabled. The adoption of targeting approaches has been controversial in Coventry – both with politicians and the public. Despite this, targeted approaches are increasingly being adopted, although universal services perceived to be popular with a broad cross section of the public – such as weekly bin collections - have been maintained while others have been reduced. In Newcastle, there is a significant emphasis on building detailed needs assessment into the budget decision making process, a process which is “shaped according to the values of elected members”.

Two main approaches to targeting need can be identified. One is the 'proportionate universalism' model proposed by Michael Marmot as a means of tackling health inequalities. In this model, there is a guarantee of a minimum level of universal service, but the scale and intensity with which that service is provided is designed to vary (ideally step-wise) across the social gradient. A second approach is to wholly or substantially allocate resources only to the neediest clients, effectively withdrawing from providing services on a universal basis.

Indeed, Coventry is designated a 'MarmotCity': implying a greater focus on inequalities across service areas, as well as intensive work on the early years agenda. In Newcastle, policy documentation for both the pre 2012/13 and post 2013/14 budget periods tends to be infused with the language of proportionality – the term “progressive universalism” is used frequently. In practice, however, the council would appear to be adopting a mix of both approaches and, to an extent, the savings proposals for 2013 onwards suggest that it may not be possible to maintain this approach to targeting in all service arenas, and that resources may have to be targeted on a more selective basis. As a senior officer indicated “as cuts go deeper, it will be harder to maintain over time, particularly as we focus on core services for more vulnerable.

By way of illustration. the box below describes the evolution over time of Newcastle's approach to making savings in relation to neighbourhood environmental services specifically. It illustrates how - over a relatively short period of time - the model of resource allocation for this service has shifted from a universalist, 'one size fits all' model, through proportionate universalism ending up with a much more selective form of targeting.

### **A more targeted approach to Neighbourhood Environmental Services**

Neighbourhood Services comprise the majority of public realm services within residential neighbourhoods such as street cleansing, graffiti removal and grounds maintenance.

#### *Universalism (one size fits all)*

Under the previous Lib/Dem administration's Neighbourhood Management initiative (until May 2011), these services had been delivered as a universal 'one size fits all' service. "*There was an equitable distribution of resources*" (Senior officer, summer 2012). Generic staff worked as part of Neighbourhood Response Teams to Neighbourhood Managers each responsible for a ward. Each ward had a team of three or four staff, with some adjustment for geographical scale but not for need. A key tenet of the approach was to ensure a high profile "presence" of such staff at the local level.

#### *Proportionate universalism (service for all, adjusted for need)*

The approach developed by the Labour administration for the period 2011 – 2012/13 reconfigured the wards into eight clusters of three or four wards with boundaries drawn to "*allow you to get some of the less demanding wards sitting alongside the more demanding wards*" (Senior officer, summer 2012) This allowed the resources available to the clusters to be targeted towards need, with a pared down service offered in less needy areas – a form of proportionate universalism.

#### *Selective targeting (needs based allocation – some clients may get no service)*

The budget proposals for period 2013-16 suggest that the proportionate approach is likely to be replaced by a much more selective version of targeting. This is accompanied by a stronger emphasis on self-help and behavioural change than before: the council's role would therefore be "*to support people to take greater responsibility for their neighbourhood...Our remaining resources will focus on those services which cannot be delivered by anyone other than us, and with a targeted response in those areas of the city which fall below acceptable standards*" (NCC, Nov 2012a; p26)

The provision of Children's Centres is another service arena where the tension between providing services on a universal or more targeted basis is experienced. Historically Newcastle's 18 children's centres provided a broad range of services to a varied client group, with some activities provided on a targeted basis according to social and economic need. Significant cuts in Early Intervention Grant of £8.4m for 2013-16 have led the council to identify a clear dilemma between "reducing services across the city" or "focusing only on areas of the very highest need". (NCC, March 2013a, p40). In the short term, centres will be retained across the city but services within them targeted on the neediest groups. By 2015/16 the proposal is to close all but the five centres

operating in the areas of highest need. The proposal recognizes that this would leave approximately 5000 children living in “the 30% most disadvantaged super output areas” without access to the service. A parallel development in Coventry has led to eligibility thresholds for council-provided services within Children’s Centres – such as playgroups – being introduced. Such services are now targeted on children in danger of being taken into care. Children’s centres in affluent areas have also been closed and more generally council-run Early Years provision now focuses on “absolutely the most vulnerable.” Milton Keynes has not closed children’s centres, but has nonetheless restructured early intervention work with families and children to try to ensure that it works in a more integrated way with needier groups.

There is an emerging trajectory of change within Adult Social Care towards narrowing the client base eligible for services in both Newcastle and Coventry. Most significantly however is the proposal for 2015/16 to limit eligibility to council-run care to those vulnerable people with ‘critical’ care needs only:

“This would be a significant step that would leave people with substantial needs without necessary support. We will continue to lobby national government, and to explore further local solutions, to try to avoid this situation arising” (NCC, Nov 2012; p.32)

In Coventry, a similar proposal is being explored, with the explicit rationale to avoid introducing charges for some adult social care services. The fact that no such discussions are on the table in Milton Keynes underlines the different kind of challenges faced across the authorities. Targeting of other forms is also being discussed. In Coventry, for example, day centres are now only provided to people with identified social care needs, instead of the more widely-defined population that could previously access the service. A number of further services are being provided on a targeted basis. In all three case studies, the Connexions service is now only provided to young people with NEET status. In Coventry, information and advice services will support specialist areas only, with libraries relied on to provide non-specialist information<sup>17</sup>. And since 2011, the youth service in Coventry has focused on need or on ‘keeping young people out of trouble’.

#### *4.5.7: Reflections on risks and threats*

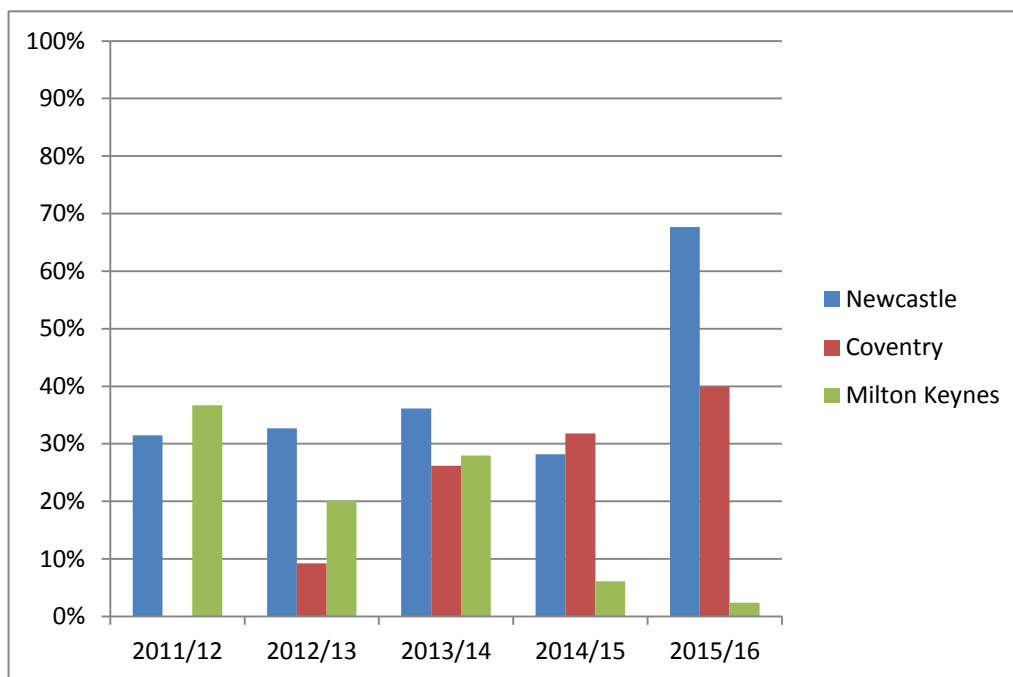
The idea that there is a Retrenchment of local government underway clearly signals that very substantial change is in process – indeed, for some it is an indication that for local government to survive it will have to change.

In Figure 4.6, the savings made as a result of these strategies over time are identified, as well as their contribution to plugging the budget gap.

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<sup>17</sup> A Bolder Community Services Programme update - March 2013

Figure 4.6: Savings through Retrenchment as a percentage of the budget gap – 2011/12 to 2015/16



The figure shows the very clear direction of change, particularly within Newcastle and Coventry with retrenchment activities becoming a more significant part of budget savings strategies. Indeed, in Newcastle, almost 70% of the savings requirement for 2015/16 will be met via such strategies. While the acceleration indicated in Newcastle is substantially accounted for by the proposed targeting of Adult Social Care on ‘critical’ needs only (a change which the council is very reluctant to make), if this specific saving is not made, alternative savings of a very substantial scale will nonetheless have to be identified unless additional funding is available. In Milton Keynes, the fact that the direction of travel appears to be away from retrenchment reflects the early success of its asset transfer programme. However, as efficiency savings become harder to find as austerity continues, it is possible that further activity under this heading might develop.

As has been seen, retrenchment captures a broad range of fundamental changes underway within local government. The shifting of boundaries between councils and other agencies may mean that the capacity for a strategic overview of an area’s needs may be reduced – the local authority specifically may be perceived as losing its ‘in charge’ role or simply may have less influence. Clearly, the history of inter-agency partnership working has not been straightforward in the UK. The transaction costs of working together can be significant and - in a situation where all partners feel that their budgets are constrained- it is not obvious that there is the capacity for innovative action to emerge without resources to pump prime or support the partnership process. However, there *were* indications in the interviews that austerity could provide a real impetus for collaborative activity to develop: around filling ‘gaps’ certainly, but also around developing new models of service delivery. Thus, it would be wrong to label this



boundary shift as being simply about cost shunting. In some places and in relation to some services, new ways will undoubtedly emerge of harnessing a range of energies addressing the range of needs, problems and issues. It should also not be forgotten that new models of service provision have the potential to displace existing PVI providers. Finally, the ease with which service users are able to negotiate the new 'market place' of provision needs to be borne in mind.

The shift in the boundary between the responsibilities of councils and citizens is also of major significance. Clearly, neither the Coalition Government nor austerity measures have instigated this shift – the New Labour Government were very keen to encourage individuals and communities to be more responsible for their own outcomes, and notions such as co-production were as common in the late 2000s in relation to health as they were in relation to the quality of the neighbourhood environment. And prior to New Labour, successive Conservative administrations sought to challenge the perceived dependency of citizens on state provided services and solutions. Despite this long run trajectory however, there would appear to be a step change underway currently in terms of re-conceiving the relationship between the local state and citizens – particularly in relation to asset transfer and 'responsibilisation' agendas. In 4.5.2 we indicated the kinds of outcomes which might happen if volunteers and community groups fail to materialize and take on assets. The uneven capacity of community groups to take control of assets needs also to be borne in mind and, in particular, the fact that communities with less capacity will need resourcing and support. There was also evidence from one of the case studies in particular that in passing assets to local groups, the council was also passing on a set of future liabilities. In relation to the responsibilisation agenda, it is clear that the long term culture change required will require to be supported by enforcement and education initiatives - and therefore by resources. It should also be noted that the increased emphasis on charging strategies to offset cost and manage demand is also an aspect of changing relationships between citizens and councils.

Retrenchment also captures the contraction of council services – a process which is unfolding in a range of ways. The evidence is of councils withdrawing from the provision of services – either in a direct manner or by withdrawal of subsidy. One danger is that the kinds of services which authorities are withdrawing from – youth and play services; arts and culture – could undermine the broad place making and quality of life role of local authorities. Unforeseen consequences of deleted services – such as the impact of the loss of youth services on crime – need to also be looked out for. In an allied point, the broad reach of local government across social and demographic groups could also be undermined, leading perhaps to a backlash from the better off or working populations who feel short changed at the loss of services they had previously enjoyed and see themselves as having less stake in local government. This risk would apply equally to strategies designed to maintain universal coverage, but in reduced form and also to strategies in which services are provided on a targeted basis. Targeting need was an increasing feature of local government in the New Labour years. However, in this context, targeting was usually done with or supported by additional expenditure. There is a qualitative difference when targeting need is a measure undertaken in a context of

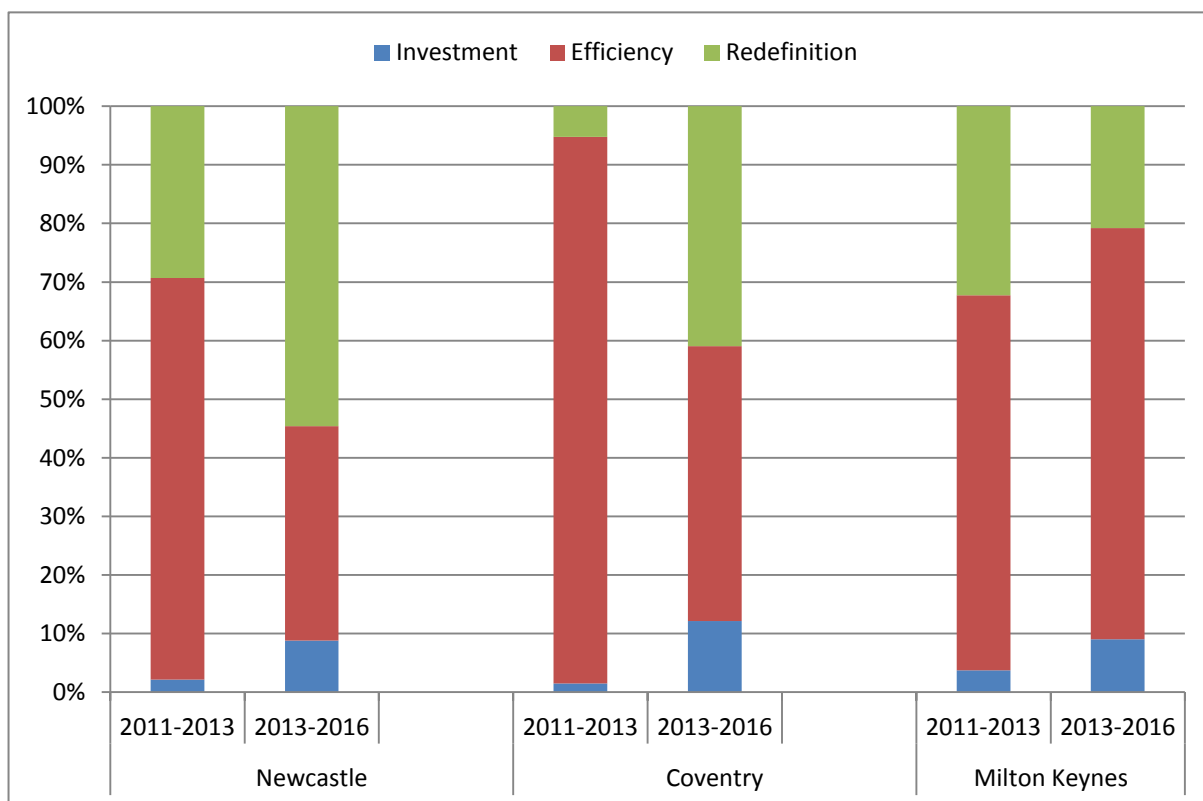
diminishing resources. Whereas proportionate or progressive universalism approaches attempt to secure buy-in from the less needy by still providing a measure of service if – as the Newcastle case indicated was possible – such approaches become unaffordable in the future, councils may have to choose between focusing their activities on the most vulnerable and needy groups – groups which may not be able to attract or access alternative forms of provision. The danger that local government services become ‘residualised’ – only for the poor and therefore of poor quality is an undoubted concern.

It is clear that the impacts of the attempts of local authorities to redefine their own role – as well as the roles of other agencies and citizens - are not yet clear. The extent to which this will result in substantial and, moreover, sustainable savings has also yet to be ascertained. And, finally, the implications for poor people and places need to be examined – this is the subject of Chapter 5.

#### 4.6 Summary

Figure 4.7 summarises change over time in the three case studies in terms of the emphasis within their overall strategic approach on the three savings strategies of Efficiency, Investment and Retrenchment.

Figure 4.7 Comparison of 2011-2013 and 2013-2016 savings by headline strategy



The figure suggests that some significant change is underway in the case study authorities. In Newcastle, past savings are marked by efficiencies, although some activity in relation to retrenchment and – to a lesser extent – investment is apparent. Future savings will be achieved via a much more mixed set of strategies, with those labelled retrenchment (and with the potential to impact most significantly on the service provision as experienced by service users) enjoying a much more significant share. The trajectory of change in Coventry is very similar, although the virtual dominance of efficiency savings in the previous period is noteworthy. Milton Keynes appears to be following a slightly different trajectory. This is partly explained by the anticipation of a further substantial round of efficiency savings in 2013/14 as well as by the fact that the council effectively had a ‘head start’ in relation to its asset transfer programme (see 4.5.2).

## CHAPTER 5: AUSTERITY IN ACTION: SERVING DEPRIVED COMMUNITIES?

This chapter focuses on the question of how poorer or more deprived groups within the population are faring with respect to the strategies devised to manage austerity. It covers the data we have gathered and analysed on distributional impacts of savings, and how the role of local government is being redefined in the process. There are a number of assumptions being made for this analysis and we discuss these in the conclusion.

### 5.1 PROTECTING POOR PLACES AND PEOPLE

The three case study authorities make strong claims that they aim to shelter poorer, more vulnerable social groups as well as disadvantaged places from the worst effects of budget contraction. They also point out the challenges of achieving this.

There are a number of indications that Newcastle attaches significant importance to protecting the disadvantaged. For example, the foreword to the 2011/12 Budget Proposals document gives 'fairness' some prominence:

“As the council committed to fairness as a guiding principle in our budgetary process, considerable efforts have been taken to mitigate the impact of the cuts on the most disadvantaged” (NCC, 2011c; page 3).

Indeed, a *Fairness Commission* was established in the autumn of 2011 involving arrange of participants from the public, private and voluntary sector across the city. Although the Commission was chaired by the Vice Chancellor of Newcastle University, it was clearly instigated and driven by the city council. In a report in the summer of 2012 sought to establish a set of 'fairness principles' which would be used to guide the approach and decisions of the council as well as other organisations in the city. There also appears to be a clear commitment to developing and using evidence on the nature and extent of need, as well as on how this is changing, in the budgetary decision-making process.

The prioritisation afforded to protecting the disadvantaged is reflected in the way in which decisions are made over where budget cuts will fall. Interviews with senior staff described how a “differential financial envelope” was applied to expenditure within the various 'workstreams' underpinning the process of budgetary decision making. Thus, within each workstream the first priority was to make cuts to 'support services'. The second avenue explored was savings designated as 'universal' services used by a cross section of the population. Finally, when both of these avenues had been exhausted, savings were sought from the 'specialist' services which tend to be used disproportionately by the most disadvantaged.

In Coventry, the council indicates that it must strike a difficult balance between the protection of vulnerable groups and the maintenance of universal services. This balance

between universal provision and targeted provision is epitomized in the council's plan focus on streets and pavements as well as deprivation.

“The council has to find considerable savings while at the same time trying to protect a range of frontline services [...]. So our priorities for the next three years include better streets and pavements for everyone and services that protect our most vulnerable residents.” (Council Plan, 2011-2014, page 1)

“Coventry has pockets of deprivation and pockets of affluence. We walk a tightrope between those.” (Coventry, senior officer, autumn 2012)

Coventry's recent designation as a Marmot city has created a platform for a greater focus on inequality. For many services, this has translated into a change in thresholds and criteria, resulting in a withdrawal of services from groups above a certain eligibility threshold. Coventry is in the process of drafting a new strategy for managing budget reductions. Many of the proposals under this transformation process involve a combined strategy of both targeting to areas of greatest needs, and a greater or exclusive focus on statutory services at the expense of non-statutory services

While Milton Keynes is a somewhat wealthier local authority in overall terms,, the council emphasizes a trend towards increasing inequality<sup>18</sup>. This has meant that a large and growing number of areas in Milton Keynes are among the 20% most deprived places in England.<sup>19</sup>

Milton Keynes has a strong commitment to providing universal services. As part of Milton Keynes' membership of the South East Region's Joint Improvement Partnership (JIP) work programme it has committed to universal services as a core strategy.<sup>20</sup> Rather than target services to particular groups, the strategy emphasizes the need to ensure that vulnerable people are encouraged and supported to take up universal services, and that potential barriers are removed. In addition, a key strategy for the protection of people in deprived areas of Milton Keynes is the council's economic strategy, which focuses on job creation.

“A general increase in economic activity and wellbeing is the best route to alleviating all kinds of poverty, including fuel poverty. In this respect, Milton Keynes is seen as one of the better placed local authorities” (Milton Keynes Council – Joint Strategic Needs Assessment DRAFT 2012/13)<sup>21</sup>

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<sup>18</sup> <http://www.mkiobservatory.org.uk/page.aspx?id=1912&siteID=1026>

<sup>19</sup> <http://www.mkiobservatory.org.uk/page.aspx?id=1935&siteID=1026>

<sup>20</sup> [http://www.thinklocalactpersonal.org.uk/library/Resources/SouthEast/Legacy/TASC/Think\\_Local\\_Act\\_Personal\\_and\\_Universal\\_Services\\_Transforming\\_Adult\\_Social\\_Care\\_Report.pdf](http://www.thinklocalactpersonal.org.uk/library/Resources/SouthEast/Legacy/TASC/Think_Local_Act_Personal_and_Universal_Services_Transforming_Adult_Social_Care_Report.pdf)

<sup>21</sup> <http://www.mkiobservatory.org.uk/document.aspx?id=10265&siteID=1026>

### 5.2.1 Assessing the 'distributional impact' of changes in expenditure on specific services

In Chapter 2, we assessed spending changes in relation to broad service groups for the period since 2007. The 'distributional impact' of these changes – that is the uneven impact on people at different points on the socio-economic spectrum - can be identified by examining this evidence alongside evidence on which services are used more or less by individuals and households at different points on the income/deprivation spectrum.

In order to do this, we have revisited work undertaken for the first report of this study. This was summarised in an appendix for that report and, for convenience, is provided again as Annex E of this report. The work synthesised evidence from large scale surveys which identify which types of individuals and households use which services and that from studies of the neighbourhood-level distribution of public services and spending which identifies socio-spatial patterning of services such as parks. This synthesis facilitates an assessment of:

- which services are 'pro-poor' i.e. they tend to be used more by lower income households who therefore benefit disproportionately from spend on these services;
- which services are 'pro-rich' in their pattern of use;
- and which are used relatively equally across social groups (and are therefore neutral to a greater or lesser extent in their distributional impact.)

For the purposes of the analysis reported here, we updated the evidence base on these patterns, using the latest data from the *Scottish Household Survey* (SHS) and undertaking a new analysis of data from the *Poverty and Social Exclusion 2012 Survey* (PSE). In relation to the latter, we analysed service usage on 17 local public services broken down by income quintile (equivalent net income before housing costs), occupational class (NS-SEC), material deprivation, and IMD low income neighbourhood quintiles. Annex E gives a fuller account of the data and references.

Table 5.1 uses the service headings employed by CIPFA to identify spend on specific services. It places services on a spectrum which differentiates 'very pro-poor' to 'pro-rich' services' based on patterns of service use and therefore benefit established from these data.

*Table 5.1 CIPFA services by pattern of socio-economic use/benefit*

Pattern of use/ benefit	Service headings
Very Pro-Poor	Housing Benefit (administration), Homelessness, other Housing General Fund spend, Childrens' Social Care, Citizens' Advice, (and Police)
Pro Poor	Crime and Community Safety; Social Care for Older People and other Adult groups, including Home Care; Fire and Rescue; Primary and Special Education; Other Education; Public Transport (bus); School Transport
Neutral-Plus	Concessionary Fares; Libraries; Secondary Education; Youth; Careers
Neutral	Community and Economic Development (within Planning); Early Years/Pre-School; Environmental Health; Street Cleansing; Trading Standards; Waste Collection
Neutral-Minus	Play; Further Education; Parks & Public Space; Recreation & Sport; Road Maintenance; Street Lighting; Tourism; Traffic Management
Pro-rich	Adult/community Education; Museums & Galleries; Other Arts & Culture; rest of Planning; Parking <sup>22</sup> .

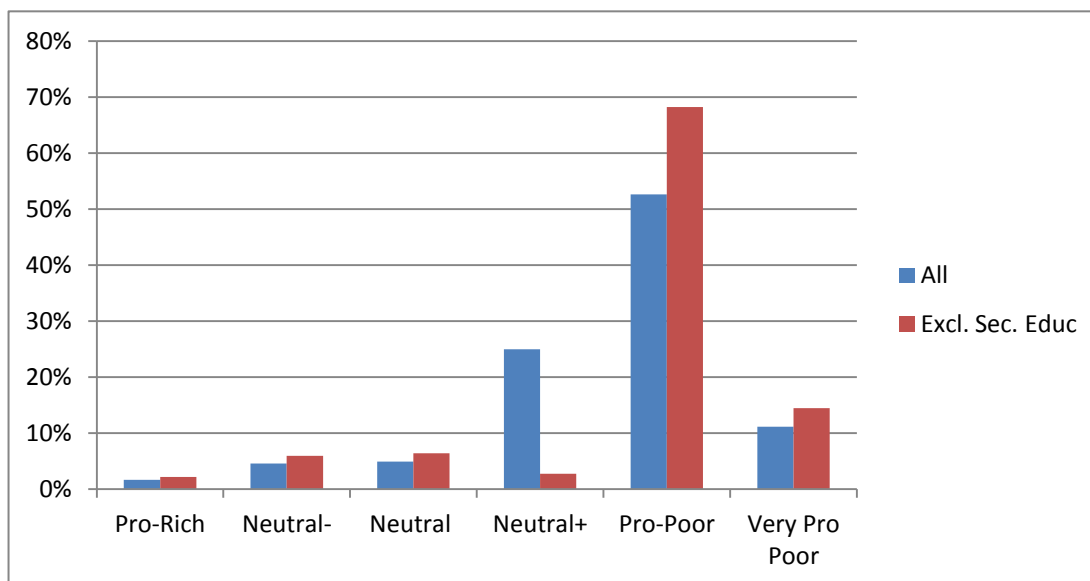
Sources: See foregoing text

### *5.2.2 The distributional impact of spending changes– the national picture*

The classification in Table 5.1 allows analysis of the distributional character of local authority expenditure on specific service headings. Figure 5.1 shows this for the baseline year, 2010/11, using CIPFA budget data. The analysis excludes some services which are now largely at 'arms length' from local government, including police, fire and further education. We also show expenditure with and without secondary education because the process of 'academisation' has resulted in a significant transfer of responsibilities during the period of our study; i.e. for many authorities, CIPFA budget data will show reductions in secondary education expenditure not due to cuts in services but due to a transfer of the budget away from the local authority.

<sup>22</sup>In the analysis of CIPFA data, 'parking' is ignored since it is a source of income to the authority as a whole. In the analysis of local budget data, 'parking' was classified with 'Traffic Management' as 'neutral minus' (-1).

Figure 5.1: Expenditure by distributional character of service – English local authorities 2010/11



Source: CIPFA budget data. 'Parking' excluded in both as largely income. Adjustment made for changes in early years services.

The Figure shows that the largest part of the expenditure is on services which tend to be used more by lower income groups.

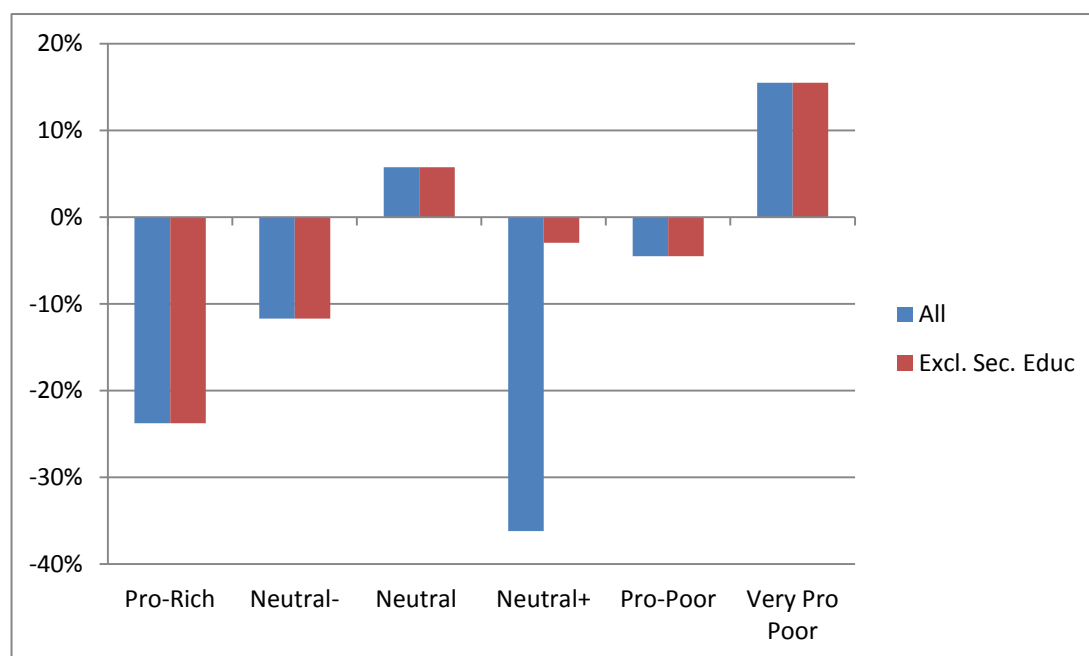
- In the 'very pro-poor' category, almost all of the expenditure is on social care for children (8 per cent of total expenditure).
- The largest element in the 'pro-poor' category is primary education (23 per cent of total) with special schools a further 4 per cent. With Dedicated Schools Grant, this expenditure lies largely beyond the control of local authorities. The other significant elements under this heading are five more kinds of care services: for older people (9 per cent); for people with learning disabilities (5 per cent); for people under 65 with physical disabilities or sensory impairment (2 per cent) or with mental health needs (2 per cent); and for Supporting People services (2 per cent).
- Together, the six social care services under these first two headings account for 27 per cent of all local government expenditure – or 53 per cent if we exclude school budgets ring-fenced by DSG.

We also analysed the spending changes over the three years from 2010/11 to 2013/14 reported in CIPFA data, using the framework in Table 5.1. Some adjustments had to be made to reflect restructuring of budget categories, particularly in respect of early years' provision. The results are summarised in Figure 5.2 below, referring to percentage change in nominal (cash) expenditure for English local government as a whole. It should



be stressed that, at this stage, the analysis takes no account of cost or demand pressures.

Figure 5.2: Expenditure change (%) by distributional character of service – English local authorities 2010/11 to 2013/14



Source: CIPFA budget data. ‘Parking’ excluded in both as largely income. Adjustment made for changes in early years services.

The Figure shows that services which are very pro-poor have seen an increase in nominal expenditure. This is mainly driven by the increase in children’s social care (adjusted for early years), which offsets the declines in Supporting People and other housing spending. Services which are moderately pro-poor have seen a small decline in relative terms but, as this is the largest expenditure category by some way (Figure 5.1), this represents by far the largest absolute savings – four or five times greater than those for ‘pro rich’ or ‘neutral-minus’ services. The decline reflects increases in adult social care offset by reductions in older people’s social care and especially in ‘other education’.

The third grouping, termed ‘neutral-plus’, has seen the largest percentage decrease if we include secondary education but this is a distortion caused by the ‘academisation’ process. If we exclude secondary education, there is almost no change for this category and the gradient from pro-rich to very pro-poor categories is much clearer and more consistent. The neutral group of services saw a small net increase in nominal spend. The last two groups, which we term ‘neutral-minus’ and ‘pro-rich’, both saw significant falls in expenditure, reflecting the fact that nearly all the services captured by these

headings have seen budget reductions. As already noted, however, these are not major areas of expenditure and, in absolute terms, the savings here have been quite modest by comparison with 'pro-poor' services.

While there is scope for further refinement of this analysis, the general conclusion we can draw is likely to be robust: budget reductions have mainly been concentrated on services which are used more by the better off. Expenditure has been increasing in some services which are more focused on the less well-off, such as social care. There is a parallel here with findings from a recent national survey which highlights a decline in usage of certain 'universal' local government services and a growing degree of targeting towards the poor (Bramley & Besemer forthcoming). The evidence here suggests that this can be seen in terms of budgetary shifts between services. However, it may also be reflected in changes within some services in terms of the way in which they are managed and targeted, as discussed elsewhere in this report.

Having said this, we need to reiterate that these figures only look at changes in budgets or expenditure. Expenditures may need to rise just to keep pace with demand or cost pressures. Services with rising or static patterns of expenditure will still be faced with making savings to meet demand or cost pressures. The case study evidence allows us to explore the distributional impact of savings strategies designed to meet the overall 'budget gap' (funding changes, plus cost pressures). This is the focus of the next section.

### 5.3 ARE DEPRIVED COMMUNITIES BEING SERVED? THE CASE STUDY PICTURE

For the case studies, we use two data sources:

- CIPFA data at the case study level which provides a local picture of budget or expenditure changes;
- data provided directly by the case studies in which they detail savings plans to close the budget gap (i.e. the savings necessary to meet funding reductions and cost/demand pressures)

These data sources cover slightly different time periods. More importantly, the data have been produced using very different methodologies (explained below). While it is interesting to compare the two pictures produced, we believe that the analysis of data provided by the case studies on the totality of savings plans should give a much more reliable view of the likely impacts on deprived groups and communities. We will of course be trying to verify this in the next stage of the work.

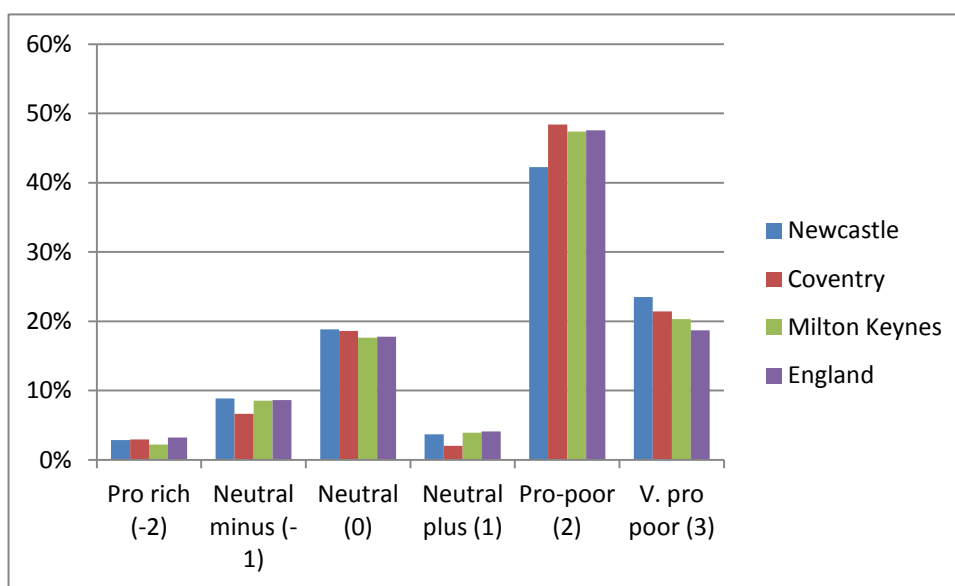
To improve the comparability between the two data sources, we remove schools expenditure from the analysis of the CIPFA data. This expenditure does not feature in

the local authority budget data as schools budgets are ring-fenced under DSG. Other non-school educational services are left in, however.

### 5.3.1 Distributional impacts– the case study picture from CIPFA budget data

The CIPFA data covers the period for 2010/11 to 2013/14 and shows the net change in nominal (cash) budgets for a range of broad service headings. Figure 5.3 shows the starting distribution of expenditure for the case studies and for all English authorities. (In these figures, we omit the school expenditure categories to improve comparability with the case study data which follow.)

Figure 5.3: Expenditure by distributional character of service – case study authorities 2010/11

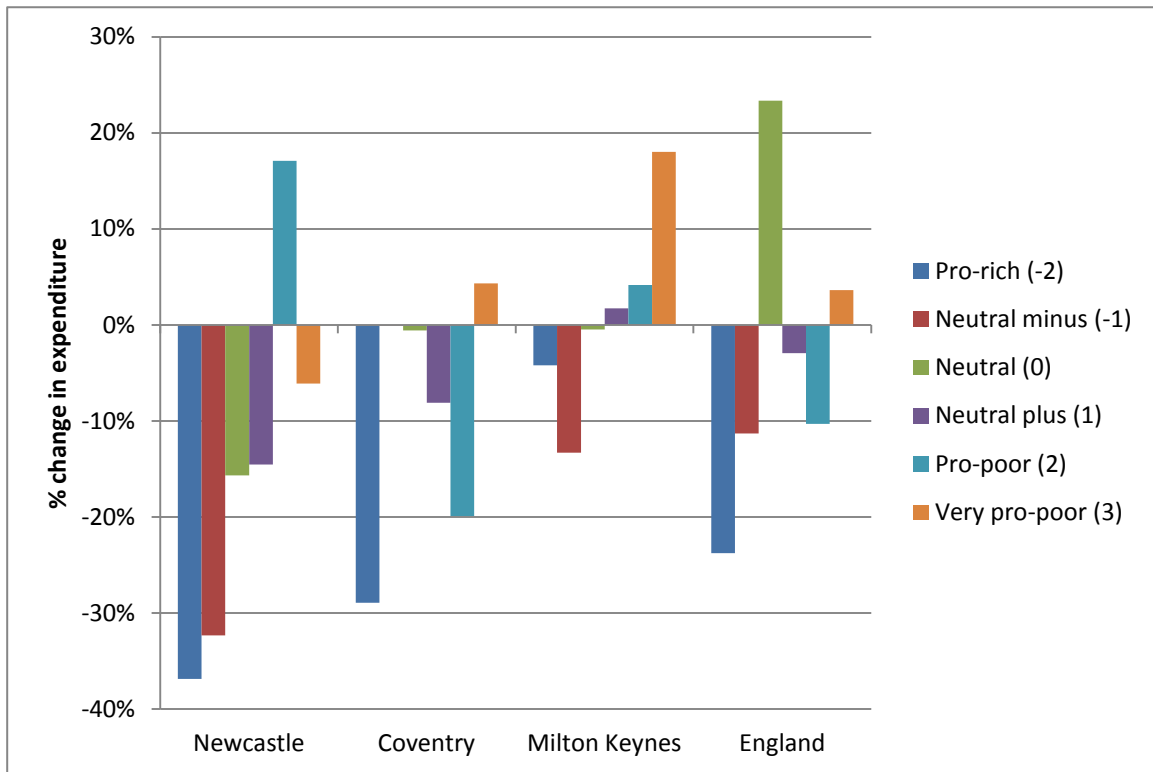


Source: CIPFA budget data. Expenditure on primary, secondary and special schools excluded. No adjustment made for changes in early years services. Non-school educational funding included.

Overall, there is great similarity between the authorities' spending patterns in 2010/11. Newcastle shows highest expenditure on 'very pro-poor' services due to greater expenditure on social care for children but slightly less in 'pro-poor' services, spread across a number of service headings. Overall, the proportion spent on social care is highest in Coventry and lowest in Milton Keynes – the latter due mainly to its smaller elderly population and its lower levels of socio-economic deprivation.

We can also look at change in expenditure for the same set of services between 2010/11 and 2013/14 (Figure 5.4). (The picture for English authorities as a whole is slightly different to Figure 5.2 above due to the omission of schools here and the absence of any adjustment for early years.)

Figure 5.4: Expenditure change (%) by distributional character of service – English case study authorities 2010/11 to 2013/14



Source: CIPFA budget data. Expenditure on primary, secondary and special schools excluded. No adjustment made for changes in early years services. Non-school educational funding included.

For all authorities in England, the overall picture is broadly the same as Figure 5.2, with greater proportionate reductions in services used more by higher income groups; in this Figure (5.4), there is an increase in the ‘neutral’ category and less of an increase in ‘very pro-poor’ due to the changes affecting early years services.

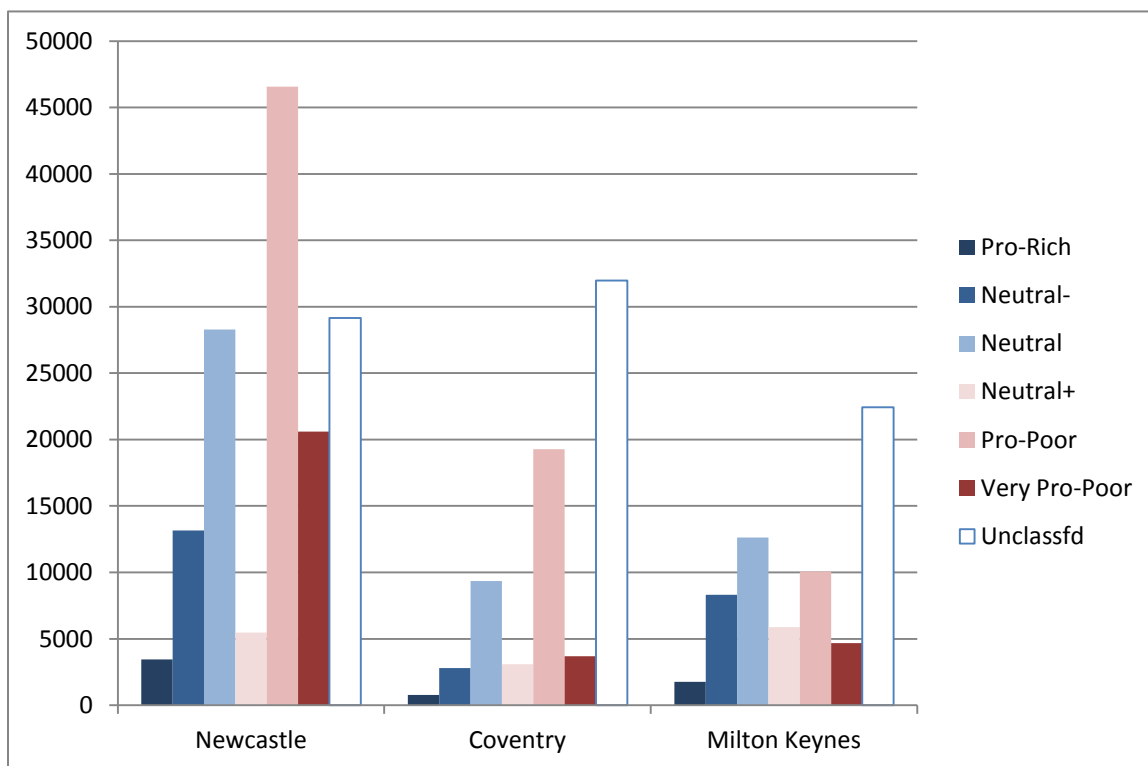
Figure 5.4 also shows a similar ‘positive’ gradient for each of the case study authorities although details vary. In Newcastle, there are cash reductions affecting almost every category of service but these are greater for the more ‘pro rich’ services. In Milton Keynes, at the opposite end of the scale, there are increases for the more pro-poor and cuts for the more pro-rich.

### 5.3.2 Distributional impacts - the case study picture from 'savings' data

We turn now to the data provided by case studies on the savings made or planned to close the overall budget gap and analyse this for its distributional impact. We again take 2010/11 as the baseline year. We also have detail of prospective savings which allows the analysis to be extended to 2015/16. As mentioned above, savings made or planned are those needed to close the budget gap (funding gap plus costs pressures). It is notable that the total savings recorded as necessary by each authority are more than double the reduction in cash budgets.

As detailed in Chapter 4 the savings already made as well as those planned until 2015/16 were itemised in some 1400 lines of budget documentation provided by the authorities to the research team. For the first step of this analysis, these savings were categorised by the team according to the service categories used to report to CIPFA and used in other analyses in this chapter. Figure 5.5 shows the pattern of savings categorised in this way and then further analysed using the framework in Table 5.1 (the 'very pro-poor' to 'pro-rich' spectrum).

Figure 5.5: Absolute savings by distributional character of services, English case study authorities 2010/11-2015/16



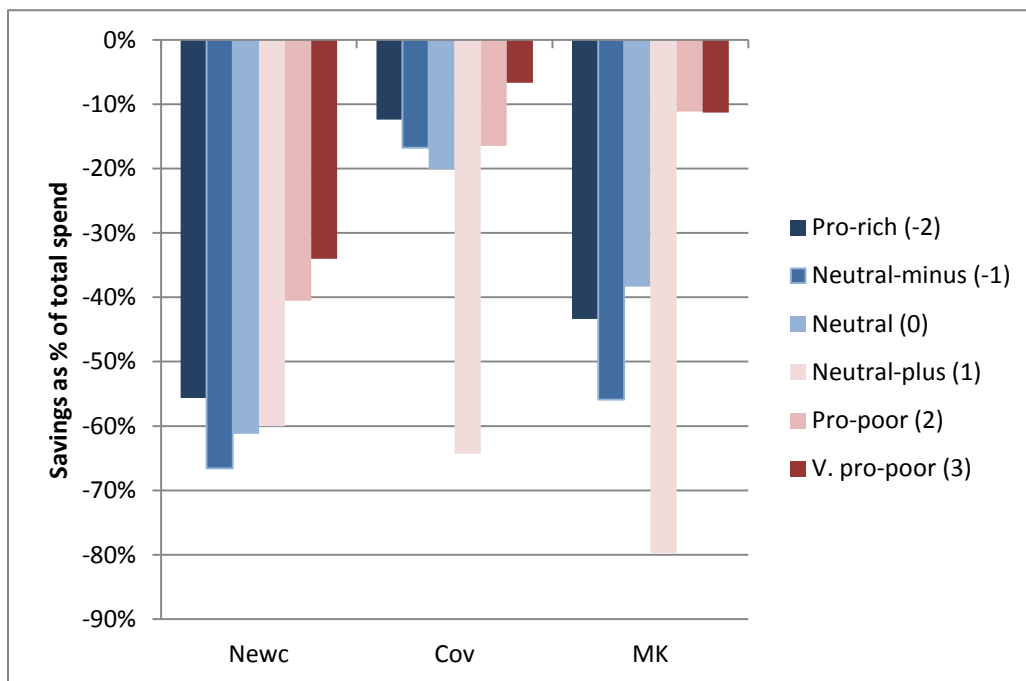
Source: Case study budget documents detailing savings plans.

One thing the Figure indicates is that all three case study areas are making large amounts of savings in services without any distributional classification ('unclassified'). These are back office or central services where savings may stem from the slimming of various corporate services (e.g. human resources, IT, legal or corporate communications), savings from reducing office portfolios or general delayering of middle management across many services and functions.

Figure 5.5 also shows that the largest absolute savings in both Newcastle and Coventry - £46m and £19m respectively - are from 'pro-poor' services. As we show in Figure 5.2, this category accounts for the largest proportion of expenditure. These savings are mainly related to changes in the provision of adult social care services. Milton Keynes is also making savings in this area but not to such a large extent with an estimated £10m over the five year period. The 'neutral' group of services is also a target for savings and this is where 21% of Milton Keynes total savings are made. Newcastle and Coventry also make considerable savings in this service area, £28m and £9m respectively.

In terms of absolute changes, therefore, the distributional impacts of the case studies' savings plans appear quite negative: larger savings in services used more by less affluent groups. However, since we have organised the local authority-provided savings data in relation to CIPFA categories, we can use these same CIPFA categories to provide an estimate of baseline spending. This allows us to examine relative rather than absolute levels of savings. Figure 5.6 shows this.

Figure 5.6: Relative savings by distributional character of services, 2010/11-2015/16



Source: Savings from case study budget documents. Baseline spending (denominator) from CIPFA budget data (average for 2010/11 and 2013/14), adjusted to local authority statements of budget totals in 2013/14.

The picture of relative protection of pro-poor services by the case studies presented in Figure 5.6 is broadly similar to that presented in Figure 5.4 (which analysed 'expenditure only' change.) There are some differences however. In Coventry and Milton Keynes, the 'pro-poor' and 'very pro-poor' services are seeing relatively small levels of savings. In Newcastle, the savings for these services are small relative to other services but still appear substantial in absolute terms. In all three authorities, more of the burden of savings falls on the 'neutral' to 'pro-rich' services, although there is less evidence of a gradient in Coventry. In that authority, and in Milton Keynes, there is significantly more pressure on the 'neutral-plus' category. Concessionary fares, libraries, youth services and careers advice all fall within this category and a mix of savings plans affecting these services explains this pattern (secondary education also features in the category – but the case studies were not delivering savings on the service).

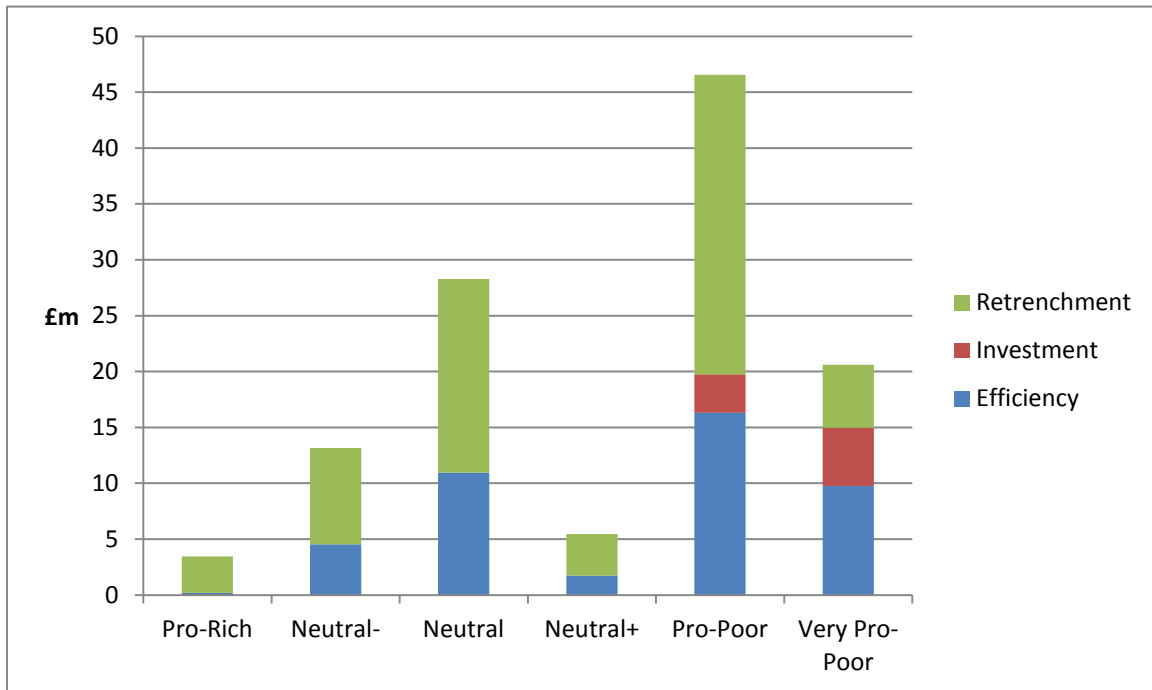
The distribution of savings across CIPFA service categories tells us **where** the case study areas are making large amounts of savings but says nothing about **how** they make these savings. However, the analysis we have conducted of the local authorities' own savings data allowed the full set of savings to be categorised according to whether they were being achieved via Efficiency, Investment or Retrenchment strategies (i.e. the framework set out in Table 4.1.) This allows a further series of analyses to be undertaken which explore the how question and the likely distributional impact of the balance between different ways of achieving savings. The sub-sections which follow report these analyses for each case study in turn.

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5.3.2.1 NEWCASTLE – A CLOSER LOOK AT THE DISTRIBUTIONAL CHARACTER OF SAVINGS STRATEGIES

Figure 5.7 shows, for Newcastle, the balance between the three different headline strategies of Efficiency, Investment and Retrenchment and indicates how the services targeted for individual savings within each of these strategies fit within the pro-poor to pro-rich spectrum.

Figure 5.7: Newcastle savings by headline strategy and distributional character of services, 2011/12-15/16



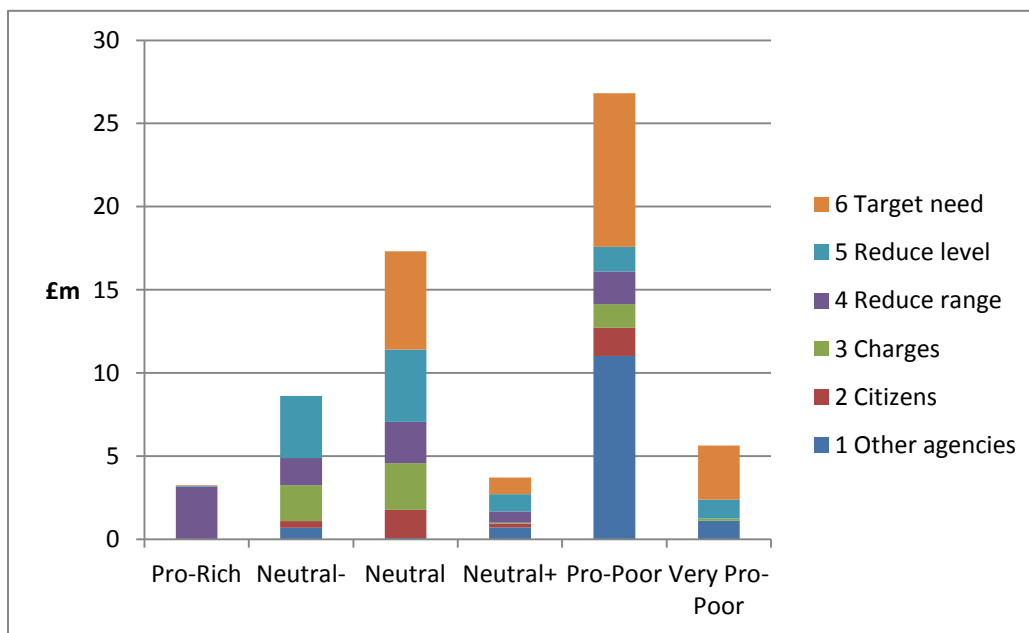
Source: Newcastle budget reports

The figure shows that there is greater use of Retrenchment strategies in order to make savings in the 'pro-rich' to 'neutral' group of services than in the 'pro-poor' service groups. As argued in Chapter 4, investment and efficiency savings should have no (or minimal) impact on front-line services. However, those generated as a result of a Retrenchment of the responsibilities of local government are much more likely to impact on service users. This figure would suggest that in Newcastle the burden of Retrenchment - and therefore of change to front line services - is largely being felt in services which are in the neutral to pro-rich category. Indeed, as we move along the spectrum to the 'pro-poor' service groups, it is clear that efficiency and investment strategies are used more frequently here. This could be indicative of effort to cushion the impact on users of those services. However, the fact that a considerable amount of savings are being made via Retrenchment strategies in the 'pro-poor' category should also be highlighted. These savings largely relate to proposed changes in thresholds for adult social care services – a measure which the council is reluctant to undertake but which, if implemented, would impact significantly on poorer groups. A second – and final – analysis which these various categorisations of savings allow is the ability to look more closely at the specific ways that Retrenchment is being achieved in the case studies and the distributional character of this.



Figure 5.8 shows, for Newcastle, how savings in services across the pro-poor to pro-rich spectrum are achieved via the various Retrenchment strategies

Figure 5.8: Newcastle savings from Retrenchment strategy by distributional character of services, 2011/12-15/16



Source: Newcastle budget reports

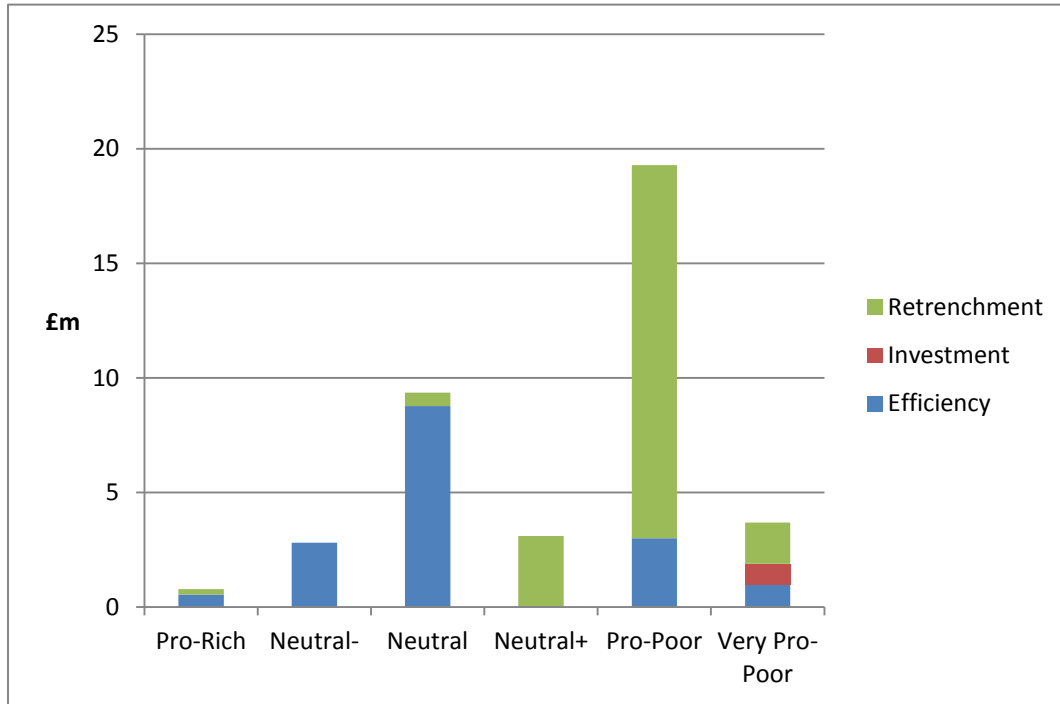
The figure shows that all of the savings for 'pro-rich' services via Retrenchment are made via one sub-strategy – reducing the range of services supported by the council (for example, the reduction in subsidy of arts and culture.) In the 'neutral minus' services, we see more variation, with the emphasis on continuing services but at reduced levels (for example, grounds maintenance) or increasing charges (for example, leisure facilities and parking). The passing over of responsibility to other agencies or the citizenry is also important albeit to a lesser extent.

The largest Retrenchment savings are made in the 'neutral' and 'pro poor' services. Greater targeting of need is prominent: in Newcastle, this is mainly early years services, changes to neighbourhood environmental service provision, and adult social care. Targeting is also being used for services for vulnerable young people and crisis housing (very pro-poor services). Passing responsibilities to other agencies is the other important source of savings in the 'pro poor' category, affecting arrangements with the NHS in relation to adult social care. This entails closer working between the City Council and the NHS, with details still to be developed.

5.3.2.2 COVENTRY

Figure 5.9 shows the savings strategy profile for pro-poor to pro-rich service groups in Coventry.

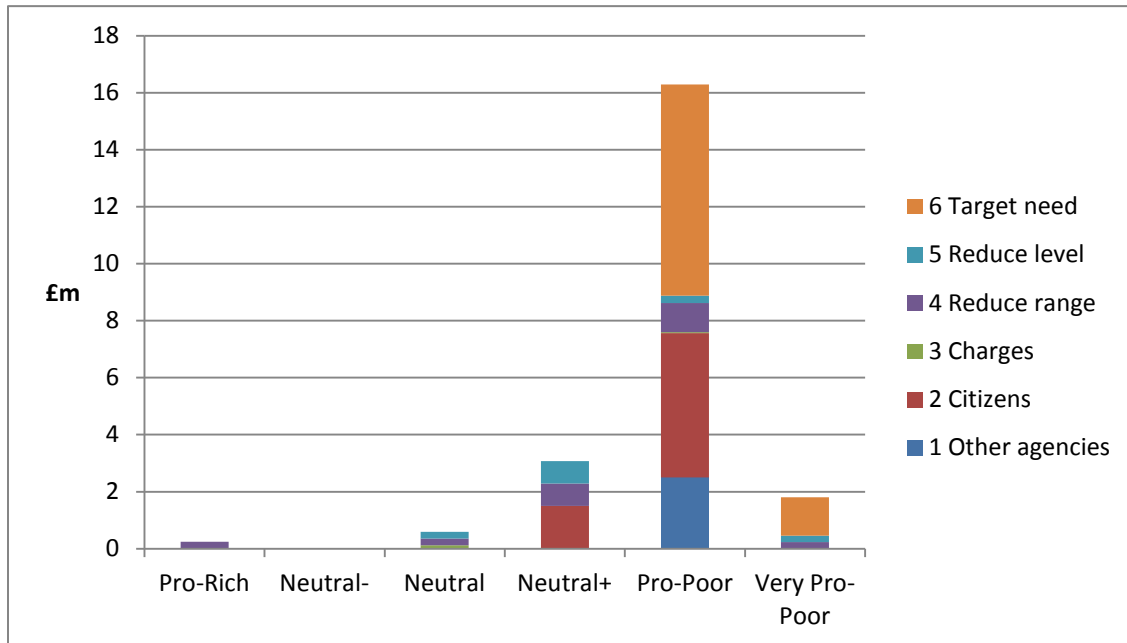
Figure 5.9: Coventry savings by strategy and distributional character of services, 2011/12-15/16



Source: Coventry budget reports

In comparison with Newcastle, the Coventry data shows more of a focus on efficiency strategies for neutral to 'pro-rich' services and on Retrenchment for others. The greater reliance on Retrenchment for the 'pro-poor' service groups might indicate less of a cushioning effect for the service users at that end of the spectrum. Figure 5.10 looks at Retrenchment in more detail.

Figure 5.10: Coventry savings from Retrenchment strategy by distributional character of services, 2011/12-15/16



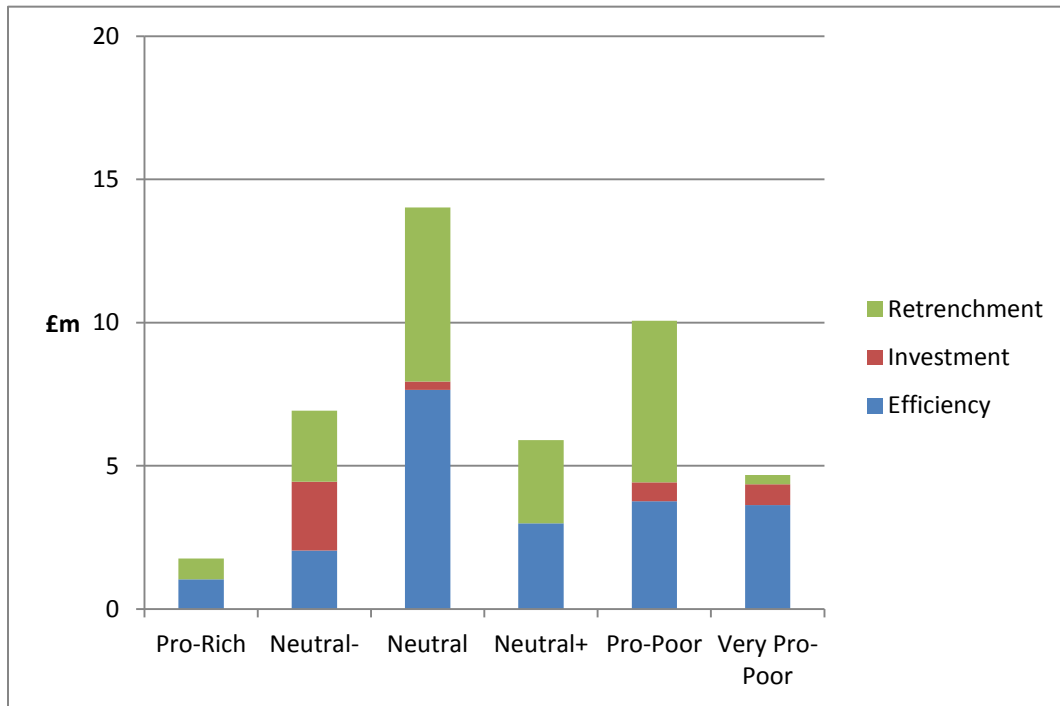
Source: Coventry budget reports

The figure shows the prominence of responsabilisation of citizens (2) within Retrenchment strategies in Coventry and how these largely affect 'neutral plus' and 'pro-poor' groups of services. Responsibilisation savings are to be made largely in adult social care by expecting people to do more for themselves but also in relation to services provided to schools. Targeting of needs (6) is also prominent, particularly in 'pro-poor' and 'very pro-poor' services. This is mentioned in relation to the same social care services and housing services.

5.3.2.3 MILTON KEYNES

Figure 5.11 suggests that Milton Keynes' savings strategies tend to be more varied across the three headline strategies, with efficiencies and Retrenchment strategies pursued across the spectrum. Milton Keynes' investment strategies also differ slightly, with a considerable amount of investment in highways maintenance appearing in the 'neutral minus' service group.

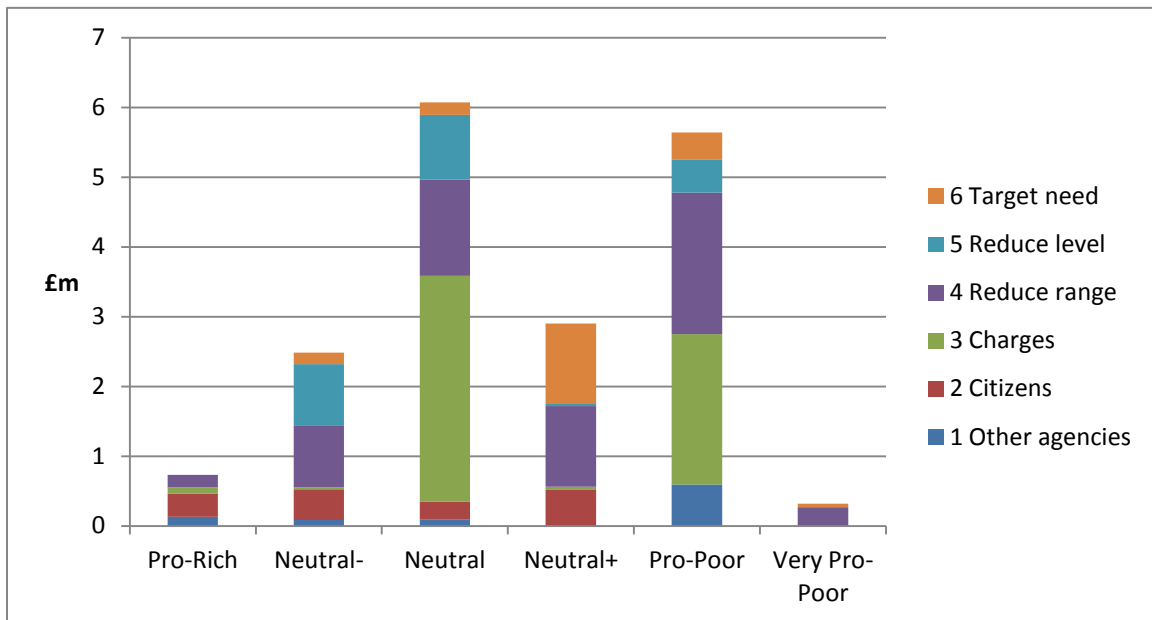
Figure 5.11: Milton Keynes savings by strategy and distributional character of services, 2011/12-15/16



Source: Milton Keynes budget reports

Figure 5.12 shows that there is also more variation within the Retrenchment category.

Figure 5.12: Milton Keynes savings from Retrenchment strategy by distributional character of services, 2011/12-15/16



Source: Milton Keynes budget reports

The figure shows that charging and reducing the range of services are the most important approaches to retrenchment in Milton Keynes, with reducing levels, targeting need and citizen responsabilisation also important. Charging affects bulky waste collection as well as parking. Reductions in the range of services affects neighbourhood services. Responsibilisation involves the passing of assets to the community, mainly recreational facilities and the reduction in funding to sports and leisure centres as a result of the council's lessening role in this area.

Savings are made through the reduction in the range of young peoples' services funded by the council and the focusing of the remaining services on the vulnerable. The 'pro-poor' services, unlike Newcastle and Coventry, are not experiencing much targeting but are seeing a reduction in the range of services provided by the council. However the savings made due to charging are from the charges introduced in adult social care. The savings made in the 'very pro-poor' service group are from reducing support for family social care services provided by the voluntary sector.

#### 5.4 CONCLUSIONS AND REFLECTIONS

This chapter provides the first analysis of the likely distributional impacts of the local authority cuts which have occurred in England over a four year period since 2010. For the case study authorities, the analysis looks ahead two years as far as 2015/16. It uses two kinds of data: data on budgets from CIPFA and data on savings made or planned from our case study authorities. The latter give a much more complete picture, since it reflects cost pressures as well as funding gaps.

Overall, the two sources of data paint a similar picture. In proportional terms, services which are used to a greater extent by more affluent groups have tended to see greater budget reductions and a greater share of savings. This is not necessarily true in all authorities; in one of our case studies, Coventry, the distribution of savings looks even rather than skewed in this direction. Nevertheless it is true in general.

This does not mean, however, that services used more by more deprived groups have been immune from savings. The case study data on budget savings provide a more complete picture, and show significant savings being made in all categories of services in all three authorities. Importantly, this includes those where the CIPFA budget data show some increase in total expenditure. And in absolute terms, the 'pro-poor' services account for a much larger proportion of all savings because they also account for a larger proportion of all expenditure.

The analysis also shows how the savings are being achieved for different kinds of services. This reveals more differences between the authorities in terms of the likely distributional impacts. We focus on savings through retrenchment since these are more likely to have a direct impact on service users. In two authorities, these kinds of savings are targeted more on 'neutral' to 'pro-rich' kinds of service and are relatively uncommon on 'pro-poor' services. In the third, retrenchment occurs almost entirely in 'pro-poor' services.

When examining the savings made through the case studies' use of Retrenchment strategies, we are able to glimpse the future role of the council in these areas. For example, targeting 'need' is a common strategy employed by both Newcastle and Coventry when making savings in 'pro-poor' services but Newcastle also makes savings in this area through closer working with the NHS whereas Coventry focuses on the responsabilisation agenda and promoting behaviour change among service users. This analysis provides a window into the impacts of budget savings on different income groups in each authority, both now and over the next two years.

We should of course finish this summary by stressing the limitations of these analyses. We have worked systematically through local authority budget statements, classifying 1400 budget items by the mechanism used to achieve the saving and the type of service involved. We have had two or more team members independently classify all of the larger items and a sample of the smaller ones. We have also drawn on information from supporting documents and interviews. Nevertheless, we are making subjective

judgements on sometimes quite brief descriptions as well as making assumptions about consequences.

In the next stage of the work, we will move on to examine the evidence on the impacts of these savings directly. This may provide a very different picture of the impacts of the savings. The following are some of the main reasons why:

- In the analysis above, we focus on the sums of money involved but service users may have quite different perceptions of the relative value or importance of services in their lives.
- We have taken local authority statements about efficiency at face value, implicitly assuming that such savings will have minimal impact on service users, and we focus our attention on retrenchment savings. We may find that many efficiency savings do impact on front-line services and are effectively seen as service retrenchments by users.
- We take savings as statements of what has been or will be delivered. In terms of past years, we believe that is reasonable. Interviews have not identified significant areas where planned budget savings were not delivered. In terms of future years, the picture is less clear. The later years tend to have much less detail and are of course subject to revision.

***Reductions in funding for local government reflect the aim of central government to reduce the reliance of local government on grants. Almost inevitably this means that local authorities with the highest levels of deprivation will be disproportionately affected by austerity.***

The scale of the reductions in the spending power of English and Scottish local authorities suggests that a massive change is underway with respect to the centrality of local government services related to well-being and quality of life. Local government's share of the economy is set to fall from over 5 per cent in 2008/9 to 3.6 per cent in 2014/15. The acceleration of this trend post-2010 reflects several key priorities of the Coalition Government: reduction of total public spending and deficit; tackling perceived inefficiencies of service provision; and tackling a perceived dependency of local authorities on government grant. The aim is to move authorities onto a more entrepreneurial, income-generating footing. However, the income generation strategies developed by the case study authorities are not likely to bear significant fruit for some considerable time. And income generation will inevitably favour some authorities over others – most obviously, those in the south and east, over those in the north and west.

Grant reductions of the kind implemented by the Coalition Government mean that the worst effects of austerity are focused on local authority areas which are home to larger concentrations of the poorest people. Historically, councils with higher levels of deprivation have received additional grant income to compensate for levels of need. This 'strategy of equality' is being undone by the current government: north and south of the border, deprived councils have been subject to the biggest reductions on a per capita and proportionate basis. Such authorities face significant difficulty in continuing to meet the range of needs and demands in their areas.

***Poorer groups have enjoyed a degree of protection from the worst effects of budget contraction thus far. But poor people and places still stand to lose the most from austerity now and as it rolls out in the coming years.***

The strategies devised by councils to manage austerity have tended to impact relatively more on the services used more often by better-off groups. This does not mean, however, that poorer people and places have not been affected significantly by budget cuts. While there is evidence of relative protection of some of the services used more by poorer groups at the national and local level, absolute levels of spend on these services have nonetheless tended to be reduced. Furthermore, the detailed savings plans of the case studies all show cuts in pro-poor and very pro-poor services – in one case these are really quite significant in absolute terms.

It needs to be constantly borne in mind that public services play a much more important role in the lives of people on low incomes compared to those living in more affluent circumstances. Poor people cannot replace a visit to the library or free museum with a



visit to the bookshop or theatre. Neither can they augment the care funded by local government with care purchased from the market.

Local government has largely coped with the cuts thus far by paring back costs and capacities. To cope with the cuts to come, it is being forced to re-consider what services it can provide and for whom.

The evidence of this research is clear: the substantial efficiency programmes devised by the case study authorities to manage austerity thus far cannot be relied upon to manage the funding cuts indicated for future years. Local authorities are therefore faced with contracting services, re-thinking responsibilities for delivering services and outcomes and refocusing the provision which remains on particular client groups. Funding cuts are part of a bigger project in which local government is repositioned as leaner and as less central to the lives of many citizens – particularly those outside vulnerable and deprived social groups.

***Councils are energetically encouraging ordinary citizens to take on more responsibility for their individual well-being and quality of life in their neighbourhoods. The potential for this strategy to impact unevenly on poor people and places needs to be considered.***

There are mixed views on whether the various approaches underway for transferring a range of responsibilities from councils to service users should be welcomed. There is undoubted support in some parts of local government for measures which attempt to reduce the reliance of residents on council services such as those for clearing up litter. If these attempts are successful, some of the central tenets of the Big Society and localism agendas are likely to be borne out: namely, that when the local state contracts, individuals and communities come forward to fill the gaps – by providing higher levels of care for family or neighbours or by running libraries and leisure centres for example. In this vein, transferring responsibility may also halt some of the behaviours which lead to the need for services to be provided in the first place – again littering would be an example.

However, there is also concern that, if the attempts are unsuccessful, then a rather different set of outcomes will be apparent – some care needs will not be met, some valued libraries and leisure centres will go by the wayside, some streets will be littered and degraded. There is also concern that it will be difficult to provide the funds needed to support people living in poorer neighbourhoods to, for example, take on the running of the local leisure centre and ensure its long-term financial viability. Finally, unless carefully implemented, the development of strategies designed to reduce levels of face-to-face contact between councils and citizens across local government have the potential to exclude and isolate.

***The residualisation of local government service provision is a potential outcome of this refocusing of services onto more disadvantaged groups. In order to***

***maintain a broad base of support – and of funding, councils will arguably need to find ways to continue to serve better-off social groups.***

The evidence from the research was of efforts to shield disadvantaged groups from the worst effects of austerity. However, in the context of diminishing resources, protecting pro-poor services could reduce the capacity of councils to provide a broad range of services to groups across the social spectrum. Given that so much of local government expenditure is focused on pro-poor services such as social care and child protection, deciding to shelter these services means deciding to expose other more discretionary services to larger relative cuts.

There is also evidence of services being increasingly targeted on those with the highest needs – such as careers services for young people being focused entirely on those with NEET status, or Sure Start centres closed in all but the most deprived neighbourhoods. There is a danger that this might lead to a situation in which local government serves only the neediest fraction of the population. This leads to the obvious risk of ‘threshold effects’ – where those with slightly lower levels of individual need or who live just outside designated areas miss out. More fundamentally however, services which are residualised can become stigmatised: only for those unable to access services provided by the market. As a result, the willingness of those who do not rely on council services for the majority of their needs to pay for council services relied on almost exclusively by the poor could be undermined.

***Councils can keep track of how their budget savings strategies deliver on social justice objectives. Assessing the impact of savings on services used more by disadvantaged groups provides important evidence to feed into budgetary decision-making processes.***

Most authorities will have a good idea about how their savings are being distributed across different kinds of services, but the approach developed here could be valuable in providing more objective evidence to support this. Local councils can readily replicate the various analyses reported in this document. The report details the stages involved in assessing the relative impact of savings on people at different points on the socio-economic spectrum. Councils can reflect on this kind of evidence in order to consider whether the decisions made on individual savings accurately reflect overall political and strategic priorities. Clearly such assessments also provide a window on change over time. As austerity continues over the coming years and savings become progressively more difficult to find, it will become more important to assess the impacts of savings plans against council priorities. By undertaking the analyses described in this report, councils can be alert to the need to adjust plans or undertake remedial action.

## Looking forward: the next stage of the research project

The next and final phase of the study – which will also include detailed research with a Scottish local authority – examines the impacts of austerity in more depth. It will involve focus groups and follow-up interviews with relatively deprived parents living in different neighbourhood circumstances. This group of service users are likely to have experienced the consequences of savings strategies across a range of services from play and youth services to libraries and leisure centres. Moreover, while the analysis presented in this report focuses on the pattern of change and on the monetary value of savings, those who use services will have insight into the significance of this pattern – particularly its cumulative effects. They can also identify the value of specific services in terms of quality of life rather than monetary value, illuminating the meaning to ordinary people of service redesigns, reductions and transfers of responsibility.

In its next phase, the research will also focus on those who provide services, specifically front-line staff and operational managers. Discussions with staff should offer further insight into the consequences for individuals and for neighbourhoods of providing services in new or reduced ways. They should also help to highlight any impacts on front-line services of efficiency savings focused on back office, support functions. Interviews will also be conducted with representatives from voluntary sector organisations potentially involved in filling the gaps left by reduced services.

A further update of the national picture of change in Scotland and England will also be undertaken in the final phase, as well as more work to explain the evolving strategic direction of the case studies.

The resources available to a local authority to support spending on services derive from several sources and may be described in different ways, depending on what is included or excluded. We mainly focus in this study on 'mainstream' local government spending, that is spending on its core functions that falls within its 'General Fund'. This excludes spending and associated grant income which is essentially transfer payments from central government to particular benefit recipients (Housing Benefit, Local Housing Allowance, and prior to 2013/14 Council Tax Benefit), or money destined for V1th form, Further and Higher Education and Training provision which is no longer formally a local government responsibility. These latter items are generally referred to as 'Specific Grants Outside AEF' (AEF being 'Aggregate Exchequer Funding'). Mainstream spending also excludes the separate Housing Revenue Account for Council Housing (for the half of authorities which retain a housing stock) and separate Trading Funds (e.g. for ports, airports, etc.).

In Chapter 2 we initially discuss '*spending power*'. This is the general fund net revenue expenditure on mainstream services which local authorities can afford, given their 'Formula Funding' (i.e. grants from Revenue Support Grant (RSG) and redistribution of the National Non-Domestic Rate), their Council Tax level (frozen), and income from Specific Grants (counting those Specific and Special Grants which are 'Inside AEF'). There is a case for excluding expenditure on schools, because since the mid-2000s funding for devolved school budgets has been passed through local government directly to Schools, in the form of 'Dedicated Schools Grant' (DSG). This also deals with most of the effects of the 'Academies' programme, which has been progressively transferring schools out of local authority control and accounting. Therefore our preferred definition of spending power excludes school budgets/DSG (using the coverage of DSG as defined in 2011/12)

DCLG introduced the term 'spending power' in 2011/12, but the estimates of change in spending power provided by DCLG for the 2011/12 settlement were based on a particular and restrictive definition, with a base period comparator set at mid-2010 (after mid-year cuts). We compare spending power as defined above, and with a base period comparator of 2010 original settlement/budget (i.e. just before the 2010 Election and change of government).

In Chapter 2 we go on to discuss '*spending on services*'; this is current expenditure on general fund services net of income from fees and charges and excluding capital charges. Expenditure on national mandatory transfer payments like Housing Benefit and Educational Awards and the associated specific grants are also excluded – these are not seen as part of 'core local government services', as noted above. Capital expenditure, and its financing from loans, grants and capital receipts, is also not included in service expenditure. A slightly wider definition called '*revenue expenditure*' includes charges for capital, parish and other precepts.

On the income side, the corresponding key number to revenue expenditure is the combination of income from the Formula Grant plus specific grants plus the money raised locally from the Council Tax. The total of these items is the 'Spending Power' of a local authority, which as explained above will roughly equate to net revenue expenditure (local authorities have to balance their revenue budget but may maintain balances to smooth fluctuations). *Formula Grant* in turn comprises an element known as Revenue Support Grant (RSG), an element based on the redistributed Non Domestic Rate (RNDR), and the Police Grant (police authorities only). This breakdown of Formula Grant reflects 'where the money comes from'.

A feature which may cause confusion is that Formula Grant may also be decomposed in a different way, according to the elements which determine its distribution. These elements are called the Relative Needs Amount (RNA), the Relative Resources Amount (RRA), the Central Allocation (CA), and an amount for 'Floor Damping' (FD). The first of these compensates for differences in needs and costs, for example reflecting different socio-demographic structure, geographical features or wage costs. The second, which is negative, compensates for differences in the local Council Tax base, taking more money away from areas with a preponderance of high value houses. The third element is a uniform per capita amount, while the last element is a selective payment to limit the extent of grant loss from one year to the next, funded by a general levy on all authorities. In addition to these long-established elements, from 2011/12 some former specific grants were 'rolled in' as part of Formula Grant. From 2013/14 a further set of specific grants were also rolled in. Each of these elements had its own allocation formula, some more complex (e.g. Supporting People) and some rather simple.

From 2013/14 the Business Rates Retention Scheme has changed some of the terminology and added a little more complexity to the existing system. The term 'Start-up Funding Assessment' (SUFA), to be known in future as '*Settlement Funding Assessment*' (SFA), was introduced. SUFA/SFA is equal (initially) to Formula Funding, including Specific Grants 'rolled in'. However it now comprises two elements, the Revenue Support Grant (RSG) plus the '*Baseline Funding Level*' (BFL). RSG now comprises the previous RSG plus effectively half the RNDR. BFL is the other half of RNDR, as initially determined based on half the actual non-domestic rate income, but adjusted by top-ups or tariffs to be effectively a uniform per capita amount. The point of this is so that in later years councils can receive up to half of any actual increase in the local business rate income, rather than a simple uniform inflation adjustment. In consequence, future spending power will no longer be determined solely by formulae based on need, cost and past commitments; it will also depend on the performance of the local economy.

### *B.1 Hypotheses about patterns of change*

This Annex describes an initial exercise in statistical modelling of local budget changes, using conventional multiple regression techniques. The general motivation for this exercise is to identify systematic patterns in terms of associations of budget change with a range of characteristics of local areas. While in Chapter 2 we mainly describe patterns of change against a few key characteristics and classifications, particularly deprivation, political control and region, the modelling approach enables us both to test a wider variety of factors and to see which associations still appear to be significant when allowance is made other factors included in the model.

In setting up statistical models to predict change in budgets we bring a number of hypotheses to bear, which both influence our choice of variables for testing and the expected direction of effects.

In any model to predict change we would expect the starting point to have some association with the subsequent extent and direction of change. Broadly speaking, authorities with a higher starting level of expenditure (per capita) would be expected to be more likely to reduce expenditure and by a larger amount. This reflects the general statistical phenomena of 'regression to the mean' or 'error correction'. The general tenor of the spending power determinations is to reduce grants more for authorities which were more grant-dependent and higher spending in per capita terms. Higher spending may indicate (a) greater scope for efficiency gains or (b) more generous service provision, with greater scope for reducing more discretionary or marginal priority items.

For analyses of services provided by different classes of authority, such as shire counties and all-purpose (unitary) authorities, we may expect there to be some differences in the nature and coverage of the services which may impact (positively or negatively) on spending changes in one class against the other. Similarly, we might expect some systematic differences for authorities in London, where there are unique factors and arrangements (e.g. the role of GLA).

We would generally expect demographic factors to influence spending significantly. Firstly, the general level of population growth would be expected to exert an influence on expenditure change at the margin, by influencing demands on a range of services and by creating specific demands to service areas of new development. However, these effects may be attenuated by scale economy effects. Secondly, particular age groups may be important for the need and demand for particular services, most obviously children for schools, early years and child care, and older people for social care services. These effects may be associated with the proportion of population in these groups or with changes (growth rates) in these sub-populations. Thirdly, particular household types (families, singles) may be more or less associated with need and demand for particular services.

The health and disability status of the population may be reflected in the need and demand for particular services, notably social care, so we test variables like limiting long term illness and general health status (from Census) and/or the health domain of IMD. Again, it may be changes or levels of incidence which are more significant.

Ethnic mix of the population may affect spending decisions, whether through particular needs/demands or through differential preferences reflected through the local political process. Social/occupational class or qualification levels may have similar influences; for example higher socio-economic class or education levels may be reflected in greater demand for cultural or environmental services. Significant presence of students may have similar effects.

The economic position of the local authority, reflected in employment or unemployment rates or changes in these, may influence need (although this could also be picked up by deprivation indicators) and also the priorities for spending (e.g. planning and development, transport). Broadly we would expect areas with weak or struggling economies to be more concerned to maintain spending on a range of services.

Housing tenure (social or private renting) may affect the need/demand for housing-related spending but may also have wider influence on preferences. The last decade has seen a large increase in private renting so this change variable may be particularly significant in some areas. The type of housing, partly related to urban density, may influence the preference for spending on environmental services. High house prices would suggest greater pressures of housing need and affordability.

There is a general concern that rural areas may have distinct problems and pressures. These may create a demand to maintain services in order to maintain the viability of rural communities, but conversely rural authorities may feel they can rely more on voluntary effort and 'the Big Society'.

There are also certain service-specific factors to take into account, of which a major example currently is the shift of considerable numbers of schools to academy status. This has the effect of removing both the direct school spending but also a part of the authority's support services budget out of local government. Another example is the Supporting People programme, where there is considerable local variation in provision and reliance on these services, and also a recent move to merge funding for these into the general grant. We include a variable measuring current demand based on SP client records.

Last but not least, we are inevitably interested in whether the political complexion of local authorities affects their spending decisions. We therefore include indicators of political control in the relevant period (2011). It might be hypothesized that councils controlled by the Coalition parties would be more willing to comply with the general cutbacks sought by central government. They may also be more committed to protecting or enhancing certain services, perhaps because they perceive them as being more important to their core voter constituency (e.g. social care of elderly, planning, transport). Conversely,

Labour councils may be more concerned about their core supporters, who may be disproportionately in low income groups, social rented tenure, unemployed, etc. Councils with no overall control (NOC) might find it more difficult to reach agreement on cuts. We have already reported some general spending power and budget change patterns by political control, but the modelling below aims to test among other things whether political control makes a difference once we have controlled for demographics.

## *B.2 Data sources and method*

The main data sources used for this analysis, in addition to the spending power numbers and the CIPFA- based budget estimates data, are indicators derived from the 2011 Census and the Indices of Multiple Deprivation (IMD). In addition to some measures of recent population change, we also use comparable indicators from the 2001 Census to generate measures of change in population age groups and a range of other indicators. This enables us to test whether it is the level of a particular indicator, or the rate of change in it, which appears to influence spending changes.

Some service-specific measures are derived to help interpreting the changes. For example, we use the proportion of school budgets attributable to academies in 2010 and changes in academies share 2010-13 as key indicators for education spend and total spend.

The political control indicators were derived from a website maintained on behalf of the Liberal Democrat party.

The main dataset used for this modelling comprised all-purpose authorities plus (where relevant) county councils. Three unitary authorities had incomplete or missing expenditure data and were omitted.

The main technique used to model expenditure change is cross-sectional multiple regression analysis (ordinary least squares, weighted by population size) with the dependent variable the percentage change in budgeted spend for each service between 2010/11 original budget and 2013/14 budget. We also test per capita change, but the results are generally similar. In a couple of cases where the per capita expenditure change model is markedly better, we report this. All models include the base level of expenditure per capita for the service, which is always significant and negative. All models also now include the spending power change from 2010-2013 as re-estimated by the authors. All models include political control variables, whether significant or not. We normally include at least one deprivation measure, typically the overall IMD score, and an indicator of rurality (sparsity). We normally include a population growth variable and other age groups as appropriate. Other demographic and need factors are included as appropriate, where these are significant or on the margins of significance.

## *B.3 Model findings*



The results of the regression modelling, which aim to partially 'explain' variations in budget changes between 2010 and 2013, are shown in summary form in Table B.1, parts (a) and (b). We simply show the standardised regression coefficients ('beta' values, which are in common standard deviation units) and the significance levels for each explanatory variable, and the overall proportion of variance explained (adjusted r-square) for each model. Explanatory variables are grouped into similar types of factor in the table. Bold type indicates coefficients (effects) significant at the 5% level. Bold-italic indicates effects significant at the 10% level.

For *education*, the most important variables are the existing spending level (-ve, i.e. the higher the spend, the more the cut), the child population share (+), the change in the proportion of academies (-), change in high occupations (-), change in unemployment (+), social renting (+), and change in deprivation IMD low income score (+). There are also some apparent effects from IMD deprivation scored level (+) and proportion of academies in 2010 (-). Political control variables are not significant, and neither is population growth or rurality (sparsity). The model explains more than half of the variance (adjusted r-squared = 0.57). Generally spending seems to be pulled up by poverty and lower socio-economic status, and vice versa, which may partially reflect the ability to opt out into private education, as well as local priorities to provide more educational support services in poorer areas.

For *transport*, the model is less good overall, explaining just over a quarter of the variance (r-square 0.27). The most important variables are the existing expenditure level (-), the spending power change (+), with other apparent effects including change in high occupations (-), nonwhite population share (+), change in IMD low income score (+). This is one of the few cases which shows some effects of political control, with Labour councils reducing transport budgets more than Conservative (the base case) ( $p=0.010$ ). Population growth is non-significant but negative, and the same applies to 2+ car households. These results suggest that, at the margin, transport spending is responding more to the needs of lower income and potentially deprived groups who perhaps rely more on public transport.

The model for *social care* explains a similar proportion of the variance in budget changes (28%). The most important effects are associated with the existing spending level (-), the economic inactivity rate (-) and change in long term illness (+). The second of these effects is against expectations when interpreting this variable as a need proxy. In this service there is some negative effect from child population share ( $p=0.117$ ) and health deprivation score ( $p=0.258$ ), but there are positive associations with IMD deprivation scores ( $p=0.321$ ) and with the prevalence of Supporting People short term clients ( $p=0.105$ ). None of the other demographic share or change variables tested were significant. Political control variables were not significant, with No Overall Control closer to the margins of significance (+,  $p=0.254$ ). Overall, the rather mixed picture on relationships with 'need' indicators here give some pause for thought, although it should be remembered that many of these variables are correlated with one another, and therefore they may sometimes not appear significant or even with the expected sign.

The model for *housing* budget changes is more successful and explains nearly two-thirds of the variance (using the per capita version). The more important effects are from the existing spending level (-), house price level (+), the overall deprivation score (+), and the housing deprivation score (+). There are marginally insignificant effects associated with the child population share (-,  $p=0.292$ ), rurality/sparsity (+,  $p=0.128$ ). It is interesting that rurality may be associated with less spending reduction in the case of housing, perhaps reflecting current concerns about a rural housing crisis. However, housing spending does not seem to be currently responsive to needs associated with child population or long term illness. Political control variables are not significant, perhaps surprisingly in view of past levels of politicization of housing policy (the nearest to significance is Lib Dem, +ve,  $p=0.252$ ). The lack of association with any population growth measures or economic measures or ethnicity is noteworthy, but the effect of house prices arguably captures market affordability pressures. Finally, it should be noted that this budget refers to 'general fund' housing spending, which includes such elements as homelessness, housing advice/welfare, area improvement, housing-related support but not mainstream council housing, which is covered by separate (and now self-funding) Housing Revenue Account.

The model for *cultural* services budget changes is weaker overall, explaining about one-sixth of the variation ( $r$ -squared 0.17), although as shown above this is one service suffering a relative higher scale of cuts. This service, like housing, shows the usual (-ve) effect from the existing spending level, while the spending power change is positive but not significant. Other significant effects include one-person households (+) and private renting (-). There is a marginal positive effect associated with nonwhite population share ( $p=0.132$ ). Although tested, and significant in some previous or variant models, 16-24 year olds, students, general and education deprivation scores, and sparsity (rurality) or density (urbanity) measures are not significant. Again, political control variables are not significant, but no overall political control comes closest ((-ve,  $p=0.280$ ). By way of interpretation, we would suggest that cultural services are less protected by 'statutory responsibilities' and by priorities associated with the more extreme and obvious social needs, and therefore they are more vulnerable to cuts driven by the general austerity drive and, by default, when there is no clear or coherent political authority or narrative. We believe there may be some association with a younger, single, higher educated demographic but this is offset by the transience of private renting.

The model for *environmental regulation* explains a particularly small proportion of the variance in budget cuts (0.13). Neither spending power nor existing budget level are significant. The strongest effects are from urban density (+) and deprivation score (-). There are some signs of associations with high occupational groups (+ve,  $p=0.237$ ), students (-ve,  $p=0.210$ ), sparsity (+ve,  $p=0.261$ ), and change in flatted dwellings (-ve,  $p=0.113$ ). No political control factors are significant, the nearest being Labour -ve,  $p=0.261$ ). The level of cuts in this service is generally less than in some others, and the model findings such as they are suggest that physical features of the urban environment may be more significant drivers than socio-economic factors.

*Planning* services (including economic and community development) have suffered a high level of cut, albeit with considerable regional variation as reported above, so it is interesting to see what the model suggests about these patterns. A per capita version of the model is relatively successful in terms of explaining as much as 85% of the variance. Apart from the existing expenditure level (-), other variables significant in this model include the change in the employment rate (-), sparsity (+), and IMD deprivation level (+). This is a case where one political control indicator, 'no overall control' is significantly associated with spending change, but in a negative fashion, which is rather against the original hypothesis that indecision may mean less cuts. Population growth is not quite significant ( $p=0.180$ ) and has the opposite sign from that expected (i.e. -ve). Although the same applies to change in employment, another measure of growth demands, the interpretation may be more in terms of planning's economic development role. In other words, if the economy is growing more, and deprivation is less, there is less need to spend on the economic development function within planning. The positive association with sparsity reflects the fact that rural areas have more growth potential and more environmental protection responsibilities. However, it should be noted that there is a moderate positive association with urban density as well ( $p=0.163$ ), perhaps reflecting regeneration and town centre revitalisation responsibilities.

We would expect a model for 'all services' budget change to be a sort of weighted average of the above. Some offsetting effects may cancel out. The resulting model shown in the penultimate pair of columns of part (b) of Table B.1 suggests that the biggest influences on budget changes are the existing level of spend (-), the spending power change (+), the share of over-75s (-), change in long-term illness (+), change in IMD low income score (+), and change in the proportion of academies (-). There are also some signs of effects, which fall slightly short of normal statistical significance thresholds, in the case of population growth (+ve,  $p=0.163$ ), social rented tenure (+ve,  $p=0.176$ ), and IMD deprivation level (+,  $p=0.310$ ). There is no real evidence for an elderly or child population growth factor; nor is there evidence for an across the board rural or urban density factor in recent spending change.

The final model reported is a variant on this, which looks at all non-education spending change on a per capita basis. Here the most significant explanatory variables are the spending power change (+), change in long-term illness (+), change in IMD low income score (+), proportion of academies in 2010 (+) (this latter item acting to 'balance' the effect of spending power, which is somewhat affected by academies). There are marginally insignificant effects associated with existing spending level (-ve,  $p=0.205$ ), aged 75+ (-ve,  $p=0.208$ ), social renting (+ve,  $p=0.128$ ), and change in private renting (+ve,  $p=0.255$ ). So this is rather similar to the model described above.

#### *B.4 Conclusions*

This attempt at modelling budget changes over the three years 2010-13 for major spending English local authorities has been moderately successful. Reasonably fitting models can be established for most service groups and for expenditure overall. Some of the anticipated structural influences, particularly previous spending level, spending power reduction, and the share and increase in academies, have the expected effects. A wide range of other socio-demographic and geographic factors have been tested, some expressed in both level and change form.

From the viewpoint of this study's main focus, on serving deprived communities in a time of austerity, it is encouraging to find that in models for five of the seven service groups, and for all services together, there is clearly a positive relationship of budget change with deprivation (level and/or change); the only two exceptions are cultural services and environmental regulation. So local government in England, as a whole system, is tending to reduce spending less, or increase it, in areas which are more deprived, or becoming more deprived. This reflects discretionary decisions at the margin, after controlling for other influences, including the previous spending level and the top-down imposed reductions in spending power. In a sense, local authorities are trying to resist the patterns in the spending power cuts, which we showed in Chapter 2 to be generally more adverse for more deprived areas.

We attempted to include variables, for example demographic variables, or components of IMD, to reflect needs which might be particularly relevant to particular services. This was more successful in some instances (e.g. housing) than others (e.g. social care). There was relatively less support for the notion that social care spending, or total spending, was strongly driven by demographic numbers and changes. This also has some potential implications for the 'growth and planning' agenda, given the government's attempt to increase the incentives/rewards to local authorities relating to both housing and business growth.

Finally, there is little evidence here to support the notion that political control of council makes a difference to overall budget changes, with Lib Dem control coming nearest to having an effect (-ve, p.0.163). Political control, may affect the service mix in some cases (e.g.transport, culture, planning), but even these effects have been shown to be weak. . That is consistent with most independent views on the local government system, which recognise the degree of entrenched centralism in overall spending decisions.

The conclusions from this analysis should be qualified in a number of ways. Firstly, the analysis has only been carried out for all-purpose authorities and counties in England. Secondly, the analysis reported is now based on budget changes over three years, to 2013/14. It is intended in due course to extend the analysis to districts and to the longer period of 2010-14.

Table B.1: Summary Results of regression models for Expenditure Change 2010-12 by Service, English All Purpose Authorities and Counties  
(standardised 'beta' coefficients and significance levels)–  
Part (a)

Variable		Education		Transport		Soc Care		Housing* per cap		Culture	
Name	Description										
(Constant)			<b>.001</b>			<b>.003</b>		<b>.000</b>		.788	.168
ChgSPGB	Spending power change	.026	0.763	<b>.209</b>	<b>0.023</b>	0.044	0.569	.009	.873	.071	.417
educxc10	Expenditure per cap 2010	<b>-.399</b>	<b>.000</b>	<b>-.306</b>	<b>.001</b>	<b>-.378</b>	<b>.005</b>	<b>-1.061</b>	<b>.000</b>	<b>-.590</b>	<b>.000</b>
county	County council			0.119	.332						
labctrl	Labour control	.062	.508	<b>-.319</b>	<b>.010</b>	.116	.343	-.027	.751	.045	.726
libdemctrl	Liberal Democrat control	-.023	.685	-.067	.325	-.017	.823	.069	.252	.033	.723
noc	No overall control	-.025	.709	.074	.495	.100	.254	-.037	.596	-.115	.280
popgro711	Population growth % 2007-11	.037	.619	-.131	.186						
childgro0111	Child popn growth % 2001-11										
p015	Child popn share % 2011	<b>.248</b>	<b>.015</b>			-.145	.117	-.071	.292		
pophh	One person households %									<b>.308</b>	<b>.012</b>
p1624	Aged 16-24 share %										
p75pl	Aged 75 plus share %										
chlghh	Change larger households 2001-11										
chllti	Change long term illness 2001-11					<b>.263</b>	<b>.068</b>	.015	.876		
pocc13	High occupation groups %										
chsoc13	Change high occupations 2001-11	<b>-.142</b>	<b>.039</b>	<b>-.148</b>	<b>.088</b>						
pstud	Students % of population									.076	.544
chpemp	Change employment rate 2001-11										
chpunemp	Change unemployment 2001-11	<b>.143</b>	<b>.017</b>								
pinact	Adults 16-59 econ inactive %					<b>-.431</b>	<b>.001</b>				
pcars2	Households with 2+ cars %			-.191	.353						
pnwhite	Nonwhite population share %	.134	.365	<b>.299</b>	<b>0.05</b>					.248	.132
chnwhite	Change nonwhite popn 201-11	-.109	.410								
socrent	Social rented tenure %	<b>.234</b>	<b>.038</b>								
chprvrent	Change private renting 2001-11			-.223	.155					<b>-.315**</b>	<b>.013</b>
hsprcm	House price £m 2008							<b>.038</b>	<b>.009</b>		

chflat	Change flatted dwellings 2001-11										
lsoaddens	Dwelling density dwg/ha (LSOA)										
sslaspars	Sparsity ha per head (whole LA)										
imdscr	IMD 2010 deprivation score	.185	.124	.186	.260	.417	.156	<b>.321</b>	<b>.007</b>	.139	.357
chincscr	Change in IMD score 2002-10	<b>.163</b>	<b>.058</b>	<b>.197</b>	<b>.051</b>						
educscr	Education deprivation score										
hlthscr	Health deprivation score					-.222	.258				
hsgscr	Housing deprivation score							<b>.218</b>	<b>.020</b>		
Pacad10	Propn of academies	-.140	0.145								
Chacad	Change in academies	<b>-0.485</b>	<b>.000</b>								
prevspall	Prevalence Supp People short term					.168	.105	.024	.771		
Adj r-sq		0.570		0.266		0.284		0.654		0.170	
N cases		146		146		146		119		119	

Note: \* indicates model fitted to per capita expenditure change; \*\* in this model the variable is level of private renting

## Part (b)

Variable								All Non-	
Name	Description	EnvirReg		Planning*		All Services		Education*	per capita*
(Constant)			.157		.522		<b>.003</b>		.354
ChgSPGB	Spending power change	.061	.502	.055	.156	<b>.317</b>	<b>.002</b>	<b>.344</b>	<b>.004</b>
envxc10	Expenditure per cap 2010	-.104	.378	<b>-.989</b>	<b>.000</b>	<b>-.381</b>	<b>.006</b>	-0.21	.205
county	County council								
labctrl	Labour control	-.147	.261	.013	.824	.053	.606	-.010	.937
libdemctrl	Liberal Democrat control	-.063	.507	.034	.397	-.102	.163	-.043	.617
noc	No overall control	-.116	.286	<b>-.079</b>	<b>.082</b>	-.036	.668	.047	.639
popgro711	Population growth % 2007-11			-.057	.180	.144	.186	-0.047	0.721
childgro0111	Child popn growth % 2001-11								
p015	Child popn share % 2011								
pophh	One person households %								
p1624	Aged 16-24 share %								
p75pl	Aged 75 plus share %					<b>-.352</b>	<b>.006</b>	-0.199	0.208
chlghh	Change larger hshlds 2001-11								
chllti	Change long term illness 2001-11					<b>.225</b>	<b>.093</b>	<b>0.409</b>	<b>0.013</b>
pocc13	High occupation groups %	.248	.237						
chsoc13	Change high occ's 2001-11			-.024	.546				
pstud	Students % of population	-.139	.210						
chpemp	Change empl't rate 2001-11			<b>-0.068</b>	<b>0.074</b>				
chpunemp	Change unemployment 2001-11								
pinact	Adults 16-59 econ inactive %								
pcars2	Households with 2+ cars %								
pnwhite	Nonwhite population share %								
chnwhite	Change nonwhite popn 201-11								
socrent	Social rented tenure %					.198	.176	0.269	0.128
chprvrent	Change private renting 2001-11							0.171	0.255
hsprcm	House price £m 2008								
chflat	Change flatted dwellings 2001-11	-.183	.113						

isoaddens	Dwelling density dwg/ha (LSOA)	<b>.676</b>	<b>.006</b>	.060	.163				
sslaspars	Sparsity hect per head (whole LA)	.132	.261	<b>.152</b>	<b>.001</b>				
imdscr	IMD 2010 deprivation score	<b>-.345</b>	<b>.076</b>	<b>.163</b>	<b>.012</b>	.171	.310	-0.104	0.601
chincscr	Change in IMD score 2002-10	.026	.790			<b>.253</b>	<b>.006</b>	<b>0.196</b>	<b>0.084</b>
educscr	Education deprivation score								
hlthscr	Health deprivation score								
hsgscr	Housing deprivation score								
pacad	Propn of academies 2011					-.093	.495	<b>0.322</b>	<b>0.048</b>
chacad	Change in academies					<b>-0.261</b>	<b>0.011</b>	0.026	0.824
prevspall	Prevalence Supp People STS					-.085	.377	-0.1	0.321
Adj r-sq		0.133		0.848		0.403		0.497	
N cases		119		119		119		119	

Note: \* indicates model fitted to per capita expenditure change



**Table 4.2: “Efficiency”**

**Actions which aim to *reduce costs* of council services without changing service levels as far as public are concerned.**

Specific strategy	Newcastle City Council: key dimensions	Coventry City Council: key dimensions	Milton Keynes Council: key dimensions
2.1: Reduce ‘back office’ and ‘fixed costs’	<ul style="list-style-type: none"> <li>• Reduce support functions (e.g. IT, HR, legal, corporate communications)</li> <li>• Delaying of management within functions.</li> <li>• Corporate redesign or reorganisation (e.g. integration of Policy and Communications )</li> <li>• Reduction of ‘fixed costs’ (e.g. interest rates, PFI payments)</li> </ul>	<ul style="list-style-type: none"> <li>• Bringing together matching services at a strategic level (environmental protection and street scene; fostering and adoption services )</li> <li>• Many council functions are now managed centrally, such as finance and HR, rather than by department.</li> <li>• Bringing IT in-house.</li> <li>• Number of council offices across the city reduced from 27 to 9</li> <li>• Reduction in the number of buildings and gross overall office space by up to 20%</li> <li>• Review of Admin – deletion of c256 FTEs involved in general admin and support functions.</li> </ul>	<ul style="list-style-type: none"> <li>• Buying out and bringing in-house major private contract delivering 12 back office services</li> <li>• Streamline working practices within the Council and between Council and contractors</li> <li>• Accessing Govt grants for debt financing</li> <li>• Management delaying in back office areas</li> <li>• Reduction in Heads of frontline services (eg Regulatory Services)</li> <li>• Purchase of Council building</li> <li>• Transfer of council buildings and facilities to other bodies (eg parishes)</li> <li>• Develop the financial literacy of a broader range of staff</li> <li>• Introduction of ‘on line’ self –serve systems for staff (eg, annual leave)</li> <li>• Reduction of car allowance for council staff.</li> <li>• Deferral of element of pay 11/12</li> <li>• Reduction in staff terms and conditions with regard to incremental progression</li> </ul>
2.2: Income	<ul style="list-style-type: none"> <li>• Increase traded</li> </ul>	<ul style="list-style-type: none"> <li>• Greater</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of “roof</li> </ul>

generation or loss reduction	<p>income from services sold to other LAs, private sector, etc.</p> <ul style="list-style-type: none"> <li>• More effective debtor management</li> </ul>	<p>commercialisation of park (hiring out as venue)</p> <ul style="list-style-type: none"> <li>• Charge admin costs for CRB checks for those orgs (including schools) that currently do not pay</li> </ul>	<p>tax” on developers</p> <ul style="list-style-type: none"> <li>• MK: Smart programme – includes commercial sale of data</li> <li>• Connexions services now ‘bought in’ by some schools</li> <li>• Consolidation of office space in order to gain income from leasing liberated space</li> <li>• Generate income from increased hiring out of council space (libraries) and equipment (eg CCTV)</li> </ul>
2.3: Seek savings from external providers	<ul style="list-style-type: none"> <li>• Unilateral re-commissioning services from private or voluntary sector (e.g. Homecare)</li> <li>• Joint commissioning of services with other LAs from private or voluntary sector (e.g. NE6)</li> <li>• Review costs of PVI-provided services to bring about consistency</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Council commissioning and purchasing functions</li> <li>• Commissioning efficiencies from across adults and older people</li> <li>• External commission of meal service</li> <li>• Reduced number of advice providers.</li> <li>• Taking services “in-house” to reduce costs. E.g. IT.</li> </ul>	<ul style="list-style-type: none"> <li>• Externalisation of some home care services</li> <li>• General improvements to commissioning in social care.</li> <li>• Buying-in surveyor services instead of dedicated in-house provision</li> <li>• Re-commissioning of services from Trusts which run some swimming pools, plus reduction in grant support</li> <li>• Further extension of outsourced neighbourhood services contract to include elements of neighbourhood wardens and engagement provision.</li> <li>• Landscape maintenance (parks, public realm) outsourced</li> <li>• Renegotiation of Supporting People, Meals on Wheels and Day Centre provision contracts.</li> </ul>

<p>2.4: Re-design of front-line services</p>	<ul style="list-style-type: none"> <li>• Generic working (eg leisure centres, parks)</li> <li>• Consolidation of different services at specific locations (eg libraries and leisure?)</li> <li>• Technology used to help staff work smarter</li> </ul>	<ul style="list-style-type: none"> <li>• Some reduction of front desk staff as a result of greater use of technology (e.g. housing, libraries)</li> <li>• More use of general vs specialist staff: e.g call centres to answer common questions / upskilling neighbourhood wardens</li> <li>• Relying more on non-specialist services such as libraries to provide information and advice</li> <li>• Major staff reduction in daycare and youth services</li> <li>• Took some management out of library service</li> </ul>	<ul style="list-style-type: none"> <li>• Some redesign of children and families services</li> <li>• The function of children's centres reduced. Child care only offered in 3 childrens centres.</li> <li>• Closure of a care home for dementia suffers with new flats built for residents "in the community"</li> <li>• Bring externalized aspects of Connexions in-house</li> <li>• Redesign of Education, Effectiveness and Participation services (school improvement teams)</li> <li>• Reductions in grants to voluntary services for social care replaced with contracts</li> <li>• Consolidation into a single team of occupational therapy and ASC provision of similar services</li> <li>• Redesign of Mental Health Service</li> <li>• Amalgamation of Music and Adult Learning Services</li> </ul>
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**Table 4.3: “Investment”**

Actions which aim to *reduce the need* for council services or reduce the cost of services in future.

Specific strategy	Newcastle City Council: key dimensions	Coventry City Council: key dimensions	Milton Keynes: key dimensions
<p>1.1: Encourage economic growth and/or increase the returns from employment</p>	<ul style="list-style-type: none"> <li>• Attract investment in city centre and ‘science city’ status via infrastructure development</li> <li>• Collaboration on property-led development with neighbouring authorities</li> <li>• City centre development as a means to diversifying the labour market</li> <li>• Improve residents’ access to jobs (e.g. training or apprenticeship schemes)</li> <li>• Improve returns from work (e.g. Living Wage)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic regeneration of city centre for business development, anchored by re-location of council offices.</li> <li>• Job creation strategy, with initiatives designed to link locals to jobs in construction and office work</li> <li>• Increase the supply, choice and quality of new housing (to stimulate population growth and economic growth)</li> <li>• Relaxing planning rules to stimulate more ‘aspirational housing’ to compete with neighbouring authorities.</li> <li>• Collaboration with neighbouring authorities on developing the engineering base of the sub-region</li> </ul>	<ul style="list-style-type: none"> <li>• Manage growth in order to mitigate impact on services</li> <li>• Attract jobs commensurate with city status (eg building a new University of Beds)</li> <li>• Seek new sources of investment support to offset the cost of growth to services</li> <li>• Use of casino income and other external contributions to fund regeneration and skills work<sup>i</sup>.</li> </ul>

<p>1.2: Accelerate own capital investment</p>	<ul style="list-style-type: none"> <li>• Growth-oriented investment (e.g. site preparation, infrastructure, ...)</li> <li>• Services-oriented investment (e.g. new forms of housing to save on residential care costs or telecare)</li> </ul>	<ul style="list-style-type: none"> <li>• The care and repair of housing for elderly people</li> <li>• Selling land from cancelled planned development (elderly home)</li> <li>• Moving council buildings into a planned commercial development: Friargate</li> <li>• Increasing spend on affordable housing to reduce levels of homelessness</li> <li>• Investment in 'Assistive Living Technology'</li> </ul>	<ul style="list-style-type: none"> <li>• Pump-priming 'asset transfer' programme via prioritizing repairs and maintenance of assets</li> <li>• Capital investment in Highways to reduce future revenue costs</li> <li>• Investment in residual waste treatment facility. Potential income generator via charges to companies.</li> <li>• Installation of "Execure" assistive living technology in intensive support housing. Also, community alarms.</li> </ul>
<p>1.3: Preventative revenue spend</p>	<ul style="list-style-type: none"> <li>• Introduce/expand services to reduce need for more costly services (e.g. spend on adoption service to reduce looked-after children; re-ablement within domiciliary care)</li> </ul>	<ul style="list-style-type: none"> <li>• Greater focus early years prevention etc.</li> <li>• Early prevention of problems, e.g. Preventing children being taken into care.</li> <li>• Gifting land for the building of new care homes</li> </ul>	<ul style="list-style-type: none"> <li>• Use of funds for joint health and social care for "reablement"</li> <li>• Four posts created to provide targeted debt advice</li> <li>• Early help teams established for families with additional /considerable needs</li> <li>• Integration of family support services</li> <li>• Investment in a wider remit of children's centres, so they will serve better as an early intervention route.</li> </ul>

<b>Table 4.4: “Retrenchment”</b>			
Actions which <i>reduce the council’s role</i> in terms of the services it provides and for whom.			
<b>Specific strategy</b>	<b>Newcastle City Council: key dimensions</b>	<b>Coventry City Council: key dimensions</b>	<b>Milton Keynes Council: key dimensions</b>
3.1: Renegotiate division of responsibilities between council and other agencies	<ul style="list-style-type: none"> <li>• Pass some responsibilities (and costs) to others (e.g. NHS, voluntary sector)</li> <li>• Share responsibilities (and costs) through partnership working</li> <li>• New models of provision developed (e.g. Care Cooperative)</li> </ul>	<ul style="list-style-type: none"> <li>• The NHS health services have taken over some of the old service delivery in family intervention</li> <li>• Health visitors given greater responsibility</li> <li>• Local Enterprise Partnership – funded by city growth fund undertaking activities to drive economic growth and the creation of local jobs.</li> </ul>	<ul style="list-style-type: none"> <li>• Redefine what is done at LA level and what is done at parish level – leisure, libraries, youth centres etc.</li> <li>• Outdoor education moved to voluntary sector organisation</li> <li>• Responsibility for school improvement as well as advisors on eg literacy passed to schools.</li> <li>• Dementia care provided via new models of provision</li> </ul>
3.2: Renegotiate division of responsibilities between council and citizenry	<ul style="list-style-type: none"> <li>• Asset transfer to community groups (eg swimming pools, bowling clubs)</li> <li>• Citizen role in supplementing or delivery services (eg volunteers in libraries)</li> <li>• Support ‘responsibilisation’ (e.g. litter education) so citizen action reduces need for services</li> <li>• Service user does more for themselves; reduced face to face contact, more automated or web reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the reliance of service users on face to face contact with providers (e.g. through more use of IT)</li> <li>• Responsibilisation of citizens at the individual or group level (“organizational blueprint”)</li> <li>• Removing neighbourhood structures with consultative and sometimes decision making functions – i.e. neighbourhood managers</li> <li>• Transfer of community centres</li> </ul>	<ul style="list-style-type: none"> <li>• Assets and facilities transferred to community organisations</li> <li>• Active encouragement of the engagement of communities in the delivery of library services</li> <li>• Public access initiative: more contact via phone calls and on line. Less face-to-face.</li> <li>• Encourage more self-sufficiency in relation to housing management – closure of offices and reduce face to face contact between housing officers and tenants</li> </ul>

		<p>into local management</p> <ul style="list-style-type: none"> <li>Your neighbourhood matters: “increase the capacity of local communities so that people are empowered to participate in local decision-making and are able to fully engage in service delivery.”</li> </ul>	
<p>3.3: Individual charges (for existing services)</p>	<ul style="list-style-type: none"> <li>New or increased user charges (e.g. car parking, green waste)</li> </ul>	<ul style="list-style-type: none"> <li>Increase number of adults who pay for meal on wheels service</li> <li>Bereavement Services - introduction of additional charges for non-resident grave purchases and interments</li> <li>Metered on-street parking</li> <li>Implementation of Charges for Blue Badges</li> <li>Reviewed charging in social care services</li> </ul>	<ul style="list-style-type: none"> <li>Increase in junior concessionary bus fares</li> <li>Introduction of more charges in community services, e.g. for meals on wheels and laundry.</li> <li>Bulky waste charges introduced, with subsidies for those on benefits</li> <li>Small increases in charges for car parking in central MK</li> <li>ASC – charges increased 2011/12.</li> <li>Increased charges for learning disability respite care</li> <li>Charging for advice at pre-planning application stage</li> <li>Payment for WiFi in libraries.</li> </ul>
<p>3.4: Reduce the range of services supported by the LA</p>	<ul style="list-style-type: none"> <li>Alternative service available in some form provided by another organization (sports development, arts and culture)</li> <li>Reduce the level of subsidy to a service (eg swimming pools, leisure)</li> </ul>	<ul style="list-style-type: none"> <li>Cessation of Coventry in bloom (decreased spending on flower beds) major reduction in “street pride”</li> <li>Proposal to remove</li> </ul>	<ul style="list-style-type: none"> <li>Deletion of neighbourhood wardens</li> <li>Reduced capacity in crime prevention team</li> <li>No longer provide play centres for out of school and holidays</li> <li>A reduction or</li> </ul>

	<p>centres.)</p> <ul style="list-style-type: none"> <li>• Service no longer delivered (youth service, play service)</li> </ul>	<p>intervention functions of neighbourhood managers</p> <ul style="list-style-type: none"> <li>• Closed day centres - consolidated a few day opportunities in some places.</li> <li>• Cease funding before and after school provision.</li> </ul>	<p>ceasing of Youth Grants for Voluntary organisations</p> <ul style="list-style-type: none"> <li>• Reduction to statutory requirements regarding provision of advice and support for parents going through the statementing process.</li> <li>• Reductions in grants to Arts organisations</li> <li>• Loss of pest control person in council.</li> <li>• Removal of grant aid funding for generic information and advice services</li> <li>• Reduction in Community sports grants</li> <li>• Reduction of routes on which bus subsidies operate</li> <li>• Withdrawal of transport support for young people at college outside MK</li> <li>• Gradual withdrawal of support for travel to denominational schools</li> </ul>
<p>3.5: Continue to provide the service on a universal but reduced level</p>	<ul style="list-style-type: none"> <li>• Reduce the number of facilities (eg libraries, swimming pools)</li> <li>• Reduced frequencies ( eg refuse collection)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced or no cleaning services on peripheral roads outside centre.</li> <li>• Changes to grass cutting</li> <li>• Assistance reduction in libraries, fewer.</li> <li>• Reductions in confidential counselling service.</li> </ul>	<ul style="list-style-type: none"> <li>• Programme of library closures, relocations and co-locations, but also provision of new facilities in areas of growth</li> <li>• Reduction of service in some day nurseries.</li> <li>• Housing advice – now offered as online service.</li> <li>• “Trimming and dimming” the streetlights</li> <li>• Community safety</li> </ul>



			<ul style="list-style-type: none"> <li>• Reductions in capacity in environmental health and trading standards.</li> </ul>
<p>3.6: Continue to provide the service but target towards 'need'</p>	<ul style="list-style-type: none"> <li>• Provision targeted proportionately across the social gradient</li> <li>• Provision focused strongly on the most needy social groups – (social care thresholds, Connexions. Welfare Rights sure start)</li> <li>• Service provision focused strongly on the most needy areas – (Sure Start)</li> </ul>	<ul style="list-style-type: none"> <li>• Service provided only to the most deprived places , eg In Early Years the focus is on “absolutely the most vulnerable”</li> <li>• Youth service is focused on need</li> <li>• Daycare provision became much more targeted to children who needed early intervention. Sure Start Centres are in areas which are most deprived.</li> <li>• Some limitations on access to adult education, with numeracy and literacy work in deprived areas continued as normal.</li> <li>• Day centres only provided to people with identified social care needs</li> </ul>	<ul style="list-style-type: none"> <li>• Created a hardship fund to deal with effects of the localised system of council tax subsidy.</li> <li>• Connexions focused on to NEETs only. Other groups needs met in schools or on line</li> <li>• Some targeting of provision within childrens centres.</li> </ul>

An integral part of the budgetary analysis was to identify the savings proposals made by the case studies and to classify these. This classification framework described in chapter 4 was developed iteratively out of the interviews and documentary analysis. This framework could only be applied once the savings were identified and this was not a straightforward task.

All three case study areas provide as part of their budget reports tables giving a brief description of the proposals and the related savings amount. For a number of the proposals these descriptions were insufficient for us to assess the strategies involved and we required further information. For Newcastle from 2013/14 onwards this extra information is available in the form of 85 separate Integrated Impact Assessment reports, one for each line in the budget savings list. The situation in Coventry is slightly more complicated with supporting documents relating to the budget proposals available for some of the budget proposals but not for others. For Milton Keynes further information about the savings proposals could be accessed through Equality Impact Assessments however these are not available for all of the proposals.

Once this detailed proposal data was collated for each of the case study areas it was assessed according to the strategy framework. The majority of the savings were assessed by two to three members of the research team; this process was carried out on an individual 'blind' basis. As the savings were examined one-by-one they were classified according to the framework, if a particular proposal was thought to be applicable to more than one strategy then the researcher would proportion the saving across all relevant strategies in order to give an estimation of the savings relating to each. The results of these individual reviews were then compared and any inconsistencies were discussed and a final categorisation agreed upon. This aspect of the budgetary analysis resulted in a quantitative assessment of the balance between different aspects of each authority's strategic approach.

This Annex was originally provided for the report for the first phase of the project (Hastings et al, 2012). It is copied here for convenience.

### Introduction and Purpose

This note is intended to complement the telephone survey of English Local Authorities and the analysis of changes to local authority spending power resulting from the Emergency Budget, the Comprehensive Spending Review and the Local Government Finance Settlements of 2010. It is intended to provide a concise summary of the distributional incidence of a range of local services, based mainly on household survey data but also drawing on some other sources and past research.

Most commonly here we define receiving a service, or getting a benefit from it, on the basis of **usage** of that service. This can be measured in various way, sometimes in simple binary form (yes/no), sometimes in banded frequency form (enabling quasi continuous usage numbers to be generated), sometimes in a form which flags quality/adequacy of service.

This note draws on several sources

- A. A previous research study, Bramley et al (2005) *Mainstream Services and their Impact on Neighbourhood Deprivation*, which drew mainly on data from the early 2000s.
- B. Analysis of a recent dataset from the Scottish Household Survey.
- C. Analyses of the BVPI Survey dataset for a subset of urban local authorities in England, as originally carried out in a study for CABESpace but extended slightly.

In the context of the SDCR project, the purpose of these data is to make further inferences as to the likely distributional incidence, between different types of household and different types of neighbourhood, of the budget cuts, given what our survey indicates on the likely level of cuts in different local services. Obviously, such inferences depend on assumptions, including the following:

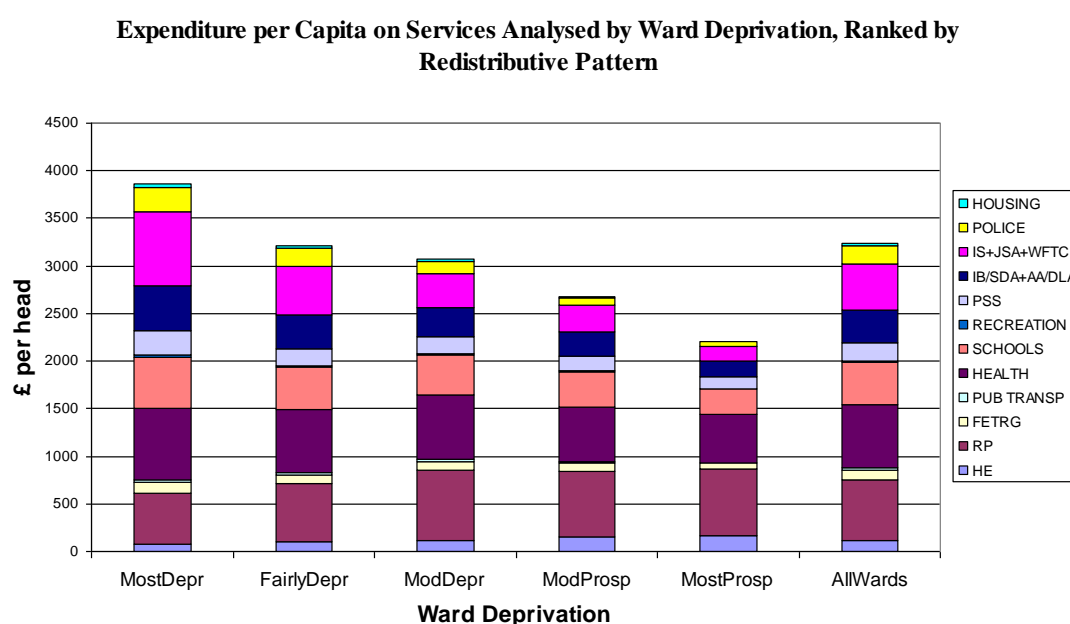
- That distributional incidence recorded some years ago still applies today
- That the cuts impact on real service delivery and usage and not just on efficiency of service organisations
- That differential pricing or rationing procedures are not applied differentially to different groups or areas

If we can make these assumptions, then in principle it may be possible to multiply through the pattern of cuts and these distributional profiles and add up the results across services. In practice, it will probably be difficult to do this because (a) different LAs may provide us with different information (b) some services experiencing cuts may not be ones for which we have any distributional information, and (c) different LAs may make quite different patterns of cuts.

### Mainstream Services Study

This study (commissioned by Treasury, former NRU and Scottish Executive) aimed to update the previous 'Where does public spending go?' study for DETR published in 1998, and focussed on the distribution of spending between wards at different levels of deprivation. The study was carried out in seven areas, two in Scotland, which were predominantly but not exclusively urban. There were quite a lot of gaps and inconsistencies in the data obtained but at the end of the study it was possible to provide a composite picture. This is best summarised by the following Figure 1, which stacks up per capita spending across 12 programmes. It should be noted that three of these were national social security spending categories, one was NHS, and two others were Higher Education and FE & training (all non-local government). Of the remainder, some were only partially in local government (e.g. Housing).

**Figure 1**



Source: Bramley et al (2005) *Mainstream Services and their Impact on Neighbourhood Deprivation*. DETR/NRU.

The ward deprivation bandings were 'Worst 10%', 'Next 15%', and the remaining quartile groups, using the then (2002-based) IMD. The services are broadly stacked up according to their distributional profile, with the most 'pro-poor' at the top (Housing, Police) and the most pro-rich at the bottom (Higher Education). Another feature of the analysis is that the picture is dominated by a few very big spending services and benefits, with other programmes (e.g. recreation) so small in relative terms that they are difficult to read. This study did not attempt to cover all services, unlike its predecessors; for example, a lot of local cultural and environmental services were not included.

Possibly equally useful was a verbal summary of the distributional character of each programme analysed. This is shown in Table 2 below. The middle column characterises the overall distribution in terms of deprivation vs affluence. The next column describes the

amount of variation between individual wards, while the last column attempts to summarise changes from the earlier study.

**Table 1: Summary of Ward Spending Distribution Patterns by Service**

<i>Service</i>	<i>Category</i>	<i>Distribution by Ward Deprivation Level</i>	<i>Variation between individual wards</i>	<i>Change 1995-2000 by Ward Deprivation Level</i>
Att Allow/Dis Liv All	Aa	Quite pro-poor	Medium	Increased both ends
Retirement Pension	Aa	Moderately pro-rich	Lower	Increased more
Concessionary Fares	Aa	Slightly pro-rich?	Quite Low	Decreased more
Incapacity Ben/SDA	Ab	Quite pro-poor	Medium	Increased both ends
Income Support	Ac	Strongly pro-poor	Quite high	Decreased less
Job Seekers Allow	Ac	Strongly pro-poor	Quite high	Decreased less
Wkg Fam Tax Credit	Ac	Quite pro-poor	Low	Decreased less
Hospital In/out-patient	B	Moderately pro-poor	Quite Low	Increased more
Primary Health Care	B	Slightly pro-poor	Low	

Childrens Soc Serv	B	Quite pro-poor	High	Increased more
Elderly Soc Serv	B	Quite pro-poor	Medium	Increased less
Special Education	B	Quite pro-poor?	Medium?	
RSL Housing Invest	B/C	Strongly pro-poor	Very High	Decreased less
Police	C	Strongly pro-poor	High	Increased more
Primary Schools	D	Quite pro-poor	Lower	Increased more
Secondary Schools	D	Moderately pro-poor	Medium	Increased more
Higher Education	E	Strongly pro-rich	Medium-High	Increased more
Further Education	E	Slightly pro-rich	Medium	Decreased more
Work-Based Training	E	Moderately pro-poor	Medium	Decreased less
Bus Subsidies	F	Moderately pro-poor	High	Decreased more
Recreation	F	Moderately pro-poor	Medium	
Refuse & cleansing	F	Neutral?	Low	

Source: Bramley et al (2005) *Mainstream Services and their Impact on Neighbourhood Deprivation*. DETR/NRU. Table 18.1

### Scottish Household Survey

The analysis presented here is based on extracting all the relevant information which can be readily found in the Scottish Household Survey, taking a recent edition of this dataset (2007-08). The following tables present summarised usage information for three groups of services broken down by individual income band, deprivation quintiles (SIMD 2006), occupational group (NS-SEC) and urban-rural classification. These questions are mainly asked of adults (one randomly selected per household, reweighted to adult population). In general we present simple analyses of usage rates by these classifying variables separately, without any attempt to control for demographic factors which might affect the need or demand for such services (with an exception in the case of home care services).

The first group of services are cultural and leisure services for which it is possible to get an approximation to annual usage frequency from banded data. These services are of some interest as they appear to be quite commonly a target for disproportionate cuts. While these services may be 'universal' in their philosophy of provision, not everyone uses them and frequency varies quite widely (higher for parks, lower for museums and theatres). Previous studies (e.g. Bramley & Smart 1991, Bramley & Fisher 2006) have tended to show a certain tendency for these services to be used more by the better off and less by people in deprived circumstances. This finding is broadly repeated here, although on some criteria some of these services are more evenly distributed.

Sport and leisure services are used rather more by higher income people, and people in less deprived neighbourhoods. Although the pattern by occupational groups is somewhat less clear-cut, useage is clearly lower for those in routine occupations and relatively high for professional and managerial people. These services are used more in smaller towns and least in rural locations, reflecting availability and accessibility.

Libraries present a slightly different picture. They are used rather more by the lowest income group (which will include many retired), and usage is slightly higher in the most deprived zones than in zones of middling deprivation, although there is still higher use in the most affluent zones. Usage is somewhat lower for those in routine, lower supervisory and small employer/own account occupations. It is lower in remote rural areas.

Museums and theatres have a lower general level of usage and are much more clearly pro-rich in distribution.

**Table 2: Usage Rates of Six Local Leisure & Cultural Service by Income, Deprivation, Occupation & Urban-Rural Category, Scotland 2007-8**  
(annual frequency, adults)

	Sport & Leisure	Library	Museum	Theatres	Parks & P O S	Commun Centres
<i>Grouped Income (indiv)</i>	<i>usesport</i>	<i>uselib</i>	<i>usemus</i>	<i>usetheat</i>	<i>usepark</i>	<i>usecomcen</i>
£0-10k	15.39	9.69	1.53	1.62	40.66	7.69
£10-20k	16.60	7.11	1.72	2.23	42.91	6.95
£20-30k	18.06	7.29	2.50	2.31	43.17	7.74
£30k+	19.81	7.11	3.06	3.01	45.47	7.64
<i>SIMD Quintiles (2006)</i>						
Most deprived 20% DZs	13.61	8.48	1.68	1.42	36.96	6.63
Qtl 2	15.76	8.06	1.33	1.41	38.64	7.82
Qtl 3	16.53	8.19	1.75	2.13	41.70	8.05
Qtl 4	16.03	7.42	1.73	2.68	43.01	8.50
Least deprived 20% DZs	18.13	8.97	2.84	2.79	45.76	6.57
<i>NS-SEC Occupations</i>						
Higher mgt & profess	19.96	8.41	3.29	3.29	42.96	6.18
Lower mgt & profess	20.74	8.16	2.52	2.92	46.16	7.97
Intermediate	19.72	8.77	2.19	2.49	42.33	8.66



occupations

Small emp's & own acct	13.62	5.61	1.49	3.19	42.54	8.48
Lower supervis & tech	20.53	6.31	1.32	1.51	49.37	7.66
Semi-routine occup's	17.91	8.62	1.76	1.93	43.99	8.17
Routine occup's	14.30	6.39	1.15	1.60	44.34	5.99

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*Urban-Rural Classif*

Large urban areas	16.20	8.50	2.79	2.72	39.83	6.16
Other urban	16.82	8.20	1.14	1.49	43.73	7.67
Small accessible towns	15.19	7.46	1.40	2.23	42.79	9.08
Small remote towns	21.15	10.47	2.71	3.23	66.39	13.17
Very remote small towns	21.59	6.27	1.21	0.85	34.23	7.43
Accessible rural	13.52	8.24	1.24	1.44	36.13	9.02
Remote rural	14.28	6.71	1.29	1.59	39.68	8.07
Very remote rural	12.31	7.29	1.02	2.07	31.67	7.70

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All Adults	16.01	8.21	1.86	2.09	41.21	7.53
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Parks and open spaces have a high level of usage which is found across most categories, although it is still lower for low income people and deprived neighbourhoods. However, there is not much relationship with occupations. Small towns have more usage than either large urban areas or remoter rural places. These findings can be related to recent CABESpace study which showed a low amount of public greenspace in more deprived parts of urban

England as well as a poorer quality of spaces and maintenance in such neighbourhoods, although the need for such facilities was often greater in these places.

Community Centres (incl village halls) have relatively even usage across income groups but are used rather more in moderately affluent neighbourhoods and by intermediate occupational groups. Usage is notably higher in smaller towns and lowest in large urban areas.

The second group of services considered (in Table 3) include some larger and more important (in expenditure terms) services, but the measure of usage is cruder and more ambiguous. It is simply the proportion of adults reporting any usage of these services in the last year – this is probably better interpreted as having contact with the service. Clearly, policing has different types of usage, ranging from its general ‘public good’ effect which is universal to various types of specific contact, as a victim of crime, an observer or witness of crime or disorder, or as a perpetrator or suspect. Fire is similar in principle but much less common to have direct contact reported. Schools are mainly relevant to families with school-age children, for whom the service is close to universal, while social care/social work is relevant to a narrow group of persons with particular needs. Street cleaning is universal in terms of who uses the streets, but again specific contact with this service is relatively infrequent.

Police service usage/contact appears higher from higher income and occupational groups, at individual level, although it also appears to be a bit higher in the most deprived neighbourhoods. It is also rather higher in urban areas. We know from separate reported crime and incidents data that these are quite highly concentrated in deprived areas, so this does confirm that we are measuring something somewhat different here.

Fire service usage/contact seems to be higher for both low and higher income or occupational class individuals, but is generally quite a lot higher in deprived neighbourhoods (the same pattern as with fire incidents data).

Use of local school is not very useful in this context, because the service is near-universal. However, the lower usage for the higher management and professional group may be due to greater use of the private sector.

Social care/social work seems to be quite strongly related to low household income, and moderately to deprived neighbourhoods. but with less clear relationship with occupation. Usage/contact here is greater in urban areas.

**Table 3: Whether Used Selected Services by Income, Deprivation, Occupation & Urban-Rural Category, Scotland 2007-08**

		Local	Social	Street	
<i>Grouped Income (indiv)</i>	Police	Fire	School	Care/SW	Cleaning
£0-10k	20.8%	3.0%	14.3%	10.0%	1.0%
£10-20k	23.0%	2.6%	14.0%	6.2%	1.6%
£20-30k	25.4%	2.4%	17.7%	6.0%	1.6%
£30k+	26.0%	3.3%	15.9%	4.9%	2.6%
<i>SIMD Quintiles (2006)</i>					
Most deprived 20% DZs	24.0%	4.0%	14.0%	9.0%	1.0%
Qtl 2	22.0%	3.0%	14.0%	9.0%	1.0%
Qtl 3	22.0%	2.0%	14.0%	7.0%	2.0%
Qtl 4	21.0%	2.0%	15.0%	6.0%	1.0%
Least deprived 20% DZs	19.0%	3.0%	17.0%	6.0%	2.0%
<i>NS-SEC Occupations</i>					
Higher mgt & profess	26.0%	3.0%	11.0%	5.0%	1.0%
Lower mgt & profess	27.0%	3.0%	15.0%	6.0%	1.0%
Intermediate occupations	25.0%	2.0%	16.0%	5.0%	1.0%
Small emp's & own acct	23.0%	2.0%	16.0%	6.0%	1.0%
Lower super and tech	23.0%	3.0%	13.0%	5.0%	1.0%

Semi-routine occup'	22.0%	3.0%	18.0%	6.0%	1.0%
Routine occupations	21.0%	3.0%	19.0%	5.0%	1.0%
<hr/>					
<i>Urban-Rural Classif</i>					
Large urban areas	22.0%	3.0%	13.0%	7.0%	1.0%
Other urban	23.0%	2.0%	17.0%	9.0%	2.0%
Small accessible towns	20.0%	3.0%	15.0%	8.0%	2.0%
Small remote towns	22.0%	2.0%	18.0%	4.0%	0.0%
Very remote small towns	22.0%	0.0%	16.0%	9.0%	6.0%
Accessible rural	21.0%	3.0%	15.0%	7.0%	2.0%
Remote rural	18.0%	3.0%	11.0%	6.0%	3.0%
Very remote rural	15.0%	4.0%	14.0%	6.0%	1.0%
<hr/>					
All Adults	22.0%	3.0%	15.0%	8.0%	1.0%
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The next group of service indicators relate to services mainly used by older or disabled people, as shown in Table 4

Concessionary bus passes are available 'universally' to all those over 60 in Scotland (and similarly in England). They are strongly associated with lower total household income, which is unsurprising since most people with these passes will be retired. There is little systematic relationship of having a pass with neighbourhood deprivation or occupational class.

Frequency of concessionary travel is also higher for low income individuals, and also more significantly higher for those in more deprived neighbourhoods and lower level occupations. Unsurprisingly, usage is also higher in urban areas, and it is likely that the patterns with deprived areas also similarly reflect availability of bus services (see also Table 5).

**Table 4: Use of Services Mainly Related to Older or Disabled People by Income, Deprivation, Occupation and Urban-Rural Category, Scotland, 2007/08.**

	Concess	Freq'y	Adapt'n	Hm Hlp	Any LA	Care
<i>Grouped Income (indiv)</i>	Bus Pass	Conc Trav	/sickdis	/sickdis	Care	Hours pw
£0-10k	32.5%	93.63	32.0%	4.8%	8.1%	1.41
£10-20k	21.3%	76.50	29.2%	5.2%	7.4%	1.31
£20-30k	11.5%	67.55	16.8%	2.9%	1.5%	0.29
£30k+	7.8%	52.19	15.3%	1.9%		
<i>SIMD Quintiles (2006)</i>						
Most deprived 20% DZs	24.1%	109.00	33.9%	6.7%	9.0%	1.62
Qtl 2	26.1%	91.58	34.4%	7.3%	5.8%	1.09
Qtl 3	24.2%	68.53	31.4%	5.6%	4.2%	0.76
Qtl 4	22.4%	61.69	30.3%	5.7%	2.8%	0.44
Least deprived 20% DZs	23.3%	69.66	28.6%	4.5%	2.1%	0.33
<i>NS-SEC Occupations</i>						
Higher mgt & professional	6.8%	63.41	13.1%	0.0%	0.6%	0.09
Lower mgt & professional	7.6%	60.89	13.3%	0.9%	0.8%	0.13
Intermediate occupations	7.4%	94.98	17.0%	0.4%	1.1%	0.20
Small emp's & own acct	12.0%	38.29	19.9%	1.5%	1.1%	0.20
Lower supervisory and tech	7.4%	65.86	12.3%	0.2%	1.8%	0.29

Semi-routine occupations	9.1%	98.13	11.8%	1.0%	1.5%	0.26
Routine occupations	10.2%	100.96	12.6%	1.2%	1.9%	0.36
<hr/>						
<i>Urban-Rural Classif</i>						
Large urban areas	23.4%	113.72	31.9%	6.2%	5.4%	0.94
Other urban	24.3%	78.55	33.9%	7.0%	5.5%	0.99
Small accessible towns	26.5%	56.57	34.4%	5.9%	4.7%	0.86
Small remote towns	30.0%	38.52	32.5%	5.7%	3.1%	0.53
Very remote small towns	22.5%	39.81	26.6%	10.1%	3.4%	0.59
Accessible rural	21.6%	41.07	29.3%	4.4%	2.8%	0.51
Remote rural	24.8%	31.82	25.6%	4.9%	3.7%	0.56
Very remote rural	26.9%	21.35	32.7%	5.7%	2.9%	0.69
<hr/>						
All Adults	24.0%	80.49	32.3%	6.3%	4.9%	0.87
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The next two indicators (adaptations and home help) are calculated by dividing by the proportion of respondents who are sick or disabled, to try to get a fairer comparison. These are used quite a bit more by low income individuals, by people in more deprived neighbourhoods; the relationship with occupation is less clear. There is slightly more use in urban areas.

Adults receiving any LA care are much more likely to have a low income, be living in a deprived neighbourhood, or in a low occupational group; and somewhat more likely to be living in an urban area. Hours of care per week show a similar pattern – this is probably the best indicator of expenditure.

The final set of indicators from this source considered here relate to public transport (Table 5).

**Table 5: Public Transport Convenience and Usage by Income, Deprivation, Occupation and Urban-Rural Category, Scotland, 2007/08.**

	Pub Tran	Pub Tran	Local Bus
	Conven	Usage	Usage
<i>Grouped Income (indiv)</i>	Index	Freq	Freq
£0-10k	0.84	46.5	79.0
£10-20k	0.83	33.8	56.8
£20-30k	0.81	25.2	35.7
£30k+	0.80	23.2	28.6
<i>SIMD Quintiles (2006)</i>			
Most deprived 20% DZs	0.87	47.2	86.8
Qtl 2	0.84	39.5	67.6
Qtl 3	0.80	29.7	45.8
Qtl 4	0.78	27.5	38.4
Least deprived 20% DZs	0.83	32.9	45.5
<i>NS-SEC Occupations</i>			
Higher mgt & profess	0.80	30.9	39.8
Lower mgt & profess	0.81	27.8	36.3
Intermediate occupations	0.81	36.9	66.6

Small emp's & own acct	0.81	15.5	20.0
Lower supervis and tech	0.82	26.3	42.5
Semi-routine occupations	0.84	42.5	73.7
Routine occupations	0.83	36.1	62.5

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*Urban-Rural Classif*

Large urban areas	0.87	48.8	83.8
Other urban	0.84	32.9	51.1
Small accessible towns	0.82	27.7	39.1
Small remote towns	0.82	21.2	25.6
Very remote small towns	0.81	16.0	22.7
Accessible rural	0.70	19.1	25.2
Remote rural	0.68	16.9	25.1
Very remote rural	0.63	11.8	15.2

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All Adults	0.82	35.3	56.7
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A general index of public transport convenience shows only limited variation between income, class and deprivation groups, although it is generally a bit better in lower income/more deprived, lower occupation groups. It is notably lower in rural areas.

The two measures of public transport frequency are based on different questions with different banded responses and different numbers of missing cases, so are not strictly comparable (it appears inconsistent that local bus frequency is on average higher than



public transport usage frequency, but the different bandings and values imputed to them account for this). Bus/PT usage frequency is much higher for low income people, people in deprived areas, and people in (larger) urban areas, but the pattern by class is less clear.

## BVPI Survey

The Best Value Performance Indicator (BVPI) datasets were derived from standardised household surveys carried out on behalf of most local authorities in England at intervals of 3 years during the 2000s. A 'New Place Survey' was to replace this in 2010 but was cancelled by the incoming Coalition Government, as part of its economy measures and also to reduce the number of performance indicators for local government. A number of measures relating to parks and public greenspace were compiled by the researchers (Bramley, Brown & Watkins at HWU) as part of the study for CABESpace published in early 2010 under the title *Urban Green Nation* (CABE has also subsequently been wound up, but legacy material including the greenspace inventory are held by the Design Council). This analysis was undertaken for 110 urban local authorities in England (those for which MORI survey data with postcode were supplied).

Table 6 presents a representative sample of indicators from this source, plus one ('Active 2') which is derived from another survey, the Sport England Active People survey, broken down by ward deprivation level. The broad story is that the physical area of public park or greenspace available in deprived wards is very much lower than the amount in more affluent wards.

**Table 6: Indicators of Quantity, Usage and Satisfaction Relating to Urban Parks, Greenspace and Outdoor Recreation**

Ward based	Park Area	All Gsp	Frequency	Use Parks	'Active'	Satis Pks	Satis Clean
<i>Deprivation</i>	/000 pop	/000 pop	Use Parks	at all	1-6 days	& POS	Pub Spc
<i>Band</i>	Inv	Inv	times pa	% BVPI	/month	% BVPI	% BVPI
	QN2wp	QN2wi	U1f	U1d	active2	MM2p	MM3p
Worst 10%	0.75	1.40	51.2	86.6%	39.2%	63.6%	58.9%
10-20%	0.87	1.61	58.8	86.8%	44.0%	63.5%	57.6%
30-40%	1.26	2.53	56.9	89.0%	46.4%	67.1%	60.6%

40-60%	1.77	3.95	58.0	91.7%	49.7%	71.1%	62.4%
60-80%	2.30	5.22	57.9	92.3%	53.4%	74.1%	66.1%
Least Depr	4.49	7.82	59.0	95.4%	58.1%	76.6%	69.2%
Total	1.74	3.61	57.5	90.6%	49.0%	69.9%	62.6%
<i>Ratio</i>	<i>6.0</i>	<i>5.6</i>	<i>1.2</i>	<i>1.1</i>	<i>1.5</i>	<i>1.2</i>	<i>1.2</i>

Sources: Indicators compiled for CABESpace (2010) study *Urban Green Nation*, derived from Inventory of Greenspaces, MORI BVPI Survey data, Sport England Active People Survey.

The frequency of use of parks is somewhat lower in more deprived areas, and the proportion of the population using parks at all is rather lower. Moderate levels of physical activity (walking, cycling, sport) are lower in deprived neighbourhoods and higher in the most affluent.

Satisfaction with parks and public opens spaces is lower in the most deprived areas and vice versa. This may be related to the lower satisfaction with cleanliness of public spaces in deprived areas. However, these satisfaction ratings may not just be a comment on the service provided by the local authority, but also reflect the high pressure of usage in poorer neighbourhoods, which are generally more densely populated, and other issues including concerns about crime & ASB.

These indicators provide some clue as to the kind of measures which might be generated for a range of other local services covered in the BVPI survey. These were not transferred from the raw survey dataset into the working file for the CABESpace study. However, we could revisit the raw data and extract indicators on usage and satisfaction relating to the following additional service categories (as well as parks/OS).

- Housing
- Planning
- Personal Social Services
- Fire & Rescue
- LA Education Service
- Sports/leisure facilities
- Libraries
- Museums & galleries

- Theatres/concern halls
- Bus services
- Waste collection
- Recycling
- Civic amenity sites/tips

## PSE Survey

The Millenium Poverty Survey (PSE Survey) carried out in 1999 collected data on a range of local services, distinguishing people who used and did not use service and also indicators of service adequacy and affordability. Comparable questions will be included in the new PSE Survey going into the field later this year, and were also included in the 1990 Breadline Britain survey. These surveys have nationally representative samples.

Table 7 provides summary distributional measures from the 1999 and 1990 surveys. These are expressed as ratios of usage by the 'top' group over usage by the 'bottom' group. Groups are based on (a) social class; (b) equivalent income (i.e. income adjusted for household composition); (c) deprivation, using the PSE material deprivation criterion of lacking two or more socially perceived necessities. Services considered fall into three groups. For the first of these groups of services, the relevant population is all households; for the second group households with children under five or school age; for the third group all elderly plus households with one or more disabled members All of these are individual household level measures. Usage rates are first standardised for household type, in recognition of the rather different patterns for families with children, elderly people households and smaller vs larger adult households.

**Table 7 Standardised usage ratios by class, equivalent income and poverty for public local services, 1990 and 1999 4**

Service	Usage ratio by Class		Usage ratios Equivalent Income		Usage ratio by Poverty	
	1990	1999	1990	1999	1990	1999
Libraries	1.40	1.42	0.95	1.11	1.36	1.26
Public Sports facilities	1.34	1.33	1.39	1.41	1.19	1.44
Museums and galleries	2.03	2.09	1.60	2.22	1.56	1.98
Adult Evening Classes	1.88	2.80	1.29	1.11	1.52	1.76
Bus Service	0.77	0.77	0.77	0.75	0.85	0.84
Childcare	0.92	1.18	0.75	1.94	1.26	1.12
Play Facilities	0.93	1.46	0.80	0.47	1.31	1.56
School Meals	0.70	1.24	0.71	0.81	0.79	0.86
Home Help	0.62	0.61	0.93	1.37	0.84	1.15
Meals on Wheels	0.32	0.61			0.57	0.73
Special Transport	0.29	0.23	0.06	0.44	0.94	0.33

Source: Table 8.1 in Fisher & Bramley (2006). Calculated from 1990 Breadline Britain Survey and 1999 PSE Survey

On the basis of usage, generally taken here as a proxy for expenditure incidence, this source confirms the broadly pro-rich distributional pattern associated with the first four services: libraries, sports, museums and adult classes, although this tendency was less marked for libraries and strongest for museums. Bus services are the only one of these universal services to be consistently pro-poor.

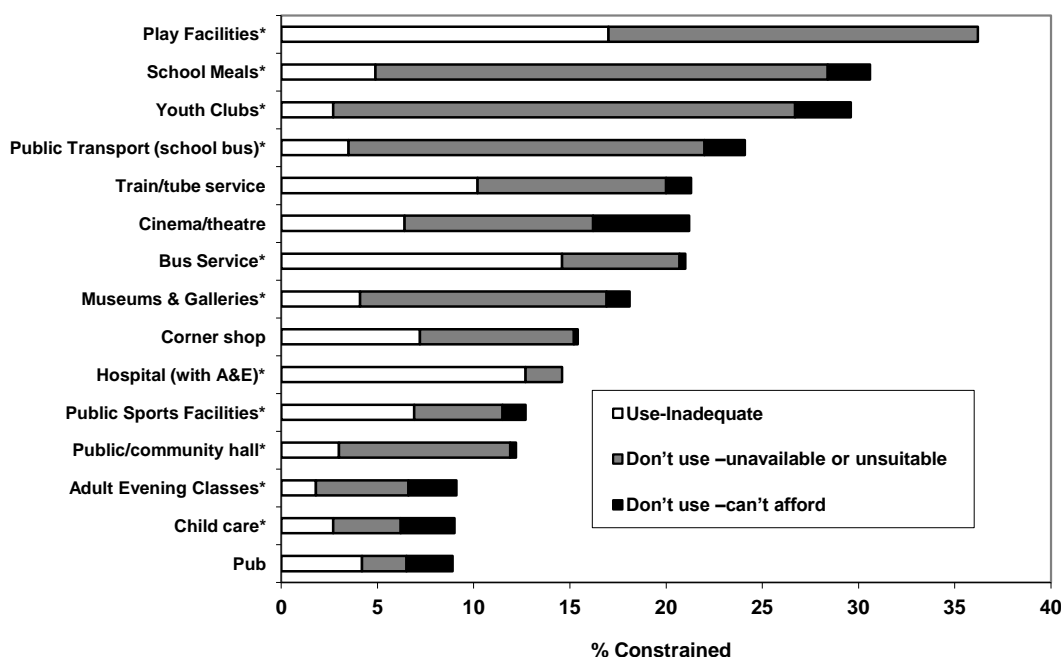
Childcare services (includes nurseries, playgroups, mother and toddler groups and after school clubs) show a mixed picture, tending on two criteria to become more pro-rich in 1999.

There is also a mixed picture on play facilities. School meals are generally pro-poor, and clearly this will be much more the case when allowance is made for free meals which are targeted on the low income poor.

The social care services for elderly and disabled tend to be somewhat pro-poor, but this is not consistently the case for home help across all the indicators in 1990.

In both the 1990 Breadline Britain survey and the 1999 PSE survey, possible responses to the question on service usage include ways in which supply constraints or inadequacies can affect usage. These include: using the service, despite perceiving it as inadequate; not using the service because it is unavailable or inadequate; and not using the service because the respondent cannot afford to. Here these three responses are used together to provide a broad index of constraint. Figure 2 illustrates the pattern across services combining both public and private services.

**Figure 2: Service constraint or inadequacies for top 14 public and private local services, 1999 (ranked by % constrained)**



The distribution of constraints by income and deprivation of household is summarised in Table 8 below.

**Table 8: Supply, quality or cost: constraints on usage by equivalent income and poverty for local services, 1990 and 1999**

Service	Proportion of households constrained (%)							
	Equivalent Income				Poor			
	1990		1999		1990		1999	
	Top	Bottom	Top	Bottom	No	Yes	No	Yes
Libraries	12	12	9	11	9	14	7	12
Public Sports facilities	20	18	20	11	20	15	13	11
Museums and galleries	25	19	22	18	17	21	17	21
Adult Evening Classes	9	16	9	11	9	20	7	15
Bus Service	35	24	22	24	25	29	19	27
Childcare	38	30	12	39	29	28	24	50
Play Facilities	26	55	32	57	39	57	29	60
School Meals	35	33	13	15	19	33	11	14

Source: Calculated from 1990 Breadline Britain Survey and 1999 PSE Survey.

For most services in 1990, the lowest income group report either a similar level of constraint or a lower level than the top group, with the exception of adult evening classes and children's play facilities. A similar pattern is evident in 1999, except that the difference between the top and bottom groups has increased in the case of public sports facilities and bus services and the lowest income group is more constrained in their usage of childcare services. With respect to poor (multiply deprived) households, they tend to be more constrained in their use of all services, except public sports facilities and school meals, a pattern which has persisted across both surveys. Hence, it may be concluded that poor households face poorer quality services and/or that poverty reinforces constraints on service usage. This is more clear-cut than the general relationship with income or class

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