User guide

The cost of the cuts: a social impact tool for local authorities

by Annette Hastings, Nick Bailey, Glen Bramley, Maria Gannon and David Watkins
Universities of Glasgow & Heriot Watt

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Introduction

A major research project funded by the Joseph Rowntree Foundation has catalogued and explored the implications of local council savings over the past five years. The aim of the project was to analyse the extent to which the range of measures – activities focused on reducing future needs and costs, reductions in services, changes in eligibility thresholds and consolidations of facilities – has impacted on poorer groups of service users. The result is a social impact tool which enables councils in England and Scotland to replicate a key part of the quantitative analysis undertaken for the study. This user guide introduces that social impact tool.

Background to the Social Impact Tool

As the budget pressures under which local government operates intensify, councils are continually looking at how they can generate savings. This is not only in response to cuts in levels of grant and spending power but also to significant cost and demographic pressures. Far reaching public service reform and integration agendas create further challenges for balancing budgets.
Local councils have generated savings in a range of ways over the past five years. The JRF project catalogued and explored the implications these – from efficiency measures designed to help authorities work smarter; to 'invest to save' activities focused on reducing future needs and costs; to reductions in services, changes in eligibility thresholds and consolidations of facilities. A short version of the final report from this research can be found https://www.jrf.org.uk/report/cost-cuts-impact-local-government-and-poorer-communities. A longer version, which includes more detailed analysis, can also be found at https://www.jrf.org.uk/report/cost-cuts-impact-local-government-and-poorer-communities.

The JRF research project analysed the extent to which such measures impacted on poorer groups of service users. Clearly, a similar agenda is shared by many local councils. They are not only keen to understand the level of impact on poorer and more vulnerable service users, but are striving to minimise this. Some of the methods used in the research study can help.

What can the Social Impact Tool help you to do?

It can help councils identify how their savings plans might impact to a greater or lesser degree on different groups of service users. The tool is based on the fact that while councils provide a range of services to people across the socio-economic spectrum, some council services are used more often or more intensively by people with low incomes or living in disadvantaged circumstances. Therefore, the decisions made about what level of savings to generate from which services can lead to different degrees of impact on distinctive social groups.

The tool can help you to:
- produce a robust assessment of the implications of your savings plans for service user groups experiencing varying levels of socio-economic deprivation;

- analyse the extent to which distinctive population and service user groups experience different levels of cumulative service change;

- track change over time in the social impact of savings, if the tool is used in successive years or is used to analyse historic data;

- conduct scenario planning or options appraisal. It can be used multiple times in the budget planning or service review process. Data on savings plans which have not yet been finalised can be used to get an early indication of the pattern of impact;

- encourage informed debate about the differential impact of savings. Use of the tool might also suggest where efforts to mitigate impacts should be focused. In addition, it could highlight where additional research is needed on the experiences of different groups of service users;

- benchmark your results against those of other local authorities, as you can contact other councils using the tool.

In the FAQs section at the end of this guide, we acknowledge that some councils will also want to analyse the extent to which savings are achieved via cuts to services, or efficiency measures or 'invest to save' activities. A link is provided in this section to a separate short document which details the further steps needed for this kind analysis.

What is the Social Impact Tool?

It is an interactive Excel workbook pre-populated with some key data for each local authority in Scotland and England. It is free to use and allows council staff to input data on the savings which are being generated from specific services. It enables ready analysis of how savings in individual services accumulate within particular *groups* of services, and of how such patterns could impact differently on distinctive social groups. It is therefore a means of assessing some of the social impacts of the budget pressures faced by local government. Links to separate tools for Scotland and England are provided in Section 2.

How has the Social Impact Tool been developed?

This tool has been developed by the team from the Universities of Glasgow and Heriot Watt who worked on the JRF project. Birmingham City Council used some of the study's research methods as part of their own assessment of service impacts of budget cuts on their own services (see Box 1). They also offered valuable advice on how the research methods could be developed into a practical tool. Staff in five local councils subsequently 'road tested' the tool, and a series of modifications were made as a result.

Who should use the tool?

The tool is designed for policy officers and research staff in local councils, working alongside colleagues in finance sections. The results can be presented and discussed as part of strategic reviews of services or form an element of overall budget reviews. It can be used alongside other forms of data and intelligence, or as a complement to tools such as the Equality Impact Assessments (EIAs). The analysis could also feed into the deliberations of initiatives such as fairness or poverty commissions.

Where can I find the Social Impact Tool?

The tool can be found at http://www.gla.ac.uk/schools/socialpolitical/research/urbanstudies/projects/servingdeprivedcommunitiesinarecession/. It is free to use and openly accessible.

Using the Social Impact Tool

The tool is intended to be easy to use and includes detailed instructions. Two sets of data are provided in an Excel workbook. When council staff input financial data on their savings plans, the spreadsheet automatically produces a summary table and charts which can be used in strategic discussions.
In this section of the user guide, we describe the data the spreadsheet is based on – both the pre-populated data and the data which councils will need to input.

The tool is pre-populated with two sets of data.

'Official' data from CIPFA and SLGF

There are separate versions of the Tool for Scottish and English local authorities. Each version has been pre-populated either with 2014/15 Provisional Revenue Data from the Chartered Institute of Public Finance and Accountancy (CIPFA), or the equivalent from the Scottish Local Government Finance Statistics (SLGF), meaning that a set of current expenditure data for each council is embedded in the tool. i.e. the data which English councils submit to CIPFA in April every year on provisional expenditures under a series of headings and sub-headings (e.g. Cultural and Related Services and Open Spaces) and the data which all Scottish councils submit to the SLGF in October under a similar set of headings. Any council using the tool to analyse its savings plans can immediately see these savings in the context of the overall level of expenditure on the particular service the saving relates to.

Data used to determine the social impact of savings

A key aspect of the tool is that it classifies council services according to the pattern of frequency and intensity of use by population groups with varying levels of deprivation.

All public-facing services have been classified into one of six types on a spectrum: from *pro-rich* for services used more by better-off social groups, through *neutral* for services used equally by all deprivation groups, to *pro-poor* for those used more frequently by more deprived groups. The CIPFA and SLGF headings and sub-headings have been used to identify each service.

The service heading Central Services covers a range of back office services such as democratic services and Council Tax collection and has not been classified in this way. However, CIPFA and SLGF reporting methods require that some services – such as IT or HR – are apportioned across all service headings. This means that the back office functions associated with public facing services are classified according to which social group uses a particular service. There is a little more detail on this issue in the FAQs section. In Table 1, we show some illustrative CIPFA/SLGF service headings classified according to the pro-poor to pro-rich spectrum. The full list of the service headings used can be found in the tool along with the corresponding service classification according to pattern of service use. The research which forms the basis of the classification is detailed in the FAQs section. As a result of user feedback, we have also made provision in the tool for councils to use their own alternative classification, if they believe that the local pattern of service use might differ from the general pattern.

Table 1: Example services (as defined by CIPFA and SLGF returns) classified by pattern of socio-economic use/benefit

CIPFA heading	SLGF heading	Service classification according to pattern of use/ benefit
Homelessness: hostels (non-HRA support)	Homelessness	Very pro-poor
Homelessness: bed/breakfast accommodation		
Homelessness: prevention		
Homelessness: support		
Older people including older mentally ill	Older persons	Pro-poor
Library service	Library service	Neutral plus
Early years	Pre-primary education	Neutral
Open spaces	Community parks and open spaces	Neutral minus
Museums and galleries	Museums and galleries	Pro-rich
Central services	Central services	No classification

Data which councils need to put in

This is data which identifies the 'savings' which the council hopes to generate from particular services. Councils will have the details of their planned savings in different forms but our work suggests that most will have an overview document detailing the monetary value of 'savings' in relation to specific services, projects and facilities. This might be produced in the period leading spring budgets. Some councils put this on their website.

In addition, there are usually more detailed documents available for specific savings proposals. These might be used in internal and external consultation processes, or in service reviews, or in assessing impacts in relation to the EIA framework. Such documents are helpful when the savings indicated apply to more than one service. The tool allows councils to apportion savings across multiple services and, in the FAQs, some guidance is offered on the challenges of doing this.

The more detailed documents produced by councils can also be helpful in identifying how the savings map onto the CIPFA/SLGF service headings. Savings need to be input into the tool under a particular CIPFA/SLGF heading. In some councils, savings plans are already organised according to these headings, but in others they are not. In the latter case, and where the tool is being used by policy or research staff, some input from a finance specialist may be necessary to help identify which savings belong to which heading.

As the tool can be used for scenario planning and options appraisal, the data used does not need to be the final set of savings proposals. The tool can be used multiple times with different data. It can also be used with historic data. Since the total amount spent on each service changes relatively slowly, the data for 2014/15 already provided in the tool should still be able to give an accurate sense of historic patterns. Insight into how Birmingham City Council tailored our approach to its own needs is also provided in *Box 1: Making the tool work for your council.*

So what can the analysis tell you?

The tool has been set up to automatically generate a number of charts based on the pre-populated data and the data put in by local authorities.

Analyses using the pre-populated expenditure data

As the tool has current expenditure data for each council embedded in it, councils can quickly assess how their own pattern of expenditure relates to the pro-poor and pro-rich categorisation of service use and benefit illustrated in Table 1.

The tool can generate bar charts which show the absolute value of expenditure in each of the six categories, along with Central Services. An example is given in Figure 1. It can also calculate this on a per capita basis and produce a similar chart.

Figure 1: Council current expenditure by distributional character of services
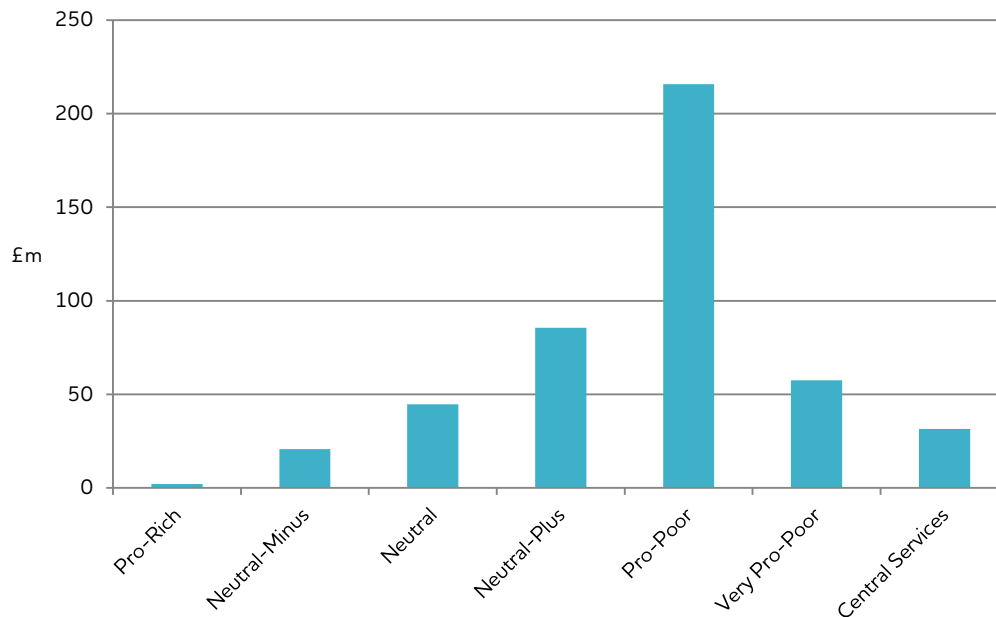
The tool also presents the same information as a pie chart (Figure 2). This is a snapshot of the 'distributional character' of a hypothetical council's expenditure pattern.

Figure 2: Proportion of council expenditure by distributional character of services
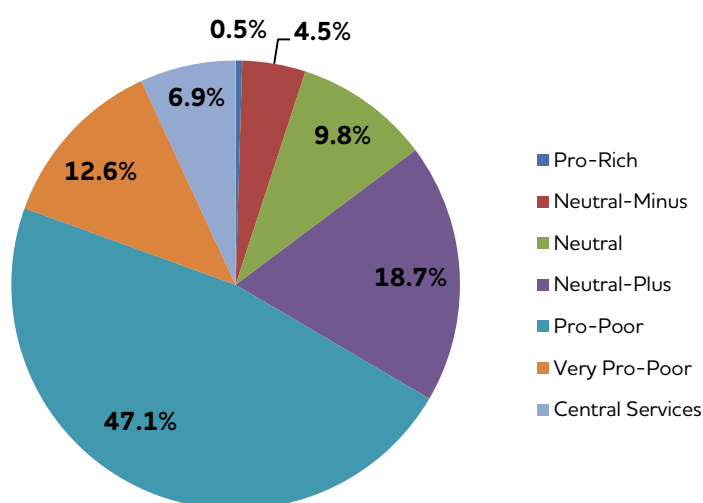
A third of this council's expenditure is on 'neutral' services such as libraries or parks. Almost half is spent on pro-poor services like older adults.

The remaining expenditure is shared across the three other categories. In this example, only a tiny per cent is spent on pro-rich services such as museums and galleries.

Analyses using pre-populated data plus data inputted on savings

A further set of charts can be generated once council staff have put in savings data.

Analysis of savings-only data

The 'distributional character' of a council's service savings plans can be assessed in exactly the same way as the expenditure data shown above. Bar charts can be produced showing the absolute value of savings in each of the six pro-poor to pro-rich categories, as well as this pattern on a per capita basis. Pie charts will show how the overall set of savings is proportioned across the six categories. To simplify the analysis, councils may want to collapse the six categories into three plus Central Services (Figure 3).

Figure 3: Council savings by distributional character of services
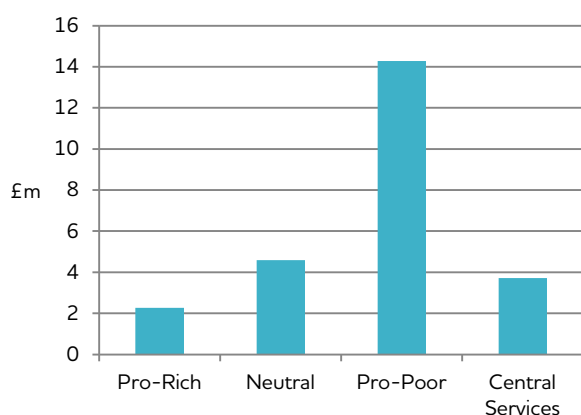
Here, *very pro-poor* and *pro-poor* services have been added together as have *neutral*, *neutral plus* and *neutral minus*, to give just three categories.

Analysis of savings data and expenditure data together

An important feature of the tool is that, by embedding the expenditure data of each council in the workbook, it allows councils to analyse their savings plans not just in absolute terms, but relative to current levels of expenditure. This can be done in relation to specific service headings as well as groups of service headings categorised according to the pro-poor to pro-rich spectrum.

This feature allows a much more accurate picture of the 'distributional character' of council savings plans to be produced as it takes into account the very significant variations in council expenditures across service headings. A large absolute saving in adult social care, for example, can be seen relative to the overall level of spend in this service. Likewise a small monetary saving on support for museums might be large relative to the overall budget. Figures 4 and 5 show the different pictures created when service savings are analysed in absolute terms and then in relative terms.

Figure 4: Absolute savings by distributional character of services
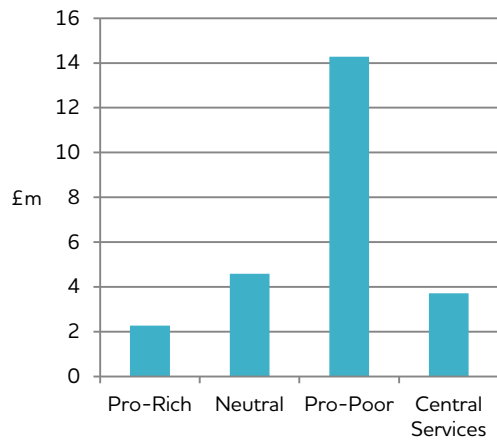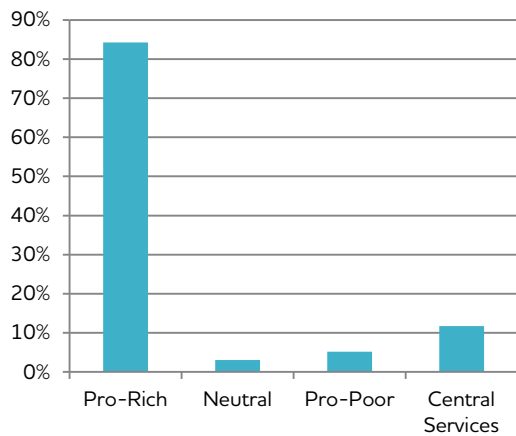

Figure 5: Savings relative to expenditure by distributional character

Finally, whereas analysing and understanding the level of savings relative to expenditure is undoubtedly important, councils should of course still remain concerned about the absolute levels of savings accrued from changes to services as they all imply a potential change to the experience of service users.

Box 1: Making the tool work for your council – the case of Birmingham City Council

Birmingham City Council has used the pro-poor to pro-rich framework developed for the research as part of a detailed study of the impact of budget pressures (see https://researchbcc.files.wordpress.com/2015/02/bcc-future-and-impact-of-cuts-report_srt_nov2014.pdf). The analysis was led by the Strategic Research Team and was done before the production of the tool. Council staff tailored the approach to the organisation's specific needs.

1 Identifying 'savings' data
The Birmingham Council Plan for 2014 was the initial source of data. This detailed the savings for the coming year based on a series of service reviews. Gaps in data were filled via short meetings between a senior researcher and staff involved in the reviews.

2 Assigning savings to CIPFA service headings
The researcher worked closely with finance colleagues to assign savings to the right CIPFA service headings. This process raised the following issues:

- Unless savings plans are already identified according to CIPFA service headings, judgement calls are required. Birmingham felt more confident having more than one staff member involved in this part of the process.

- Staff felt that not all of the classifications of services on the pro-poor to pro-rich spectrum matched local patterns of use – in particular, the neutral classification of early years services. The council's analysis assumed that this service was pro-poor.

The tool has therefore been designed so councils can also include their own alternative classification of use/benefit, alongside the standard classification developed by the research team.

It was recognised that patterns of service use can change, not least as a result of the measures used to manage budget pressures. While the data underlying the service classification were updated as far as possible in 2015, it is important that results are used to aid reflection and debate and not treated as incontrovertible facts.

3 Feeding the analysis into decision-making
In Birmingham, there was a clear political and corporate priority to understand 'who was getting hit the hardest' by the savings measures the council felt compelled to take. Senior council staff felt that this analysis helped them to gauge this, especially as it assessed savings in relation to overall expenditure and identified cumulative patterns. It was therefore straightforward to feed findings into budget setting processes and discussions about specific savings plans.

4 Using the findings as the basis for further research
Birmingham used the findings to identify which service areas would be the focus of qualitative research designed to understand the views and experiences of service users of change.

Frequently asked questions

How was the classification of services as pro-poor to pro-rich derived?
This classification is based on a number of research studies conducted by one of the authors of this guide, Professor Glen Bramley. These studies brought together data from multiple surveys of who uses which services, analysed in relation to the Index of Multiple deprivation (IMD) for England and the Scottish Index of Multiple deprivation for Scotland (SIMD). Further details can be found in Annex G of a technical report which accompanies the research reports from the project:
https://t4.gla.ac.uk/schools/socialpolitical/research/urbanstudies/projects/servingdeprivedcommunitiesinarecession/technicalreport/

Key parts of the analysis were updated using the latest data in September 2015.

Why does the tool include provision for an alternative classification of services on the pro-poor to pro-rich spectrum?
When staff at Birmingham City Council used the pro-poor to pro-rich framework, they were uncertain that all of classifications derived from the wider research base reflected local circumstances. The tool therefore allows councils to develop their own classification of service use/benefit. We would suggest that it is always used alongside the standard classification developed by the research team, and that a clear rationale for reclassifying services is articulated.

My council has managed budget pressures through efficiency and/or invest to save measures as well as service cutbacks – why does the tool not recognise this?
The tool has been designed to focus simply on how savings relate to the pattern of service use by different groups across the socio-economic spectrum. However, the wider research study did involve a detailed assessment of the different ways in which savings were achieved. The short document which can be found below sets out the steps which can make this a more nuanced form of analysis.

Why can't I identify where savings have been achieved by trading or charging for a service or by developing shared services?
The separate document referred to under the previous FAQ introduces a framework which can be used for a more fine-grained strategic analysis if this is wanted.

What if my council doesn't deliver a service indicated in the tool?
The tool is populated with a list of all possible services that local authorities may offer. However it is recognised that some councils will not have responsibility for particular service areas, for example-housing. If this is the case then simply do not include it in your analysis.

How do I assign service headings to my savings proposals when they correspond to more than one service or newly merged services e.g. combined waste collection and grounds maintenance?
Where possible refer to the supporting service review documentation or consult with the relevant head of service to get further information about the specific services involved and an estimate of the amount of the overall saving corresponding to that area. Remember that this is not an exact science and will involve making judgement calls. We would caution against viewing the results of the analysis as definitive – the tool has been designed to aid the planning process and to catalyse discussion and reflection. As in the case of Birmingham City Council (see Box 1) you may want to compile a draft and then consult with colleagues about differing interpretations of the savings proposals.

How do I assign savings that involve internal support departments such as Human Resources or Information Technology?
The Central Services heading in the CIPFA/SLGF data captures a small number of the 'back office' functions of councils such as democratic services or Council Tax collection. Savings in these areas should be placed under these headings.

However in CIPFA/SLGF returns, expenditure on other support departments and functions is apportioned across the other service headings. Where it is not possible to apportion savings data in this way, it will be necessary to omit them from this analysis and to report them separately.

How do I assign savings due to 'property rationalisation'?
In some cases, savings can be placed under one or more CIPFA/SLGF service headings – for example savings gained from the consolidation of children's centres and libraries can be apportioned using the early years and libraries headings. If property rationalisation is with respect to non-public-facing services, then the saving should not be put into the tool but noted separately when reporting the analysis.

Acknowledgements

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User guide appendix

Investment, efficiency or retrenchment? Analysing savings strategies

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Introduction

This appendix is a supporting document to *The cost of the cuts: A social impact tool for local authorities: User guide.* Whereas the Social Impact Tool described in the guide allows councils to assess the *impact* of their savings plans in relation to service users across the socio-economic spectrum, this appendix shows how councils can also assess their savings plans according to the *means* by which savings are generated – that is by strategic approach.

Local councils have generated savings by a range of means over the past five years from using 'invest to save' activities focused on reducing future needs and costs, to efficiency measures designed to help authorities work smarter, to reductions in services, changes in eligibility thresholds and consolidations of facilities. Table 1 sets out and defines these three headline strategies and also details a set of sub-strategies which research with case study councils suggested were underway across local government.

Table 1: Approaches to managing austerity: headline and sub-strategies

Headline strategy	Definition	Specific sub-strategy
Investment	Actions which aim to *reduce the need* for council services or reduce the cost of services in future	Encourage economic growth or increase the returns from employment
		Accelerate own capital investment
		Preventative revenue spend
Efficiency	Actions which aim to *reduce costs* of council services without changing service levels as far as the public are concerned	Reduce 'back office' and 'fixed costs'
		Income generation or loss reduction
		Seek savings from external providers
		Redesign front-line services
Retrenchment	Actions which *reduce the council's role* in terms of the services it provides and for whom	Renegotiate division of responsibilities between council and other agencies
		Renegotiate division of responsibilities between council and citizenry
		Individual charges (for existing services)
		Reduce the range of services supported by the LA
		Continue to provide the service on a universal but reduced level
		Continue to provide the service but target towards 'need'

Assessing your savings proposals by strategic approach

We have not provided a separate tool for councils to assess how their savings plans are spread across these distinctive strategic approaches. A simple Excel workbook is all that is required to do this. This should be set up with space to input data on savings plans according to the headline and sub-strategies set out in Table 1.

Councils may also wish to combine analysis of savings according to strategic approach with analysis of their social (pro-poor to pro-rich) impact. This should be done by adding additional columns into the workbook provided in the Social Impact Tool. This allows individual savings proposals to be simultaneously assigned to the pro-poor to pro-rich spectrum *and* the range of strategies in Table 1.

The data needed to assess the balance of savings by strategic approach will come from the same or similar sources as that required for the social impact analysis. These include descriptions in budget documents, detailed service reviews and Equality Impact Assessments.

The following two examples take brief descriptions of savings proposals that would typically be found in budget documents and describe how the savings can be assessed using the strategic framework.

Box 1: Matching savings proposals to savings strategies

Service: Libraries

Proposal: Develop a service-wide operational structure to ensure efficiency and create greater flexibility.

Saving: £55,000

Description: This saving proposal involves changes to staff work patterns and a move to flexible working where staff can be deployed at a number of different sites.

Savings strategy
From the description it is clear that this is an efficiency saving. There is no mention of staff reductions or a reduction in the service offered to the public. Since it does involve a redesign of the service with staff moving between different libraries as and when they are needed, the proposal is best described by sub-heading 2.4; re-designing frontline services.

This example includes sufficient information in the summary for us to determine which strategy heading it falls under. This is not always the case (see Box 2) and you may have to consult review documents or speak to service heads to get a clearer picture of the changes being proposed.

Savings amount under each heading?
This is straight forward as the proposal involves only one strategy, so the entire £55,000 can be labelled as efficiencies.

Box 1 is straightforward as it relates to just one specific strategy. Box 2 looks at an example were the proposal concerns savings made through more than one type of strategy.

Service: Bereavement services

Proposal: Savings will be made through more efficient working and an increase in fees

Saving: £144,000

Description: Further detail from the review documents reveal that the staff efficiencies involve the introduction of flexible working or shift patterns to reduce the need for overtime. Fees will increase to match those of other local authorities in the region.

Savings strategy
From the review document it is clear that the savings proposed fall under two main strategy headings; efficiency and retrenchment. Moving to flexible working would be an example of 2.4 (redesigning frontline services) and the increase in charging would fall under sub-heading 3.3.

Savings amount under each heading?
The review document tells us that the majority of the savings will be made through the increase in fees (£129,600) and the rest will be made from the changes to staff work patterns (£14,400).

It should be noted that in the example in Box 2 there was sufficient financial information in the review document for the savings to be split across the different strategies. This is not always the case and it may be that you will have to make the decision in discussion with colleagues as to which strategy the majority of the savings will be made under and proportion the overall amount accordingly.

So what can the analysis tell you?

Once your savings proposals have been assigned to the different strategies you can produce a number of different charts based on the data.

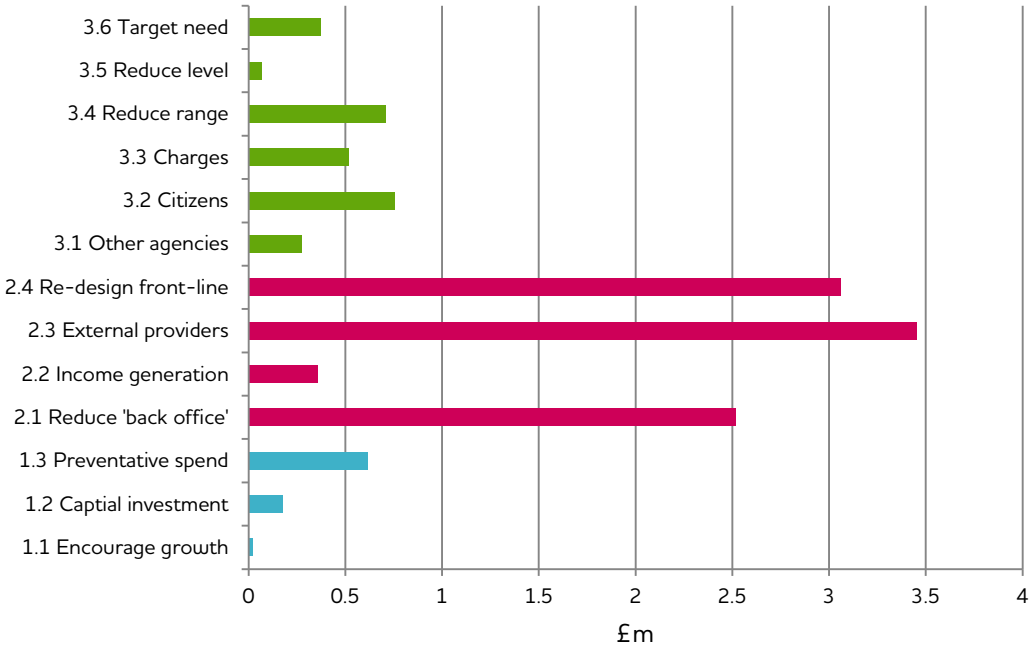### Figure 1: Council savings by headline strategy
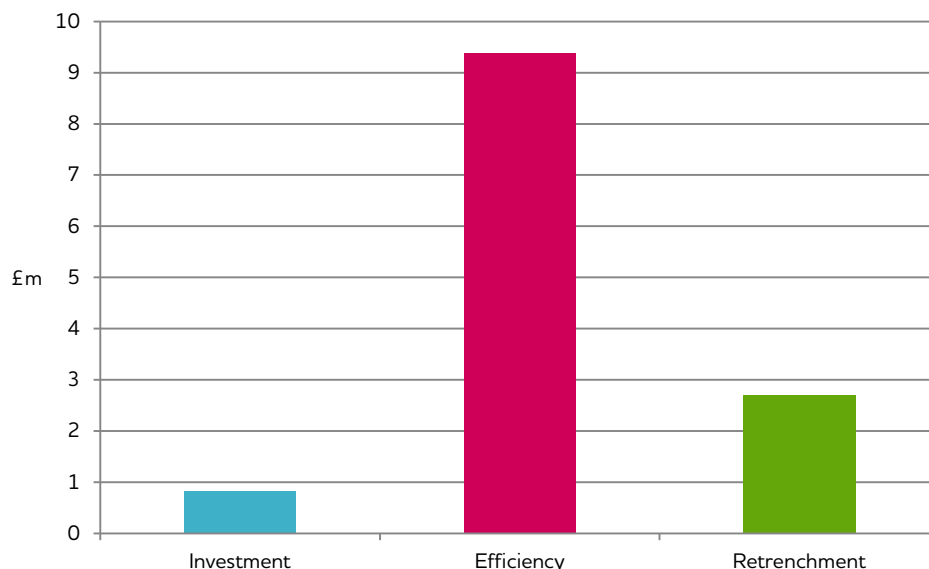
Figure 1 shows one year's savings for a fictional council. We can see from the strategic analysis that the majority of savings (over £9 million) are being made through efficiencies. The data can also be shown by sub-strategy as in Figure 2.

Figure 2: Council savings by sub-strategy

The greater detail at sub-strategy level shows that the efficiencies are being made mainly through service redesign, back office efficiencies and getting more value from external providers.
This type of analysis can be done for more than one year's data and can give an indication of the change in savings strategies over time, as illustrated in Figure 3.

Figure 3: Proportion of council savings by headline strategy – 2011/12 to 2015/16
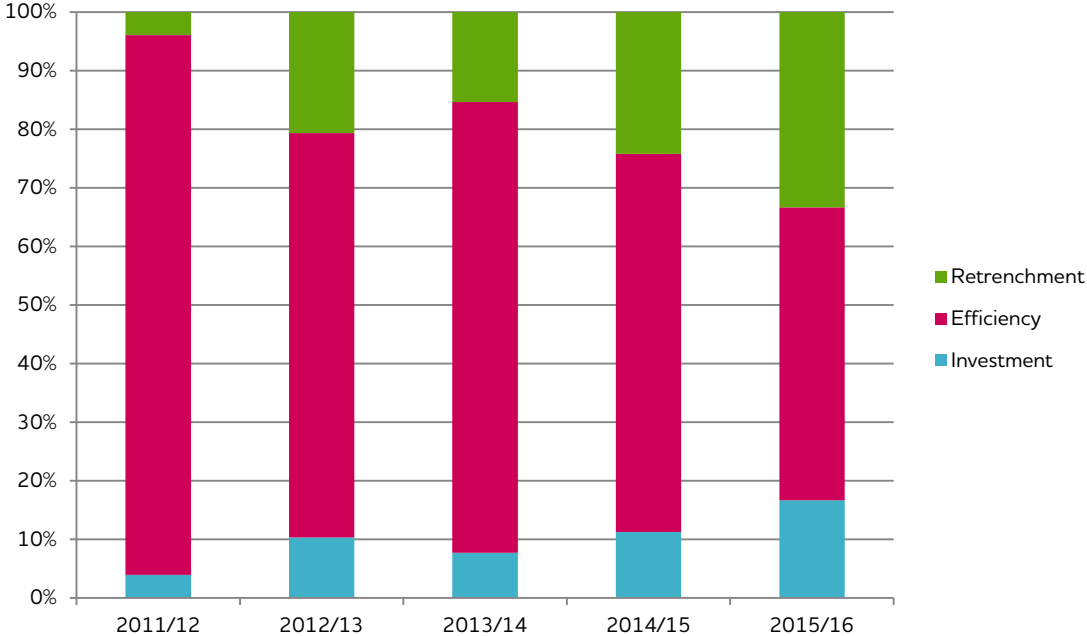
The chart shows the proportion of savings made by headline strategy over a five-year period. From this we can see the reduction in savings made through efficiencies and an increase in retrenchment and investment.

Combining the strategic analysis with the social impact analysis

Combining the strategic and social impact analysis offers a further set of insights. For example, it can identify whether and to what extent a council varies its strategic approach according to where a service sits on the in pro-poor to pro-rich spectrum. Figure 4 shows that a (hypothetical) council has focused all of its investment activity as well as the majority of its efficiency savings in services which tend to be used more by poor and very poor groups of service users.

Figure 4: Savings by headline strategy and distributional character of service
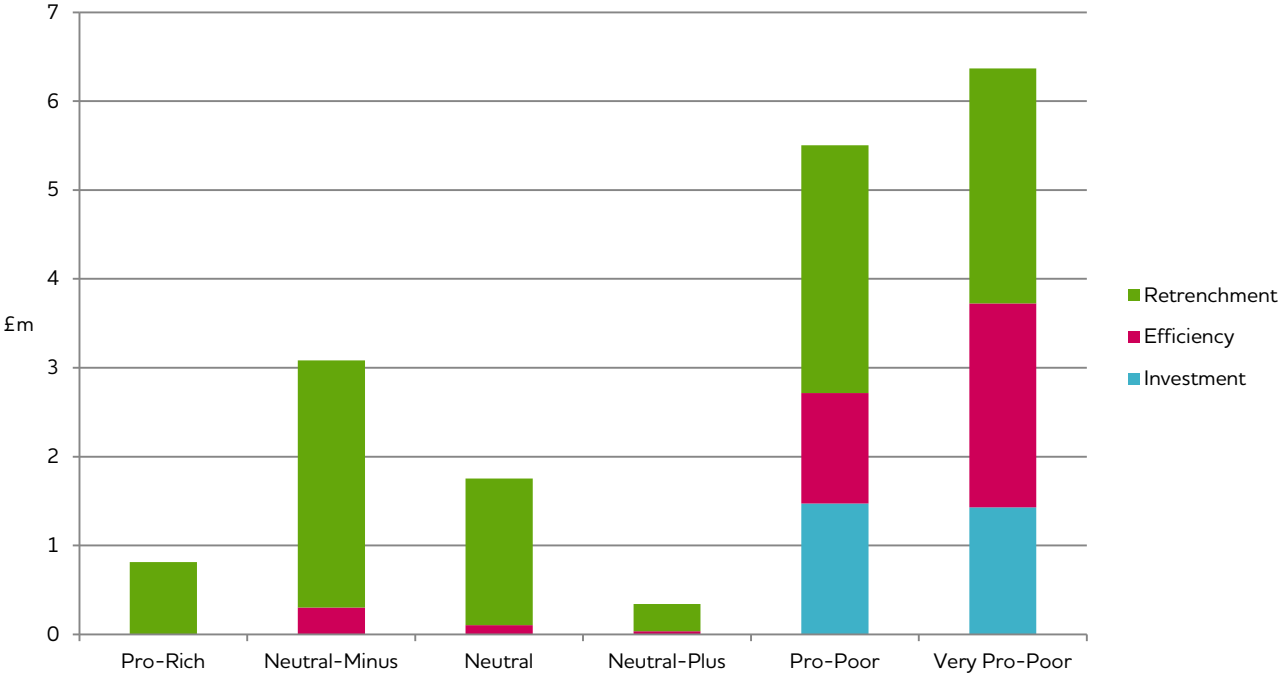
Further examples of the kind of insights which can be provided by combining the strategic and social impact analysis can be found in the report *Coping with the cuts? Local government and poor communities* available at http://www.jrf.org.uk/publications/coping-with-cuts, pages 43-48.

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