

Serving deprived communities in a recession

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This report explores how budget cuts will affect the capacity of local government to meet the needs of more deprived households and communities. There is real concern that more deprived groups will suffer the most. This report provides early, systematic evidence of the scale of the cuts and of how local councils are grappling with these issues.

The report:

- examines national evidence of the scale and distribution of the cuts across local authorities, highlighting that the severest impacts are visited on the most deprived authorities;
- reports evidence from senior local government officials on their strategic responses to budget cuts, such as service remodelling and moves towards more targeted provision. Some indications of early impacts on services are also provided;
- uses the latest budget data to assess the pattern of reductions within local authorities, and how these relate to deprived groups;
- considers the changes underway in local government and how it might look in the future.

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Executive summary

This report provides an early, yet systematic insight into how English local government is dealing with the severe contraction in grant income implemented after the 2010 Comprehensive Spending Review and subsequent local authority financial settlement. It is based on detailed analysis of local authority budget and expenditure data at a national level, plus interviews with 25 senior executives in a representative sample of English local authorities.

It has been widely reported that local authorities are among the most significant casualties of public spending cuts in the UK. This report provides the first full assessment of the real scale of the cuts. It also examines how reductions are distributed between local authorities of different types and levels of deprivation as well as between different kinds of services. In addition, the report explores how authorities are beginning to grapple with the challenges of budget contraction. It identifies the distinctive strategies and approaches being developed to remodel services, to address needs and to achieve broader efficiencies, and provides some evidence of the early impacts of these. A key focus of the research was on how the cuts would affect the capacity of local government to continue to serve deprived households and communities. The report provides initial evidence on this important question.

Nature, scale and distribution of the cuts

There is strong evidence that local government has indeed been subjected to a particularly severe real terms cut. The analysis goes beneath some of the rather obscure reporting of the implications of the December grant settlement to identify an overall reduction in grant of around 40 per cent, and of spending power of around 25 per cent, in real terms, over the four-year Comprehensive Spending Review period.

The analysis also demonstrates that the most deprived authorities will be hardest hit. These authorities systematically lost the most spending power, especially in the first year, while some affluent areas have faced only mild cuts initially. Indeed the front-loading of the cuts, the fact that the settlement targeted the various grants previously focused towards the needs of deprived authorities and the design of the damping system have all ensured that deprived authorities will face a swifter and more severe cut. The evidence points to the likelihood that the contraction of local government service provision will be experienced differentially across England. It also suggests that the consequences for vulnerable people and places living in the most disadvantaged council areas may be substantial.

The scale of the cuts means that most authorities will have to make significant reductions in spending on services – budget contraction of this scale cannot be fully absorbed by efficiency measures. Analysis of the pattern of cuts to services clearly shows greater cuts (in proportionate and absolute terms) in the most deprived authorities, compared with the most affluent. However, in terms of which specific services have been targeted for cuts, the evidence is of significant cuts across an extensive range of services from across the spectrum of pro-rich to pro-poor in terms of usage and benefit. The report argues that, despite the fact that some pro-rich services are being significantly reduced, the impact of service reductions will fall more heavily on disadvantaged people. This is because of their greater reliance on the broad range of public services, compared to affluent households who have the capacity to supplement public with other forms of provision.

Approaches to managing budget contraction

English local authorities had been preparing for significant budget contraction well in advance of the May 2010 General Election. Across local government, a range of ‘change’ and ‘transformation’ projects had been implemented to try to achieve efficiencies in anticipation of a significant loss of income. However, the scale of the cuts and their ‘front-loaded’ nature came as something of a shock to senior officials. In addition, plans had not been put in place to deal with the largely unanticipated ‘in-year’ cut brought about by the June 2010 Emergency Budget. In a number of authorities, the response to the Emergency Budget appeared to be rather unstrategic. It led to reduced services, cancelled projects and job losses in many places.

In contrast, the evidence is of a more strategic approach to dealing with the major cuts delivered by the Comprehensive Spending Review and financial settlement. Indeed, local authority senior executives indicated that, in many areas, a fairly wholesale, fundamental review of the role and purpose of local government was underway. This is partly in response to fiscal austerity, but also in response to policy imperatives associated with localism and ‘Big Society’ agendas.

The interviews with senior executives identified various approaches to managing budget contraction that had a direct effect on front-line service provision. All, or almost all of the local authorities surveyed, had adopted two approaches, albeit with differing levels of enthusiasm:

- significant service remodelling, including reconfiguring and joining up services in ‘hubs’, or developing shared services;
- the ideas underpinning the ‘Big Society’ were being emphasised across local government with a focus on community self-provisioning and developing more individual social responsibility.

However, the local authorities also differed in their approaches, and it was clear that distinctive choices were being made.

- One type of distinction was between those authorities who were:
 - developing a more client- or community-targeted approach to a range of services. In these authorities, a shift from universal to targeted provision for clients and communities was evident. The emphasis was on focusing scarce resources on the people and places where they were most needed;
 - and those resisting targeting in favour of a focus on service sustainability and equity. Here the emphasis was on strategies such as an across-the-board retrenchment to providing statutory services only, or on deleting entire services or attempting to distribute cuts proportionately across services.
- A second type of distinction was found between authorities:
 - who intended to use area decentralisation or neighbourhood management approaches as part of their strategy to manage the cuts;
 - and those who planned an a-spatial approach. In the latter group, such an approach was either considered a costly option or there was no history of such a focus on ‘place’.

In more than half of the authorities there was a clear impetus to refocus services on the most needy. In the remainder, the approach appeared to be more service- than client-focused. Indeed, in some of these authorities, ‘targeting’ services had been explicitly rejected. In around a third of the authorities a neighbourhood approach had been planned, with a-spatial approaches in place in the remainder.

It cannot be assumed that the needs of disadvantaged residents and communities will inevitably be to the fore as councils manage budget reductions. While there is evidence that strategies are being devised

to try to ensure that the needs of disadvantaged places and people can continue to be met, there is also evidence of tensions emerging around the degree to which such needs should be protected and prioritised. Thus, only half of the sample of authorities had adopted 'protecting the needs of the most vulnerable clients or communities' as a principle guiding budgetary decision-making and only two of the twenty-five suggested that 'protecting deprived neighbourhoods' was a key priority.

Early impacts of budget contraction

It is too early in the process for an overview of the impacts of the cuts to be obtained. However, the national evidence clearly suggests that the biggest impacts will be felt in the most disadvantaged local authorities. The impact on the poor and vulnerable – whether or not they live in these intensely deprived authorities – will be determined by the extent to which the services which are most vital to their well-being are protected, as well as how far targeted resource allocation, service design and delivery develops. However, with the latter strategy comes the danger that local government services could be 'residualised' in much the same way that social housing has changed over the past 30 years. The evidence from local authorities on the ground was of services scaled back and even deleted, capital projects cancelled and an expectation that service users should be encouraged to 'co-produce' more of their services. Additionally, although we need much more evidence on how deprived people in general are faring, the early evidence clearly points to the distinctive impact of cuts on services for children and young people from the Emergency Budget onwards.

Finally, senior executives revealed two key concerns about how specific changes in service provision had the capacity to have an impact in ways that were unintended and difficult to anticipate:

- There could be *differential impacts* on distinctive neighbourhoods and client groups. The concern here is that changes in eligibility criteria, charging strategies or service reshaping more generally will have more or less of an impact depending on the relative capacities, resources and contexts of those to whom the change applies.
- The *cumulative impacts* of cuts across a range of services would not only be difficult to anticipate but could have the potential to 'tip' particular groups or places over vulnerability thresholds, leading to the generation of additional more intense problems or needs.

1 Background to the study and research methods

Background and context

The UK is currently seeing significant reductions in public spending, with major cuts in welfare benefits and in public services. The October 2010 Comprehensive Spending Review, followed in December by the local authority financial settlement, signalled that foremost among the casualties would be English local authorities who are currently grappling with ‘the worst financial settlement in living memory’ (Local Government Association press release, 13 December 2010). While the impacts of these cuts will be felt across all communities and social classes, a key concern is that more deprived households and neighbourhoods could suffer the worst impacts. This is partly because these groups are more reliant on public services and spending in the first place (Bramley et al, 1998, 2005; Bramley and Evans, 2000). But it is also because those services which benefit the middle classes more may be ‘much more resilient to budget cuts’ than those which are of most benefit to the less advantaged (Segall, 2004, p. 4; see also Goodin and Le Grand, 1987).

While there has been some press attention paid to the scale and emerging impacts of the public service cuts (see Polly Toynbee’s website www.guardian.co.uk/profile/pollytoynbee, for example), much of the coverage so far has been unsystematic and often anecdotal. Closures of high profile services such as libraries and children’s centres have been widely reported, as have changes to eligibility thresholds for adult social care or disability services, but no comprehensive assessment has yet been attempted.

In addition, the more robust research that has been done thus far has only been able to take a preliminary and partial look at the initial trends and impacts (for example, research done by the Institute for Fiscal Studies [IFS], Local Government Association [LGA] and BBC/Chartered Institute of Public Finance and Accountancy [CIPFA]). It does reveal, however, that while some of the budget contraction is being eased by programmes of inward-facing efficiency savings, real impacts on service provision are becoming evident. The evidence of that work also provides some justification for the concern that more disadvantaged people and places would be more severely affected.

This report presents the findings of a short ‘scoping’ study of the feasibility of in-depth research into the consequences of local authority budget contraction for vulnerable people and deprived places. It also provides early, yet systematic evidence, of how local authorities are grappling with the cuts, and some evidence on initial impacts. It suggests the need for further detailed research on the consequences of the cuts.

Research aims, questions and methods

The study on which this report is based aimed to do two main tasks:

1. To provide an early analysis of the pattern of public spending cuts as these affect different local government services, and hence more disadvantaged groups. The aim was to relate the distribution of cuts between services to a detailed understanding of the importance of particular services to less advantaged households and populations.

- To provide an analysis of the different responses of local authorities in England, with a particular focus on the extent to which they have consciously sought to protect the most disadvantaged areas or groups, and how they have done so.

The *first task* entailed analysing and unpicking the recent changes in funding available to different local authorities in England through the 2010 grant settlement, and in particular relating changes in funding to official measures of deprivation at local authority level. This work also drew on background knowledge of the grant system and other detailed technical papers on recent changes to account for the pattern of reductions in terms of different elements in the system. It also involved analysis of evidence available to date on the pattern of cuts across services. This drew on 2010/11 and 2011/12 budget data provided by CIPFA, as well as some partial data for 2011/12 based on surveys by other organisations. This enabled some generalisation about the types of services experiencing greater than average or less than average cuts. This was related to data from a range of past studies and recent large-scale surveys about who uses different local services (see Appendix B) to make some general inferences about the distributional impact of such cuts on different groups, particularly those who are more deprived and also broad demographic groups.

The approach taken to the *second task* was to conduct a telephone survey in a broadly representative sample of English local authorities. Initially a sample of 30 authorities was drawn (an approximate 10 per cent sample), selected to ensure a spread of local authority types, regional contexts and levels of deprivation, and to achieve a balance of urban, suburban and rural areas. However, the intense pressure on senior officers at the time of the survey meant that half of the original sample declined to take part in the survey. Additional authorities were selected and a final sample of 25 authorities was achieved, which remains broadly representative across key dimensions of local government.

Table 1 provides some key contextual information about the authorities that participated in the survey. (Please note that their identities are anonymised in this report.)

The sample overall reflects the expected relationships between, for example, political control and deprivation levels. It also captures some more anomalous authorities. Thus, while county councils tend to be Conservative-controlled and relatively affluent, one of those taking part in the survey is in the bottom third of the deprivation spectrum. There is also one non-deprived Labour-controlled authority as well as one in which there is no overall control (NOC) in the sample.

The survey aimed to interview local authority chief executives. In nine of the 25 interviews, this was achieved. In the remainder, an alternative senior executive was interviewed, usually at the assistant chief executive or directorate level. All interviewees are referred to in the report as 'senior executive' to protect anonymity.

Interviews typically lasted for around 45 minutes, and were designed to explore:

- the nature and extent of the challenges to the local authority created by spending constraint;

Table 1: Key characteristics of local authorities participating in the telephone survey

Political control	Local authority types			Deprivation levels		Total by political control
	All-purpose authorities	County councils	District councils	Bottom third IMD	Top two thirds IMD	
Conservative and/or Liberal Democrat	5	6	2	4	9	13
Labour or NOC	10	0	2	10	2	12
Total	15	6	4	14	11	25

Notes: n=25 local authorities. NOC = no overall control; IMD = Index of Multiple Deprivation.

- the kinds of approaches adopted to meet these challenges (for example, closures, staffing reductions, reduced services, charging etc.) and the rationales for these. Within this we also sought to gain an overview of which service arenas and/or client groups were suffering more of an impact than others;
- the priority given to protecting poor and vulnerable households and neighbourhoods in decision-making, together with the strategies adopted to achieve this.

In most cases, interviews were supplemented by documentary evidence provided by the interviewee or accessed independently.

Structure of the report

Chapter 2 examines the territorial distribution of the cuts at a national level. This examines the differences between authorities in the grant cut experienced. Chapters 3 and 4 draw on the telephone survey evidence. Chapter 3 charts the build up to the Comprehensive Spending Review of October 2010, and discusses how local authorities were preparing for significant budget reductions and also how they dealt with the 'in-year' cut in grant announced in the June 2010 'Emergency' Budget. Chapter 4 explores the response to the December 2010 grant settlement, and provides some initial evidence on the impact of this.

Chapter 5 returns to report further findings of the national analysis. The focus here is on the emerging pattern of expenditure reductions within English local authorities, in particular the differential impact on a range of services and activities.

Finally, Chapter 6 sums up the key findings of the research, particularly the implications of these for vulnerable people and places. It also includes some discussion of how local government might look in the future, and identifies the need for more research to ascertain how deprived groups are being served in this current period of fiscal austerity.

2 Territorial distribution of the cuts

Summary of key findings

- The overall magnitude of the proposed cut is unprecedented, amounting to 28 per cent of the grant and 14 per cent in terms of overall spending power in cash terms over four years (excluding education, police and fire).
- The cuts are front-loaded and, allowing for inflation, could be nearer to 40 per cent of the grant or 25 per cent of the spending power.
- The most deprived local authorities lose systematically the most spending power, especially in the first year, while some affluent areas face only mild cuts initially.
- There is still a relationship between deprivation and size of cuts over the two years 2010/11–2012/13, with some deprived authorities facing cuts of between 20 and 28 per cent in cash terms.
- The main reason for the adverse impacts on deprived authorities is the scrapping of specific and special grants that were previously heavily targeted on deprived areas, partly in the name of ‘localism’.
- Looking three to four years ahead, the impacts of the 2010 grant settlement will probably be overlaid by significant further changes in the local finance system.

Introduction

This chapter is an attempt to summarise and interpret the way key decisions by central government in England are having an impact on the finance available to local authorities over the next couple of years. This provides a backdrop to the interview evidence from local authorities presented in subsequent chapters. The main sources are official documents relating to the local government finance settlement of December 2010, which followed from the Comprehensive Spending Review, and the preceding Emergency Budget measures of June 2010. Some documents produced by the Local Government Association (LGA), and certain groupings of local authorities, are also referred to. We discussed our understanding of key developments in the system with national experts in academia and the LGA.

Overall size of the cut

The first issue to emphasise is that the magnitude of the cut in local government funding and effective spending power is very severe, and pretty much unprecedented in modern times. This comment applies to the generality of local government services, not to schools, and (to a lesser extent) police and fire, which have a measure of protection.

The October 2010 Comprehensive Spending Review heralded a cut in central government grant to support revenue spending (excluding schools, including police and fire) from £28.5 billion in 2010/11 to

£26.1 billion in 2011/12, £24.4 billion in 2012/13 and £22.9 billion by 2014/15. That is, successive annual cuts in cash terms of 11.4, 9.5, 0.8 and 5.4 per cent, cumulating to 19.7 per cent over four years. Excluding police and fire, the reduction is 28 per cent. It is suggested below that, *in real terms*, such a cut may amount to as much as 40 per cent, or two-fifths. The LGA's response was to say that there would be a £6.5 billion funding gap in 2012/13 (Local Government Group Briefing, 2010).

The government has adopted a new preferred way of presenting the figures, referred to as (revenue) spending power. This includes the contribution from local Council Tax alongside grant, and is discussed further below. On this basis, the magnitude of the cut looks smaller, averaging 4.7 per cent and 3.4 per cent in the first two years and 14 per cent over four years (possibly 25 per cent allowing for inflation). This 'spending power' figure is the basis for a 'safety net' arrangement where extra grant is paid by central government to a local authority if its spending power were to fall by more than 8.8 per cent in one year. Of course, such 'losing' authorities will lose all the grant eventually, typically after a period of two or three years.

Local capital spending resources will be cut back to a similar or greater degree. The average cut is 30 per cent over four years (possibly 40 per cent in real terms), with a higher cut in departmentally allocated capital (45 per cent) than in locally financed capital (prudential borrowing) where the forecast figure is 17 per cent (29.5 per cent real).

For schools, now mainly funded directly from the Department for Education, there are small cash increases in revenue spend of between 0.8 and 1.8 per cent per annum over the four years. Allowing for inflation, however, we would say that schools would probably take a modest real-terms cut over the four years. They will also see a huge 67.5 per cent cutback in capital spending.

Measuring the size of the cut

There are both technical and presentational issues about how the cuts are measured and described. On the whole we would characterise the government's presentation of the local government part of the Comprehensive Spending Review and the subsequent local government grant settlement as not wholly transparent and potentially misleading.

The government's figures make scant mention of inflation or cost increases, but any responsible budgeting by local authorities would need to allow for these. A good central estimate based on looking at CPI and RPI (consumer price index, retail price index) over the last four years and the average of independent forecasts over the next four would be 3 per cent per annum. There are reasons to expect some local government costs to rise above general inflation on average, owing to real wage rises, incremental drift and unavoidable increases in certain costs (for example, pensions, flooding). On the other hand, the government is trying to freeze public sector pay; how long they will manage to do this for is unclear. If you just apply these inflation figures directly to the grant reductions, the 2011 grant cut figure becomes 11.4 per cent and the four-year figure becomes 32.3 per cent, rising to 40.5 per cent excluding police and fire.

'Spending power' is, as mentioned, an apparently new concept, although really it is an 'old friend', returning after a few years' absence. This old friend used to be called 'target spend' or 'standard spending'. There is a case for presenting things in this way because it gives a fuller picture of a local authority overall budget than just looking at grant. However, it implies a style of tight central control over local spending which is markedly at variance with the rhetoric about localism.

It is difficult to keep track of everything because many features of the previous system are being changed, particularly the role of specific grants. Also, the 'in-year' cuts announced in the 2010 Emergency Budget are quite significant and complicated. It is important to note that the Department of Communities and Local Government (CLG) presentation of changes from 2010/11 to 2011/12 is from this adjusted (reduced) base, which is another reason why the scale of cuts is understated. We try to look in some analyses at changes from the originally intended level of spending for 2010/11 to 2011/12 and 2012/13.

Distribution between types of area and authority

The distribution of the cuts between different types of area and authority is quite a striking feature of the settlement. The overall impact appears to be very adverse indeed for more urban and deprived authorities and relatively modest for relatively affluent suburban areas. We illustrate this by linking the settlement data to IMD (Index of Multiple Deprivation) 2007 deprivation scores and ranks.

Both the wide variation in outcome, and the striking association with socioeconomic status, emerges clearly from Table 2 and Figure 3. This takes the unitary/urban authorities and looks at the top and bottom in terms of change in revenue. (This is adjusted to show the full loss after removal of temporary 'transition' grant.) The worst-off local authority loses 11.3 per cent of its cash spending power, whereas the best-off authority loses only 0.6 per cent. It turns out that the authority losing the most is the most deprived authority in England, Liverpool, and that the authority losing the least is one of the least deprived (most affluent) authorities, Richmond (with the most affluent authority, Wokingham, in next place). All of the top losers are relatively deprived, with five of the top six in England in terms of IMD ranking and none ranked lower than 38th. The authorities losing least are generally comfortably off areas with deprivation rankings above 200 (Havering, Harrow) or quite affluent areas with very little deprivation (Wokingham, Windsor and Maidenhead, Rutland, West Berkshire).

Figure 1 shows a scatter diagram for change in revenue against IMD score. This would generally be regarded as a strong relationship (correlation coefficient -0.89).

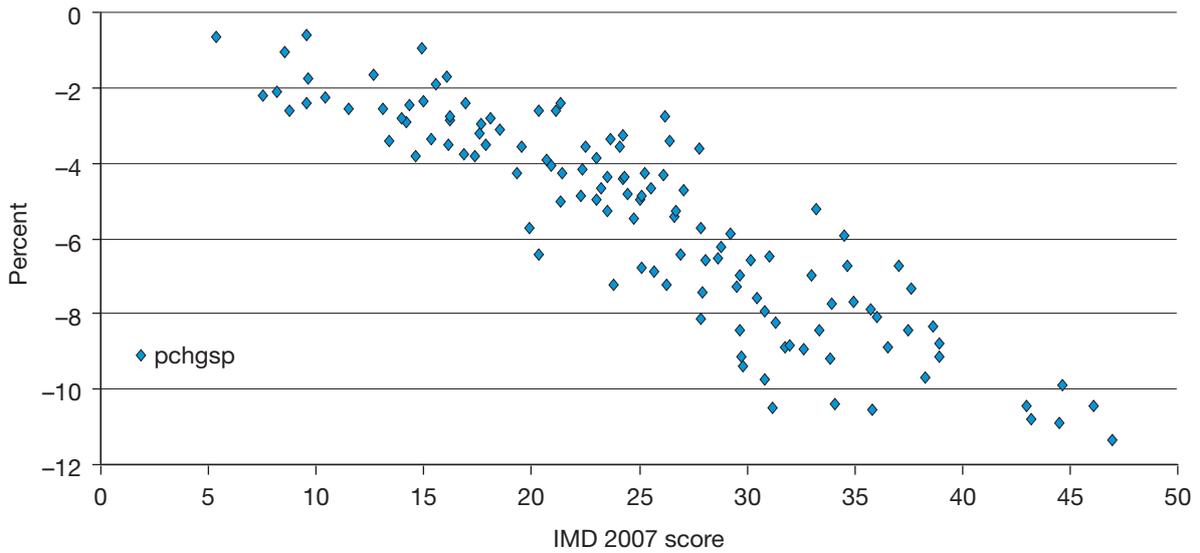
Table 2: Grant changes for top and bottom unitary authorities for reduction in spending power in-year to 2011/12

All-purpose authorities Unitary authority name	Specific grant £pc	Formula grant £pc	Spending power £pc	Spending power %	IMD rank
Liverpool	-65	-97	-162	-11.34	1
Manchester	-50	-87	-137	-10.90	4
Knowsley	-56	-100	-156	-10.77	5
Blackburn with Darwen	-59	-70	-129	-10.53	17
South Tyneside	-58	-72	-130	-10.49	38
Hackney	-47	-133	-180	-10.46	2
Newham	-44	-117	-161	-10.46	6
Hartlepool	-55	-77	-132	-10.39	23
Tower Hamlets	-34	-123	-157	-9.90	3
Rutland	16	-35	-19	-2.22	334
West Berkshire	18	-35	-17	-2.09	330
Harrow	18	-34	-16	-1.89	205
Central Bedfordshire	19	-33	-14	-1.75	302
Havering	20	-34	-14	-1.71	200
Cheshire East	19	-32	-13	-1.65	256
Windsor and Maidenhead	16	-23	-7	-1.07	323
Poole	21	-29	-8	-0.96	216
Wokingham	16	-21	-4	-0.65	353
Richmond upon Thames	21	-26	-5	-0.61	309

Note: Changes are shown from revised base year of 2010/11 (after in-year cuts); changes are shown before application of transition grant to biggest losers.

£pc = £ per capita.

Figure 1: Change in revenue 2010/11 to 2011/12 by deprivation: unitary and urban authorities



The picture is similar for the shire districts (see Table 3), although without quite such a linear relationship (see Figure 2). The districts losing most are all in the top 80 most deprived local authorities (that is, within the top quartile). The districts losing least are mainly ranked in the least deprived tenth of authorities, with a couple around the most affluent quartile mark.

Figure 2 suggests that there is a rather weak relationship between deprivation and spending cuts up to the level of IMD score around 24, but that for the smaller number of districts with scores above this level (the most deprived districts), there is a strong inverse relationship. This is to do with the withdrawal of a range of deprivation-related specific grants.

Table 3 shows the shire county authorities in the same way. This time the variation in spending power reductions is much less. There are several reasons for this, including the larger size of counties and the averaging out of conditions, and also the mix of services provided and associated spending, which is somewhat less variable. Also for this group, changes in the specific grants are much less important. There is some relationship with deprivation but it is not so pronounced.

Figure 2: Change in spending power in 2011/12 by deprivation: English shire authorities

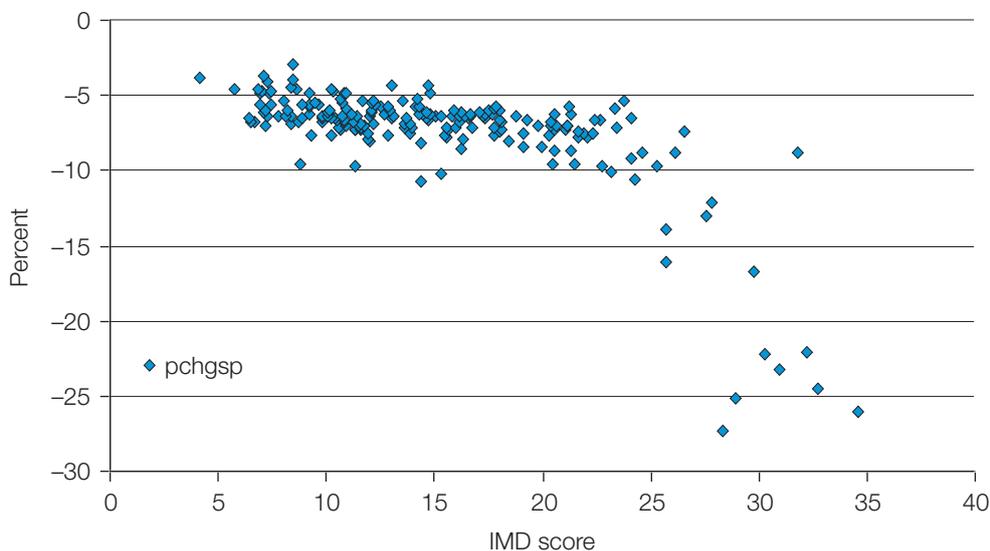


Table 3: Grant changes for top and bottom shire district authorities for reduction in spending power, 2011/12

District authorities District name	Specific grant £pc	Formula grant £pc	Spending power £pc	Spending power %	IMD rank
Great Yarmouth	-42	-13	-55	-27.35	58
Burnley	-54	-16	-71	-26.02	21
Bolsover	-35	-13	-47	-25.09	55
Barrow-in-Furness	-41	-15	-56	-24.46	29
Hyndburn	-39	-15	-54	-23.22	40
Pendle	-37	-15	-52	-22.23	44
Hastings	-38	-15	-53	-22.07	31
Preston	-21	-14	-35	-16.77	48
Chesterfield	-14	-11	-25	-16.14	77
Copeland	-11	-12	-24	-13.87	78
Reigate and Banstead	1	-7	-6	-4.54	322
Surrey Heath	2	-8	-6	-4.54	352
South Bucks	2	-7	-5	-4.41	327
Christchurch	2	-8	-6	-4.37	220
Maidstone	2	-8	-6	-4.34	248
Mole Valley	2	-7	-5	-4.05	339
Tandridge	2	-8	-5	-3.90	324
Hart	2	-6	-4	-3.88	354
Elmbridge	2	-8	-5	-3.66	343
East Dorset	2	-6	-4	-2.97	325

The pattern in the second year of the settlement (2012/13) is similar but not as extreme. This is because there is less variation in the changes in specific grants than in the first year, while the overall reduction in formula grant is less. Another factor that affects the second year rather differently is 'damping', discussed further below.

Explaining the distribution pattern

How do we explain this very skewed pattern of initial impacts? In order to understand this it is necessary to go into the mechanics of the grant system and see how this has been manipulated.

The grant changes are not predominantly due to changes in the formulae used to determine relative needs for spending on different services. Most of these changes were incremental modifications within the same general framework and approach, typically motivated by updating some of the base needs indicator data or the expenditure data. The overwhelming impression from exemplifications was that few, if any, of these changes had large distributional impacts.

Table 2 and Figure 3 suggest that the most deprived authorities are losing more formula grant in absolute (£ per capita) terms than the least deprived authorities, although in percentage terms the variations are not as great. The pattern of changes is flatter for the shire counties (see Table 4). Part of the story is clearly that more deprived authorities are more grant-dependent, and so are likely to lose more in absolute terms.

Table 4: Grant changes for shire authorities by reduction in spending power, 2011/12

County authorities County name	Specific grant £pc	Formula grant £pc	Spending power £pc	Spending power %	IMD rank
Lancashire	16	-39	-23	-3.07	137
Cambridgeshire	13	-32	-20	-3.01	264
Lincolnshire	18	-38	-20	-2.73	174
Nottinghamshire	17	-37	-20	-2.67	162
Northamptonshire	15	-32	-18	-2.61	214
Gloucestershire	19	-37	-18	-2.51	230
Suffolk	19	-37	-18	-2.43	228
Derbyshire	19	-36	-17	-2.39	166
North Yorkshire	18	-32	-14	-2.07	249
Somerset	18	-31	-14	-2.01	187
Staffordshire	17	-30	-13	-1.96	196
Cumbria	21	-37	-16	-1.89	137
Oxfordshire	18	-31	-14	-1.88	291
Kent	18	-31	-13	-1.83	192
Devon	20	-34	-13	-1.78	178
Leicestershire	16	-27	-11	-1.76	289
Worcestershire	18	-30	-12	-1.73	208
Norfolk	20	-34	-13	-1.68	174
East Sussex	20	-33	-12	-1.55	161
Hertfordshire	19	-30	-11	-1.55	259
Warwickshire	19	-28	-9	-1.33	225
Essex	19	-28	-9	-1.32	237
Hampshire	18	-24	-6	-0.96	287
West Sussex	21	-25	-5	-0.65	235
Buckinghamshire	18	-22	-4	-0.60	321
Surrey	20	-23	-2	-0.30	327
Dorset	22	-21	2	0.24	228

Specific grants tell a different story (see Table 2 and Figure 4). In the first year of the new settlement, the more deprived urban/unitary authorities lost £40–£65 per head from reduced specific grants, whereas the more affluent authorities gained £15–£20 per head. An example of the latter kind would be Poole, while Liverpool is an example of the former kind (see Table 2). Even more extreme percentage reductions apply to some shire districts, such as Burnley (down £54 per head). Affluent districts like East Dorset gain large percentage increases in specific grant but these are relatively modest absolute amounts.

What is happening with these specific grants? There are three types of grant effectively in this picture. First, a raft of quite selective grants previously targeted at deprived areas is being scrapped or wound down; this applies, for example, to the Working Neighbourhoods Fund. This is on top of the running down of area-based grant in 2010/11, which was an assembly of many grant programmes targeted on the most deprived authorities. Residual elements of this have been ‘rolled into’ formula grant but with diminishing totals and a flatter distribution. Second, some other grants continue at a similar level to before – for example, learning disability, early intervention – and these grants tend to apply across the country

Figure 3: Change in formula grant per capita in 2011/12 by deprivation: unitary and urban authorities

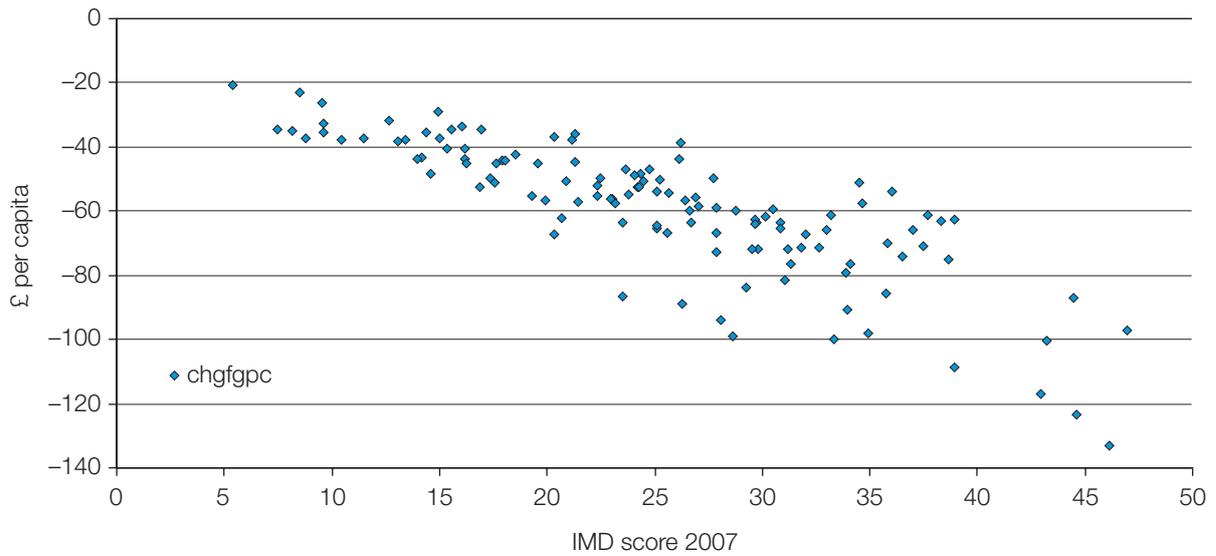
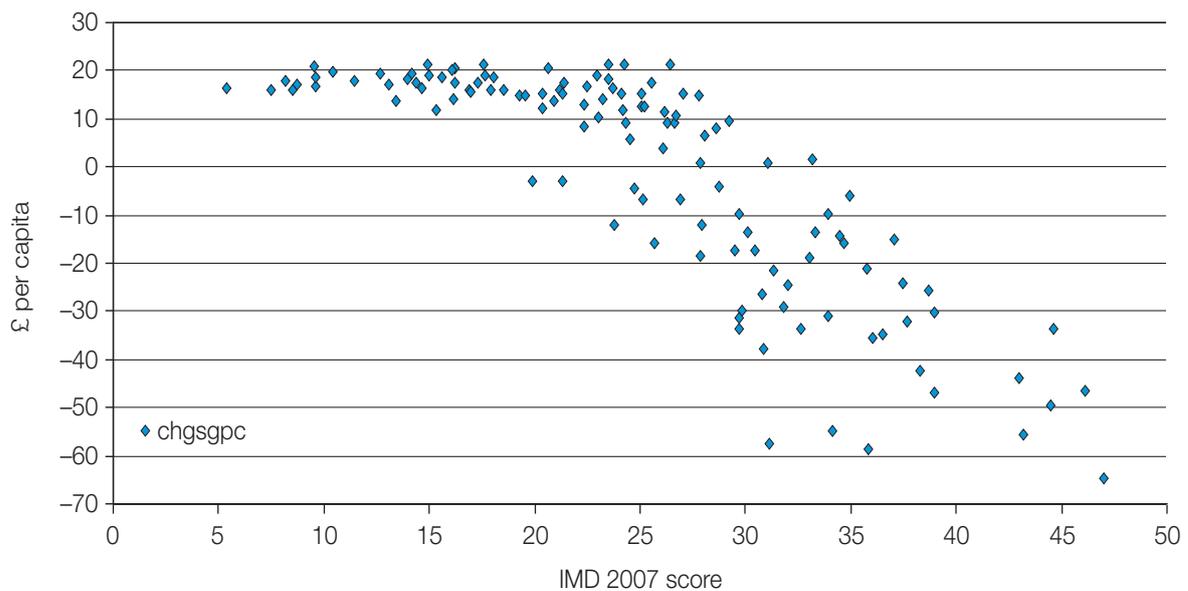


Figure 4: Change in specific grants per capita in 2011/12 by deprivation: unitary and urban authorities



without very strong skewing toward deprived areas. Third, an additional positive element in 2011/12 is the Council Tax freeze grant. This adds 2.5 per cent to the existing Council Tax revenue; as such, it will give relatively more to areas that have higher Council Tax bases in terms of more valuable (higher banded) properties, and gives more money to more affluent areas. For example, this increases the spending power of affluent Wokingham by 1.77 per cent while only increasing that for Leicester by 0.74 per cent or Blackburn with Darwen by 0.83 per cent.

The other main explanation for the skewed overall pattern of initial impact lies in the way the main grant system has been used to give effect to the cuts. It has already been pointed out that the percentage changes in formula grant are relatively uniform across the country. The problem is that a given percentage cut in grant is much more weighty in terms of the absolute of money involved, and in terms of its impact on spending power, for authorities that are relatively highly dependent on grant. These authorities are the ones that are most deprived (that is, high need) and poorer in terms of Council Tax resources.

This tendency has been reinforced by the way ‘damping’ has been applied to changes in formula grant. The new formula grant is calculated for 2011/12, then compared with a base position formula grant (essentially representing 2010/11 after the in-year cuts). The comparison is made in terms of percentage reduction in grant. If this reduction is greater than a certain threshold percentage figure (effectively a floor), then enough extra grant is given to this authority to bring it back up to the floor. All the other authorities have to pay for this by giving up some grant. The amount they give up is proportional to how far above the floor they are.

It is striking that the councils that receive most support from damping in 2011/12 are affluent shire county areas like Surrey, Hertfordshire, Buckinghamshire, as well as some London boroughs (in particular Wandsworth, Camden and Hammersmith).

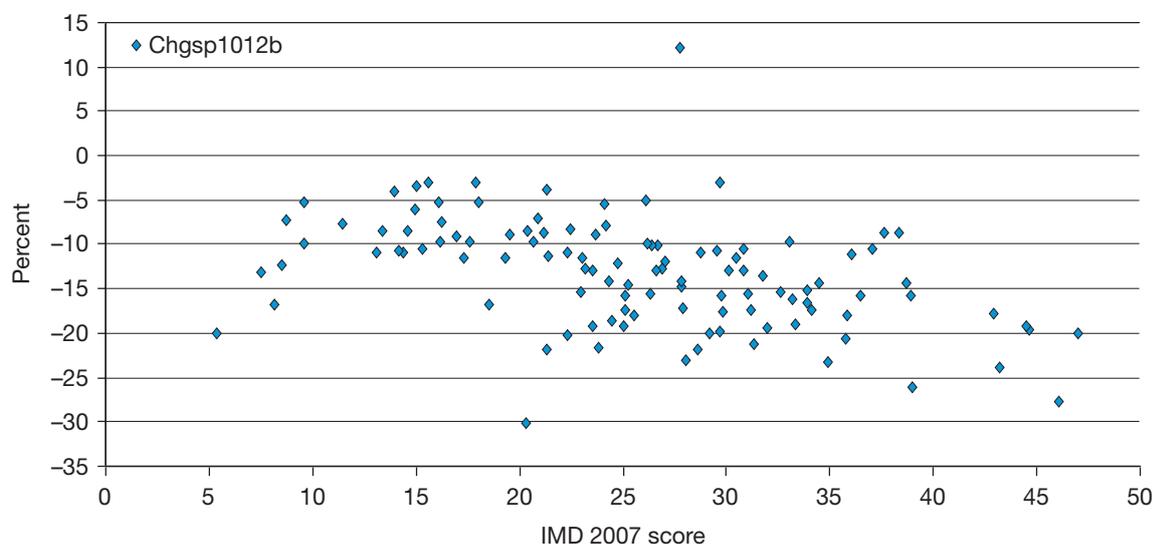
Beyond damping: changes in the slightly medium term

The next part of the analysis attempts to look at a slightly longer period than one year, which in practice amounts to two years(!). For reasons discussed below, it is not really worth making detailed predictions of the distribution of grant and spending power beyond 2012/13. What we can try to do, however, is to compare the situation at the beginning of 2010/11 (before the General Election and the Emergency Budget) with the expected situation in 2012/13, with the added proviso that damping is then removed. The main difficulties with doing this are finding a comparable base position for 2010/11 to put alongside the 2012/13 figures. The figures chosen are those from CIPFA for the 2010/11 budgets, suitably adjusted. The main necessary adjustment is to remove those specific/special grants that do not appear in the CLG’s analysis of the grant settlement (particularly the dedicated schools grant, plus some transport grants). Our analysis is based on this assumption, plus the assumption of continued effective freezing of Council Tax.

Figure 5 shows the scatterplot for estimated changes in spending power, as defined above, against IMD deprivation score. There is more of a scatter than in Figure 1 and a less obvious relationship, but it can still be seen that there is a generally negative relationship, particularly if you discount certain outliers. The correlation coefficient now is -0.43 .

Table 5 shows the changes for unitary and urban authorities grouped into IMD ranking quintiles. This shows a definite relationship, particularly from the most deprived fifth of authorities who lose 15.4 per cent

Figure 5: Changes in spending power from 2010/11 to 2012/13 with no damping by unitary and urban authorities



Note: this analysis compares the original expected position at 2010 Budget with position for 2012/13 after removal of damping.

Table 5: Changes in spending power from 2010/11 to 2012/13 with no damping by unitary and urban authorities

Quintiles	% cut	£/capita
Most deprived 1	-15.4	-199
2	-13.0	-134
3	-10.5	-94
4	-7.6	-63
Least deprived 5	-10.4	-86

to the second least deprived group who lose only 8.1 per cent, although there is a somewhat higher average loss figure for the least deprived group (12.1 per cent). Only a few unitary/urban councils are in this lowest deprivation quintile, and some of these do have quite significant losses in spending power after damping (for example, Wokingham and West Berkshire)

However, the situation facing the most deprived local authorities is a real cause for concern. These include Hackney (ranked 2, losing 27.7 per cent), Islington (ranked 8, losing 26.2 per cent), Knowsley (ranked 5, losing 23.8 per cent), Liverpool (ranked 1, losing 20.0 per cent), Tower Hamlets (ranked 3, losing 19.6 per cent), Manchester (ranked 4, losing 19.2 per cent) and Newham (ranked 6, losing 17.8 per cent).

All of these losses of spending power figures are purely *in cash terms*, with no allowance for inflation. If the earlier estimate of 3 per cent per annum applied, then the *real terms* cut for Liverpool would be 25 per cent.

Interpretation of changes

The changes from 2010 to 2012, and allowing for the removal of damping, do not present quite such a clear-cut picture as the changes from 2010 to 2011. This is because damping has been used to protect, temporarily, some relatively affluent and non-deprived authorities from larger cuts which are logically required by the normal operation of the grant system, given the government's overall spending decisions. When that damping is removed, some of these authorities lose as well as many more deprived authorities. Nevertheless, the overall general pattern is still one of greater losses in more deprived authorities.

The main reason for the adverse impacts on deprived authorities remains the scrapping or winding down of specific and special grants that were previously heavily targeted on these areas, including the process of rolling them into formula grant. This may be seen as a by-product of the 'localism' agenda. The adverse impact on deprived authorities is particularly front-loaded. This is in part due to the relative haste of the winding down of area-based grant, and in part a by-product of the way in which damping is used. It would arguably have been fairer to base damping on spending power percentage thresholds rather than percentage of grant thresholds. However, this would not alter the outcome in the medium term, and authorities have to plan cuts on the basis of medium-term revenue prospects, not just one year ahead.

The government is saying in effect that it wants to see a sizeable reduction in local authority spending, especially in areas that are more grant-dependent, which are effectively the most deprived and poorest areas. CLG claim that their package takes various measures to alleviate the impact on the most needy authorities. While there is some truth in this, the package as a whole has been compromised by the design of the 'damping' system and the haste to scrap specific grants. Therefore, just looking at impacts in the first year, it is manifest that there is a systematically greater impact on the most deprived areas, which lowers the credibility of the claims made.

Table 6 is taken from the House of Commons Library Report presenting an initial analysis of the settlement. This analysis of impact by political control of council would refer to changes between the

Table 6: Provisional funding/spending by political control^a of local authorities

	Number of authorities	Formula grant				Revenue spending power			
		2011/12		2012/13		2011/12		2012/13	
		£ per capita	% change ^b	£ per capita	% change ^b	£ per capita	% change ^b	£ per capita	% change ^b
<i>County council</i>									
Conservative	26	211.4	-12.7	191.27	-7.9	693.7	-1.8	672.14	-2.1
NOC	1	317.3	-10.3	295.39	-5.9	820.5	-1.9	799.76	-2.0
<i>Shire districts</i>									
Conservative	135	55.4	-14.7	48.17	-11.8	125.3	-6.6	111.03	-5.6
Labour	7	79.3	-13.9	69.53	-11.5	167.8	-7.6	146.67	-7.1
Liberal Democrat	18	58.8	-14.6	51.60	-11.1	134.1	-6.7	118.89	-5.5
NOC	35	69.0	-14.0	60.77	-10.8	143.9	-7.3	126.25	-6.2
Others	6	78.8	-13.7	69.22	-11.2	150.1	-7.6	132.22	-6.4
<i>Single tier (excluding City of London and Isles of Scilly)</i>									
Conservative	38	342.1	-11.9	310.19	-8.0	855.0	-3.6	812.82	-3.0
Labour	43	601.8	-10.9	551.62	-7.3	1,089.1	-7.2	1,019.08	-4.5
Liberal Democrat	7	421.3	-11.3	383.72	-7.5	928.9	-5.1	876.80	-3.4
NOC	35	448.5	-11.5	408.48	-7.8	931.7	-6.1	879.92	-3.7

Notes: ^a Political control is defined as party having majority of councillors. ^b Percentage change against the previous year's adjusted figure.

Source: Keep and Berman (2011, Table 6)

adjusted base post mid-year cuts in 2010/11 and the position in 2011/12 (and then 2012/13) with damping transition grants in place. It shows a significantly lower loss of revenue spending power for counties, most of which are Conservative-controlled, than for districts (this may be partly due to transfer of functions, as well as issues about service block control totals). Within the single tier group, where comparisons are most useful, the spending power losses for Labour councils are double those for Conservative councils. There is still a difference, if less marked, in the second year.

The next looming issue

Discussion of the main grant system leads on to a further observation. The current grant settlement is for two years, but the Comprehensive Spending Review trajectory for cuts runs over four years. There is a statement that it is intended to review the grant system including the distribution formulae for implementation from 2013/14. That could lead to more substantial changes than were seen in the 2010 review of formulae. In addition, there is a more radical proposal lurking in the background here, namely the repatriation of some or all of the non-domestic rate to local government. There has been much academic and policy debate about this in the past, around the time of and following the 'nationalisation' of this previously local tax in 1990. There are good 'localist' arguments for giving some or all of this tax back to local government as a discretionary local revenue source, partly to incentivise and pay towards the infrastructure costs of economic and urban development. However, any such move should be

accompanied by a serious examination of the issue of equalisation. The very uneven distribution of non-domestic rate resources is a reason for only giving part of it back, as well as for having some degree of equalisation (although full equalisation scuppers any incentives). The one ray of light here is that places like Manchester could regain significant spending power from such a reform, having previously been adversely affected by the current settlement. But other northern authorities with weaker economies could do even worse.

In Appendix A we include some further commentary on the changes to the formula grant and also some worked examples about how these changes apply to different kinds of authorities.

3 Anticipating the cuts and the June 2010 Emergency Budget

Summary of key findings

- Prior to the May 2010 General Election, English local authorities were preparing for significant budget contraction. However, the scale of the contraction required, plus the fact that it was 'front-loaded', came as something of a shock.
- The Emergency Budget of June 2010 had a variable impact on the budgetary position of local authorities. As the 'in-year' cuts were focused on grants targeted toward deprivation, the more deprived authorities have experienced larger cuts.
- The Emergency Budget had a direct impact on front-line service provision, and affected some services more than others. Services for children and young people appear to have taken the biggest hit. A number of planned revenue and capital projects have been withdrawn.
- The scale and nature of the in-year cut may have focused minds across local government on the extent of the budget contraction to come, and may have helped to advance further the plans being put in place to deal with this.

Introduction

This chapter charts the build up to the Comprehensive Spending Review of October 2010 and the consequent local authority grant settlement of December 2010. It discusses how local authorities were anticipating significant budget contraction and how they were preparing for this. It also discusses how they dealt with the 'in-year' cut in grant announced in the June 2010 Emergency Budget, as well as what we know of the impact of this cut – particularly on vulnerable communities.

The evidence comes from the telephone survey conducted with senior officials in 25 broadly representative local authorities in England. (See Chapter 1 for more detail on the sample of authorities.) In order to preserve the anonymity of the authorities, as well as the individuals consulted, all interviewees are referred to simply as 'senior executive'. When contextual information on the authority is helpful, this is provided in outline form. The tables in this chapter, which summarise commonalities across a range of authorities, identify each authority by a number only, although some contextual information about the authorities is also provided. Finally, we have avoided using some very specific details where these could allow a particular authority to be identified.

While the impacts of the December 2010 grant settlement are clearly the 'big news' in relation to local government budget retrenchment (and are discussed in detail in Chapters 2 and 4), it is nonetheless important to set out what happened in the period prior to this. This is not only for the historical record, but also because that period will have influenced the course set by local authorities individually and local government as a whole in terms of future broad strategy. The chapter is structured as follows:

- the next section examines how local authorities were preparing themselves for the cuts they knew were on the horizon;

- this is followed by an examination of the processes, impacts and implications of the June 2010 'Emergency' Budget.

Anticipating the cuts

'We were aware that the good times were coming to an end and that there was a need to prepare for unpleasant times ahead.'

Senior executive, deprived authority

'I think it's rather a mythology that local government has had it good for the last few years under a free-spending Labour Government and of course that's not the reality, especially for ... councils of our type. So we've had to find £1m in efficiencies per annum for past four years or so ... and that was just normal business. We'd been doing that and we'd clearly also began to anticipate more significant saving requirements as the General Election unfolded ... whichever Party got into government.'

Senior executive, deprived authority

All of the authorities in the survey had been involved in internal work programmes designed to cut costs and generate efficiencies prior to the May 2010 General Election. Most began to take this task particularly seriously over the course of 2009, but a minority had been planning for some kind of change for longer. A minority had also commissioned consultants to help them to identify restructuring that would lead to cost savings.

Across the sample, 'transformational projects', 'change programmes' and 'efficiency drives' were common prior to May 2010. The focus appeared to be largely on back office efficiencies, management restructuring and better use of IT systems. In a minority, front-line service reviews were framed in such terms. The authority below was one of those that claimed to be well prepared:

'For three years, a forward-looking efficiency programme has been in place. We have already been conducting wholesale reviews of service provision, looking at centralisation, better use of technology. Also been looking at the senior management structure (cutting out some senior posts). We already had some pace on efficiency saving plans and had been trying to second-guess what would happen in October. We had prepared for the worst.'

Senior executive, affluent authority

Although all interviewees were clear that they knew that significant budget cuts were on the horizon, there were mixed views over whether the June 2010 'in-year' cut had been anticipated. Some authorities claimed to have had 'a fair inkling' that an in-year cut would happen. Others appeared to have been more surprised by the Emergency Budget.

The June 2010 Emergency Budget and the 'in-year' cut

Scale and nature of 'in-year' budget reduction

'This in-year cut has never ever happened before.'

Senior executive, deprived authority

Immediately following the May 2010 General Election, the new Coalition Government announced that it would implement a so-called 'Emergency Budget' in an attempt to cut the deficit more quickly than its predecessor Labour government. For English local government, the effect was an 'in-year' cut to its grant

income, both revenue and capital. Further, while the headline grant cut referred largely to specific grants disbursed by the CLG, local authorities also lost a range of income controlled by other central government departments such as transport and education.

Indeed, for a substantial number of authorities, particularly all-purpose authorities providing across-the-board services and therefore eligible for income from a range of government departments, the scale of the 'in-year' cut was not apparent for some weeks. It was common – as one interviewee described it – to be “drip fed their losses”.

'The difficulty was that it took at least a month-and-a-half to work out exactly where the cuts were coming from. Because it wasn't just the stuff they said we had to find ... the £1.1m from DCLG, but by the middle of August this had been turned into £4m of financial reductions for us ... we found that we were still getting stuff in late August that was chopping money out of youth services and things like that, and that was the difficulty over that period.'

Senior executive, all-purpose deprived authority

Partly because of this, it proved difficult in the telephone survey to pin down accurate and comparable figures on the scale of the loss of grant income to the authorities as a result of the Emergency Budget. Interviewees could not always provide an aggregate figure representing all of the losses and it was not clear from the documents accessed for the research that full rather than headline figures were being used. What is clear, however, was that there was substantial variation between the authorities in the sample, in terms of the scale of the 'in-year' cut. For a small number, the scale of the loss was “not a huge shock” or “not particularly taxing” and fitted relatively easily within ongoing planned efficiency savings. For others, however, a much more substantial loss was experienced.

The variation in the sample in relation to the scale of in-year cut is closely related to the kinds of grants which were cut and resonates strongly with the bigger picture of cuts associated with the later December 2010 grant settlement discussed in Chapter 2. Thus, the Emergency Budget focused largely on cutting the raft of specific grants provided to local authorities, rather than the more fundamental formula grant. Many of these grants – both revenue and capital – tend to be focused on issues associated with the most deprived authorities, such as worklessness (for example, Working Neighbourhoods Fund) or housing improvement (for example, Housing Market Renewal). Further the Emergency Budget also accelerated the running down of area-based grant that draws together a range of grants targeted on the most deprived authorities. In a separate arena, the June Budget also scrapped performance-related grants (such as the Local Area Agreement grant) used by many authorities to fund inter-agency collaboration via the Local Strategic Partnerships.

Implementing the 'in-year' budget reduction

Although local government as a whole was anticipating a major retrenchment in its resources over the years ahead, the scale, nature and speed of the budget losses associated with the June Emergency Budget still came as a shock to a number of authorities. This seems to have severely constrained their ability to make decisions based on principles and priorities:

'... the rhetoric is very much around targeting services at those most in need and vulnerable communities, that's what is supposed to be underpinning it is that ethos ... [but] the Emergency Budget just went through like lightning.'

Senior executive, Coalition-controlled authority

In only a minority of authorities was time or capacity found to discuss principles and priorities to guide decision-making. In one, for example, Cabinet members were each asked to identify three key priority issues or client groups they wanted to safeguard at this point. In a further two, there was an explicit

attempt to avoid cutting services in priority areas of activity – such as tackling anti-social behaviour or area regeneration – even when the grants which had supported these activities had been cut.

Two major differences were apparent from the sample:

1. For most authorities, the in-year cut impacted directly on service provision. However, in six of the twenty-five, the budget loss was either of sufficiently small scale not to necessitate this, or was capable of being absorbed into back office efficiency programmes.
2. Of the 19 authorities in which an impact on service provision was indicated, there was a divide between:
 - a. those who mirrored the budget cut with the service or activity reliant on that budget: “In essence what we did, which is what a lot of authorities did, is that if Osborne said we’re taking cuts from this children’s service or that particular service then that’s where we made the cut” (senior executive);
 - b. and those who attempted to reassign the budget loss across a broader range of services and projects.

There was also one authority where there was an indication of an impact on service provision, but it was not clear from the telephone interview which approach they had adopted.

Table 7 shows that two-thirds of the authorities for which a service impact was experienced as a result of the Emergency Budget (and about which the data are clear) simply targeted any grant reductions received on those projects and services to which the grant referred. It reveals, however, no clear association between this approach and party political control within the authority, intensity of deprivation or whether the authority is ‘all-purpose’ or not.

Table 7: Coping with the Emergency Budget: mirroring or reassigning grant cuts and services

Political control	Mirroring ‘in-year’ cut with services funded	Re-assigning service cuts	No service impacts or not clear	Total
Coalition (Conservative or Liberal Democrat)	2, 9, 13 1, 8, 14, 23	11, 18 3	4, 6, 16	13
Other (Labour and NOC)	5, 7, 10, 17 24	12, 19, 25	15*, 20, 22 21	12
Deprived	2, 5, 7, 10, 17 24	11, 12, 19, 25 3	15*, 22 6	14
Not deprived	9, 13 1, 8, 14, 23	18	20 4, 16, 21	11
Coalition and deprived	2	11 3	6	4
Coalition and not deprived	9, 13 1, 8, 14, 23	18	4, 16	9
Other and deprived	5, 7, 10, 17 24	12, 19, 25	15*, 22	10
Other and not deprived			20 21	2
<i>Total</i>	12	6	7	25

Notes: Number in cells refers to individual authority (except row or column total). All-purpose authorities are in bold. Deprived = bottom third on the IMD. NOC = no overall control. The asterisked authority is the one where there was an indication of an impact on service provision but it was not clear which approach they had adopted.

In the majority of authorities that chose to mirror service and budget reductions, it was clear the decision was pragmatic:

'We took a pragmatic approach: as the Emergency Budget cuts were largely to Specific Grants, the cut was applied to that service.'

Senior executive, deprived all-purpose authority

A smaller number were able to be a little more strategic:

'Most of the cuts went to area-based grants. So first we looked at the areas currently using these grants, identifying the relative ease or difficulty of stopping spending immediately. Once we had assessed what could be achieved from these budget lines we looked beyond area-based grant-funded projects to other service areas, again assessing the relative ease of closure. We were lucky in that there were several projects we were about to recommission so didn't. Where staffing was involved, we tried not to close. But still 30 jobs went.'

Senior executive, deprived all-purpose authority

The pragmatic approach was a consequence of the speed with which savings had to be found and the largely unprecedented nature of the in-year cut. One interviewee, however, made it clear that their decision was also political: the authority wanted it to be apparent to service users that service reductions and withdrawals were not a consequence of local decisions but of those made by national government.

'We wanted it to be clear that these cuts weren't anything which was as a result of our actions, it was clearly tied to national policy-making.'

Senior executive, Conservative-controlled authority

The fact that this example comes from an authority controlled by the senior partner in the Coalition Government could mean that such a political rationale was present elsewhere, but was not volunteered by wary senior executives.

Despite the unevenness of the scale of the cut and the speed with which local government had to react to it, there remained some latitude to make choices – to exercise political discretion and judgement. The choices made will have affected the impact of the Emergency Budget on services.

Impacts of the 'in-year' budget reduction

The 'in-year' budget reduction had a variable impact on service provision. As has already been indicated, in six of the twenty-five authorities surveyed, the in-year budget cut appeared to have had no impact on actual service provision. As Table 8 shows, these six represent a range of political control situations as well as intensity of deprivation. Two-tier and all-purpose authorities are also both represented in this category. For these six, the in-year reduction was managed as part of the ongoing programme of organisational efficiency savings developed in anticipation of substantial budget reduction. In two of these, the reductions were covered in large part by 'in-year' under-spends.

'Although the Emergency Budget was very difficult for us because the money was already allocated, we were able to absorb it. For an organisation this size, we can cope with the loss of £10m even if it is in-year. It was more the worry of what else was to come.'

Senior executive, deprived urban authority

Table 8: Impact of the June Emergency Budget on front-line service provision

Political control	No impact on services	Small impact on services	More significant impact on services	Number
Coalition (Conservative or Liberal Democrat)	4, 6, 16	9, 11, 18 1, 8, 14, 23	2, 13 3	13
Other (Labour and NOC)	20, 22 21	12 24	5, 7, 10, 15, 17, 19, 25	12
Deprived	22 6	11, 12 24	2, 5, 7, 10, 15, 17, 19, 25 3	14
Not deprived	20 4, 16, 21	9, 18 1, 8, 14, 23	13	11
Coalition and deprived	6	11	2 3	4
Coalition and not deprived	4, 16	9, 18 1, 8, 14, 23	13	9
Other and deprived	22	12 24	5, 7, 10, 15, 17, 19, 25	10
Other and not deprived	20 21			2
<i>Number</i>	6	9	10	25

Notes: Number in cells refers to individual authority (except row or column total). All-purpose authorities are in bold. Deprived = bottom third on the IMD. NOC = no overall control.

In nine authorities, the impact was said to be relatively small scale: “it was not a huge shock” (affluent authority); “there was not too much pain” (deprived authority). Again, Table 8 shows that there is a spread of authorities in this category. However, it also reveals that of those authorities in which political control was Conservative or Liberal Democrat (thirteen), the majority (seven of thirteen) experienced only a small impact on services. Further, ten of the thirteen experienced either no impact or only a small impact. Likewise among the eleven affluent authorities surveyed, ten experienced either no impact or only a small impact on service provision.

This was not the situation for either non-Coalition-controlled authorities or those in the bottom third of the deprivation spectrum. Seven of the twelve authorities controlled by non-Coalition parties experienced a substantial impact, compared to three of the thirteen Coalition-controlled authorities. Nine of the fourteen deprived authorities experienced this level of impact, compared to only one of the eleven affluent authorities. This is perhaps unsurprising given the fact that the ‘in-year’ cut was weighted towards special grants provided to tackle deprivation. Finally, it is also evident that nine of the ten authorities significantly affected were ‘all-purpose’ authorities. Again, this is not surprising as their broad portfolios exposed them to the full range of cuts associated with the Emergency Budget.

So what does a small impact on services actually mean? How does it compare to a more substantial impact? Clearly varying interpretations are possible.

For the purposes of this study, authorities were placed in the ‘small impact’ category when they reported having had to scale back rather than delete roles or projects, or when the main impact was cancelling planned projects or activities before they went live. A more significant impact was judged to have been experienced when the Emergency Budget led to existing services and projects being withdrawn or requiring more substantial reshaping, or where significant job losses were experienced. These authorities may also have cancelled planned projects.

Indeed, perhaps the most common impact on front-line services was the cancellation of planned projects. More than one interviewee suggested that it had been considered fortuitous locally that not all funds relating to specific grants targeted by the June Emergency Budget had been allocated:

'We were lucky in that a number of planned projects were still at the planning stages, so we had to tell stakeholders that they could no longer go ahead.'

Senior executive, deprived all-purpose authority

It seemed that some authorities had deliberately held back from allocating funds as part of a hedging process in anticipation of the cuts. This particularly applied to specific grants – such as the Working Neighbourhoods Fund – which many expected to disappear. Nonetheless, projects foregone still have real impacts on people and places.

A broad range of services and projects appear to have been affected. Specific examples included projects for older people scaled back as a consequence of the loss of *Supporting People* grant, transport for people with disabilities and services for victims of domestic abuse. The reduction of community safety grants affected community wardens and police community support officers in at least three authorities.

Capital projects were also affected, particularly those funded via the Housing Market Renewal fund. A number of projects had stalled and posts associated with this activity deleted. In one deprived authority, a capital grant for a new sports facility was reduced by 80 per cent, “so that the project just stopped”.

A broad range of children’s services appeared to have been badly hit across a number of authorities. Indeed, children and young people emerge as the group most severely affected (see the national picture in Chapter 5 which corroborates this evidence). Box 1 describes how the cuts in special grants for children and young people had a substantial impact on a number of authorities.

Box 1: The impacts of the June 2010 Emergency Budget on children and young people

Nine authorities in our sample volunteered that the Emergency Budget had had a substantial impact in this area alone. Play schemes, youth volunteering projects and specialist support in schools were the casualties mentioned most often.

'Something like 90 per cent of the headline cut was a reduction in specific grants for children's services. A lot of that was specialist support, youth centres and some children's centres... So if the grant loss was specialist support for, say, music, that's what we did.'

Senior executive, deprived authority, Conservative

'The main impact was on children's services... We had to stop a lot of temporary non-statutory initiatives such as youth work and lots of education projects as we had used additional funding for school improvement officers. We didn't touch early years as that is a policy priority.'

Senior executive, deprived authority, Labour

'We lost almost entirely a grant to support youth volunteering projects. We had already done all the publicity for this and set up a system so that groups could bid from the pot, but when the grant was withdrawn we stopped this.'

Senior executive, non-deprived authority, Liberal Democrat

Note: The telephone survey is likely to under-estimate the impact of the Emergency Budget on this (and any) service arena, since it depends on the interviewee recalling, at the moment they are asked, a particular detail. However, as Chapter 5 shows, the pattern in the sample reflects a wider tendency.

There were also a number of reports of job losses. One authority reported 150 posts deleted and another 100 as a consequence of the Emergency Budget. Others reported smaller numbers. In one affluent authority there were between 35 and 40 redundancies as a result of cuts to specialist children's services.

In a small number of authorities, there was an attempt to offset the impact of the in-year cut by drawing in citizens to fill gaps. For example, two authorities reported that they would try and train up resident volunteers as community wardens as a result of lost grant. As will be evident in Chapter 4, such Big Society approaches to service provision are being embraced in plans for managing the much more severe budget reduction following from the December 2010 grant settlement.

Finally, there were some mixed views on the impact of the Emergency Budget on deprived communities. Despite the fact that most of the losses associated with the Emergency Budget were to grant income targeted toward deprivation, only a small number of interviewees thought such groups would suffer disproportionately. As one senior executive argued, "where we took the money was not from those deprived communities, it was more from universal targeted grants rather than particular targeted grants". However, as another admitted, discussing the loss of the Local Enterprise Growth initiative and area-based grants more broadly: "In general, more of the residents requiring these services are based in poorer areas, so they (the cuts) will have a greater impact".

One interviewee gave an example of where their authority had tried to protect a deprived community. It had been working on a healthy living centre in a deprived area, but the resource had been pulled by the Departments of Health and Education: "but there is still a cut-price version going to happen, but it won't be what we planned". Most interviewees, however, did not emphasise the impact on deprived neighbourhoods.

Implications of the 'in-year' budget reduction

The June 2010 Emergency Budget undoubtedly had an impact on front-line service provision within the sample local authorities and across local government as a whole. Although the in-year cut applied to grant income targeted on specific activities, much of it associated with deprivation in its various dimensions, it is not clear that deprived communities suffered disproportionately as a result. However, the propensity to mirror the cut in grant with the service to which it applied is cause for concern. Our evidence points to more of an across-the-board impact on a range of specialist children's services, although it is probable that disadvantaged children would have been more likely to have been in receipt of these services.

The Emergency Budget has undoubtedly been an unwelcome chapter in the recent history of English local government. It led to some short-term, non-strategic decisions being taken about particular services and projects. It may also have inhibited the strategic, re-engineering work that was going on already in anticipation of the larger cuts:

'It was unhelpful in that efficiencies that you would have liked to have brought in from the 2011/12 budget had to be brought in straight away.'

Senior executive, deprived authority

However, a small number of interviewees were able to identify some positives from it. The scale and focus of the in-year cut appears to have had the effect of focusing minds on what was to come. For example, some of the more intensely deprived authorities recognised that they were particularly vulnerable to experiencing the worst effects of budget contraction, and lobbied central government to ensure some degree of protection for deprived authorities in the December grant settlement:

'We all made noises about how unfair it was that the deprived councils took the biggest hit. We were making these points very clearly and strongly. We were trying to influence a different way of thinking so that the Emergency Budget way of doing things wouldn't just get carried through into the main'

settlement.... If we hadn't done that the transitional grant wouldn't exist – there's no question in my mind – and then we would have been in real crisis, meltdown type crisis.'

Senior executive, deprived authority

The final way in which the June Budget focused minds was to alert a broad cross-section of elected members and senior staff to the scale of what was to come.

'You were saying to people "things are going to get tough" and they'd reply "yeah yeah". But they hadn't really grasped it.'

Senior executive, deprived authority

4 The December 2010 grant settlement: the view from the local authorities

Summary of key findings

- The surveyed local authorities largely viewed the December 2010 grant settlement as unjust and as precipitating a major change across local government. A minority viewed it as an opportunity to re-engineer councils and recast the relationship between citizens and local authorities.
- Only half of the authorities had adopted 'protecting the needs of the most vulnerable clients or communities' as a principle to guide budgetary decision-making.
- All authorities were managing budget contraction via a combination of 'back office' efficiency savings, front-line service remodelling and (often qualified) adoption of 'Big Society' agendas.
- Authorities were choosing between targeting resources on the most needy clients and communities, and more broad-brush service-focused approaches. Around a third had opted to use neighbourhood decentralisation as part of their approach to managing the cuts. In the remainder, the approach was a-spatial.
- Deprived communities and groups may be afforded a degree of protection by the adoption of more targeted approaches to service provision, although further research on this question is essential. There must be concern, however, about poorer people living in authorities without such approaches, particularly those in smaller pockets of deprivation.

Introduction

Chapter 2 reported our own analysis of the December 2010 local authority grant settlement. It demonstrated that the scale of required budget contraction is very significant (particularly when inflation and other less obvious issues are taken into account), and also showed that more intensely deprived authorities are facing the largest cuts. In this chapter, we draw on the telephone survey evidence to report the views of those senior officials who are at the front line in terms of balancing the budget, safeguarding services and addressing the needs and demands of residents and elected members. Like Chapter 2, the evidence points to considerable variation in how authorities are experiencing the current fiscal austerity.

The next section discusses views from the 'ground' on the scale and distribution of budget contraction. This is followed by an examination of the processes used to decide how to manage the cuts as well as the principles underpinning these decisions, and then a focus on what we have called 'inward-looking' efficiency savings. The next section provides some detail on the restructuring and refocusing of front-line service provision, identifying some distinctive approaches. The chapter concludes with some discussion of the impacts on deprived people and places.

Local authority views of the scale, distribution and front-loaded nature of the grant settlement

'This is the most unfair and unjust settlement I have ever seen, and the sooner it is seen off the better.'

Senior executive, deprived authority, Conservative

The above interviewee expresses a fairly typical view among senior executives. The fact that it was made by an officer within a Conservative-controlled authority is suggestive of the widespread shock across the sector, regardless of the political affiliation of the authority. Indeed, a senior executive from a separate Conservative authority was one of the most vocal in suggesting that the government's presentation of budget losses using the new 'spending power' calculation (see Chapter 2, 'Measuring the size of the cut') under-estimates the scale of the losses:

'Stop believing what the government tells you. All the stuff that the government said was a complete nonsense. Our [grant] budget cut this year from DCLG is (much larger than the government figure). They've made up this new formula which is to say that our complete income generating power, including Council Tax receipts, is X. Bollocks. It's a lot harder than he [Eric Pickles, Secretary of State for CLG] would like to make out.'

Senior executive, deprived authority, Conservative

Others spoke of the government's "smart presentation" or "distortion" of the losses. One noted that, "they were being clever with the politics" (senior executive, deprived authority, Labour).

Interviewees from deprived authorities clearly thought that their councils were bearing an unfair share of the burden of cuts, with some contrasting their own losses with those they believed applied to more affluent authorities. At least one spoke of an iniquitous "North–South divide", and others spoke about the fact that all-purpose urban authorities faced particular challenges, particularly in relation to the intensity of deprivation as well as the diversity of their population base, coupled with their role as engines of economic and employment development.

However, while interviewees from some affluent authorities either appeared fairly apologetic that they faced a relatively small cut or thought that they would be able to manage the reduction largely through restructuring and efficiency-type savings, others viewed the challenge as more fundamental:

'We have got to the point now where we have had to explain to politicians that have now gone beyond the point of efficiency gains and consequently salami slicing is out. At the point where they have to sacrifice some services to save others. They now have to make choices between services. That is the point we have reached with the incoming budget.'

Senior executive, affluent authority

The fact that the budget reductions anticipated across the four-year period of the Comprehensive Spending Review had been 'front-loaded' into the first two years of the settlement appeared to have taken a number of authorities by surprise. One interviewee said that just a week before the Comprehensive Spending Review, Deputy Prime Minister Nick Clegg had indicated that budget reductions would be "smoothed" over the four-year period: "we had been cranking ourselves up in anticipation but we were expecting a much smoother process" (senior executive, deprived authority).

Finally, the timing of the survey largely coincided with the period just before and just after local authorities had set their budgets for the financial year 2011/12. While balancing the budget had clearly been challenging in many authorities, according to interviewees it had often been possible to mitigate substantial impacts on front-line service provision for this financial year. However, a key theme of the testimony of a

number of interviewees was that the following year (2012/13) would be “the really crunch year” when the real scale of the impacts would become apparent.

Managing budget contraction: processes, principles and priorities

Processes

Given that the December 2010 grant settlement represented an unprecedented contraction in budget, it might have been expected that the processes by which budgets were agreed and balanced would differ from the established committees and structures. However, the majority of authorities in the sample used their usual structures and decision-making processes for the 2011/12 budget. In only five were new working groups set up; in one authority, for example, a short-life working group of elected members and officers met fortnightly over a four-month period. In another, discussions were “certainly more protracted and intense” and were punctuated with ‘away days’ to help resolve difficult issues. Perhaps the only other kind of change in evidence was that, in a small number of authorities, decision-making was staggered in relation to budget setting for this year, with issues dealt with and then “boxed off”, leaving a residual but smaller set of issues to be resolved in the formal February budget-setting process.

Perhaps the most significant development in terms of process was the extent of public consultation that underpinned budget setting for 2011/12. Around half of the councils in the survey consulted residents about their priorities in terms of which services to protect. Online consultation using YouGov style polling was common with residents asked to rank priorities or, sometimes, to indicate their preferences in relation to ‘tough choices’ between services – should the mobile library service be saved or disbanded? If saved, which of the following services should be reduced...? Some authorities consulted with user groups or other kinds of forums, as well as using online surveys.

It was not clear from the telephone interviews that such consultations were strongly integrated into decision-making, however. One interviewee suggested that the results of public consultations were “referred to” in reports to committee. However, in two authorities, consultation exercises appeared to have had a more significant impact. In one council, residents identified ‘fixing pot holes’ as their top priority (highways maintenance in general appeared to be strongly supported in a number of public consultation exercises). Elected members were keen to ‘reflect’ this priority to the extent that when the necessary resource could not be identified in the main budget, reserves were drawn down to tackle the issue. This was the only instance of reserves being used in this authority. In a second authority, consultation with residents suggested little support for managing budget reductions through more targeted approaches to service provision or for developing variable charging policies according to income. These approaches had therefore not been implemented as yet, although were to be discussed further in forthcoming service reviews.

Principles and priorities

In contrast with the time constraint that surrounded the Emergency Budget, all of the authorities reported that they had had time to develop a more strategic approach to identifying the core principles and key priorities necessary to guide decision-making in relation to the main grant settlement.

Table 9 shows the priorities volunteered by interviewees when asked to explain their authority’s main principles or priorities when attempting to achieve a balanced budget. Multiple priorities are noted.

The priority most commonly volunteered was ‘protecting vulnerable client groups’, although this was by less than half of interviewees. Generally a degree of under-reporting would be expected in this kind of exercise. A short telephone interview relies on the interviewee readily recalling specific details. However, given that the interviewee knew that the study was focused on how the cuts would affect disadvantaged

Table 9: Key priorities for guiding decisions in relation to budget reductions

Political control	'Protect front-line services'	'Protect the most vulnerable client groups'	'Protect the most disadvantaged neighbourhoods'	'Protect economic/employment initiatives'	'Efficiency/value-for-money' (detail unspecified)	Total
Coalition (Conservative or Liberal Democrat)	2, 9, 13 3, 6	18 1, 6, 14, 23	11	11	4, 8, 16	13
Other (Labour and NOC)	5, 17, 20, 25 21	5, 7, 10, 17, 19, 22	12	5, 10, 12, 17, 19, 25 21, 24		12
Deprived	2, 5, 17, 25 3, 6	5, 7, 10, 17, 19, 22 6	11, 12	5, 10, 11, 12, 17, 19, 25 24		14
Not deprived	9, 13, 20 21	18 1, 14, 23		21	4, 8, 16	11
Coalition and deprived	2 3, 6	6	11	11		
Coalition and not deprived	9, 13	1, 14, 18, 23	12		4, 8, 16	9
Other and deprived	5, 17, 25	5, 7, 10, 17, 19, 22		5, 10, 12, 17, 19, 25 24		10
Other and not deprived	2 21			21		2
<i>Total</i>	<i>10</i>	<i>11</i>	<i>2</i>	<i>9</i>	<i>3</i>	<i>25</i>

Notes: Number in cells refers to individual authority (except row or column total). All-purpose authorities are in bold. Deprived = bottom third on the IMD. NOC = no overall control.

populations, then it might be expected that they would foreground this information if this were indeed the case. In fact, interviewees had been told that the specific focus of the research was on how the cuts 'will affect services in more and less affluent neighbourhoods across England'. What is more telling is that only two interviewees volunteered 'protecting deprived neighbourhoods' as a key priority. It is therefore apparent that the needs of vulnerable people and places are not necessarily right in the forefront of thinking in a number of authorities. The reasons for this require further research.

Deprived and all-purpose authorities were more likely to offer 'protecting the vulnerable' as a priority than affluent or two-tier authorities. In each case, this was only around half of this category of council. Political leadership on this issue appeared important.

There was not a strong association between party political control and whether these groups were a key priority, although a smaller proportion of Coalition-controlled than non-Coalition-controlled councils indicated this priority (just over two-thirds compared to a half). The politics of giving priority to vulnerable people and places is discussed further in the next part of this chapter when the rationales for client-targeted *versus* service-focused approaches to service allocation are explored. However, the response of one interviewee in a Conservative-controlled council to questions about the extent to which deprived

neighbourhoods had been affected by the Emergency Budget perhaps alludes to some of the difficulty involved in prioritising one group over another:

Researcher: 'What about the situation for deprived neighbourhoods? Have they taken a bigger hit?'

Senior executive: 'Not intentionally, we have tried not to...'

Researcher: 'Was there discussion of that principle?'

Senior executive: 'Yes.'

Researcher: 'Where was it discussed? In Cabinet?'

Senior executive: 'I don't think we've got that recorded anywhere... Where we can, we are consciously protecting the deprived communities and their voluntary sector, but we're not being spectacularly overt about it, we're just doing it.'

Table 9 also shows that 10 of the 25 authorities mentioned protecting front-line services as a priority. This is a smaller proportion than might be expected and the reason for this is not clear. It could be that the need to do this is already assumed and therefore does not require to be explicitly articulated. However, it can also be seen from comparing the first two columns in the table that, for a number of authorities, 'protecting front-line services'/'protecting vulnerable groups' appears to look like an 'either/or' situation. For example, in one intensely deprived authority, it was clear that not all front-line services could be protected. The top priority was therefore stated as 'to prioritise the front-line services which are key to the needs of vulnerable people'.

Within this context, the number of authorities who prioritised economic development or employment-related projects is also striking. A smaller number of authorities volunteered other policy areas as a priority, such as the environment or anti-social behaviour. However, more than half of the deprived councils are clearly very keen to retain a strong role locally in protecting the employment base. It seemed that, in some cases, programmes and projects funded by special grants such as the Working Neighbourhoods Fund would be continued, with the necessary resources found from elsewhere.

Managing budget retraction: inward-looking efficiency savings

Table 9 shows that achieving inward-looking efficiency savings was the main priority of only three authorities. This was a key issue across the sector, however, as it is implicit in the remaining priorities where the focus is on 'protecting' various aspects of front-line services. Indeed, all of the authorities taking part in the survey were developing significant internal efficiency programmes, building on and accelerating the activities identified in 'Anticipating the cuts' in Chapter 3:

'So we've stepped up the ante on contract rationalisation, renegotiating the contracts in place, exploring joint working. But the biggest impact is on looking at how we operate inside the operation. From next week, staff will be looking at all kinds of amalgamations of teams, stripping out of middle management, all kinds of things.'

Senior executive, deprived authority

In addition to examining systems, staffing and structures – where the impacts would be largely experienced internally – a number of authorities were looking very critically at the range and nature of their contracts with other agencies and attempting to use the lever of austerity to renegotiate more favourable terms for the

council. It is clear that such negotiations are likely to have significant wider labour market effects in terms both of redundancies and the depression of pay and conditions.

In terms of staffing, the fact that the impact of the cuts would be uneven across the sector was apparent from the evidence of the telephone survey. This emerged first with respect to the impact of the June 2010 Emergency Budget, with a number of authorities reporting no staffing losses as a result of this, a handful “the loss of one or two temporary posts” while others reported more significant staff losses. For example, two authorities – one affluent and one deprived – reported the deletion of 150 posts as a result of the Emergency Budget alone.

There are two particularly striking aspects of staffing changes. First is that monitoring and evaluation roles appear to be one of the foremost casualties of back office efficiencies in many, if not all, authorities. We return to this issue in the final chapter of this report as it has important implications for the development of an evidence base capable of facilitating understanding of the scale and impact of budget contraction. Second was the number of authorities that were seeking to restructure management, with strategies to reduce the ‘layers’ of management common. In one authority “several hundred managers are going” as part of organisational changes, with management tiers reduced by almost a third. The impacts of these kinds of savings on service users will be indirect and hard to gauge, but may nonetheless be significant. However, the idea that such change may – in the long run – benefit the user, should not be discounted. When asked if the loss of managers would affect service quality, one senior executive replied: “it will be better, it will streamline things, empower front-line staff and bring decision-making nearer to communities” (senior executive, deprived authority).

Managing budget retraction: service responses

This discussion outlines the various approaches to managing budget retraction that have direct implications for service provision, as identified by the survey of the 25 authorities.

Two approaches had been adopted by all or almost all of the local authorities surveyed, albeit with differing levels of enthusiasm:

- significant service remodelling, including reconfiguring and joining up services in, for example, ‘hubs’, or developing shared services;
- the ideas underpinning the ‘Big Society’ were being emphasised across local government with a focus on community self-provisioning and developing more individual social responsibility.

However, authorities also differed in their approaches, and it was clear that distinctive choices were being made.

- One distinction was between those authorities who were:
 - developing a more client- or community-targeted approach to a range of services. In these authorities, a shift from universal to targeted provision for clients and communities was evident. The emphasis was on focusing scarce resources on the people and places where they were most needed;
 - and those resisting targeting in favour of a focus on service sustainability and equity. Here the emphasis was on an across-the-board retrenchment to providing statutory services only, deleting entire services or attempting to distribute cuts proportionately across services.
- A second type of distinction we found was between authorities:
 - who intended to use area decentralisation or neighbourhood management approaches as part of their strategy to manage the cuts;
 - and those who planned an a-spatial approach. In the latter group, such an approach was either considered a costly option or there was no history of such a focus on ‘place’.

Each council can be characterised according to on which side of these two distinctions they fell. Thus local authority X will have developed either a targeting or service-focused approach *and* it will have adopted territorial decentralisation or not. In what follows we examine the full range of approaches in detail, outlining the rationales for the approach adopted and providing examples of what it will look like in practice.

Before moving to this key part of the chapter, it is also worth recalling that, no matter what the overt approach adopted within each authority, the financial climate means that an underlying value-for-money agenda may be even more to the fore now than in recent times. As one interviewee suggested, the implicit question driving all decisions is “what can we cut that will make the most savings and cause the least political difficulty” (senior executive, deprived authority). We suspect that such a perspective would have been more common in the research if the telephone survey had been conducted with less senior officers than chief executives or their deputies. The discussion below should be seen in this light.

Service remodelling as an approach to managing budget reduction

This approach encapsulates the range of ways in which authorities are redesigning services as part of an efficiency drive. It can perhaps be understood as the outward-facing aspect of the efficiency and change management programmes referred to in the previous section. Services are being remodelled in various ways.

In a large number of authorities, co-locating different services in the same building is taking place.

‘We are moving staff from three other town centre locations to a single building over the next 15 months. We will cram as many people as possible into the building.’

Senior executive, deprived authority

While some interviewees presented such a strategy as of benefit to the service user (with multiple services such as libraries, community centres, leisure facilities, children’s centres and even schools co-located into ‘hubs’, for example), the financial imperative was nonetheless paramount. In a few authorities, income could be generated as valuable buildings could be sold off: “The aim is to reduce the asset base. In simple terms, the fewer buildings we maintain, the more staff we can retain” (senior executive, non-deprived authority). In others – particularly the most deprived authorities – there was little opportunity to generate capital receipts in this way. However, savings in rent, utilities and maintenance could be generated and reception facilities provided more cheaply.

Finding ‘new ways of working’ was also a common theme in the sample authorities. This incorporated practical issues such as implementing flexible working patterns, ‘hot desking’, home working and better use of technology. In one authority, social workers were to be given hand-held computers to write up case notes while in the field. This was said to have the dual benefit that they “would use their time better” and they would not need desk space for long periods. In addition, cross-service or cross-boundary generic working was being developed in a number of authorities. In one, managers were to become more generic so that they could manage across redesigned services.

Like the impacts of inward-looking efficiency measures, the impacts of such activities on service users – particularly more deprived communities and individuals – will be hard to assess and will take time to emerge. However, co-locating a range of services into hubs will clearly benefit some communities or types of household over others in terms of access, for example. It is also plausible that the disposal of surplus buildings will have an uneven impact. As already indicated, in more intensely deprived authorities and indeed poorer neighbourhoods across council areas more generally, it may take some time for alternative ownership or uses for these buildings to be found, leading to blight and dereliction in some but not all localities.

Big Society solutions to budget contraction

There was clear evidence that local authorities were considering how to harness the inputs of clients and communities in services traditionally provided by the council. While the majority of authorities were developing activities within this agenda, there was, however, a clear difference between those who were embracing this agenda enthusiastically and those whose approach was a more pragmatic perspective.

Box 2 captures different attitudes to Big Society approaches to managing the cuts.

In those authorities embracing the 'Big Society', various plans were being put in place. At least two of the sample had identified a 'Big Society' budget of some sort as a way of encouraging citizens and voluntary groups to develop innovative ways of delivering services. However, in one, applications were said to be "slow" and "patchy", with many applications simply coming from established voluntary groups who had had their funding cut.

In one affluent authority, one of the key principles that underpinned its approach to managing the cut was to ask of every service line: "Do we have to do it ourselves? Can the community supply it?" Another interviewee argued that the severity of cut provided an opportunity for more joint working between front-line service providers, citizens and councillors. It was a means to accelerate a move to a less paternalistic relationship: "it needed a shock like this to make this new relationship possible" (senior executive, deprived authority).

A number of authorities envisaged using volunteers in libraries. In two authorities at least, it was hoped that the community would take over the running of its library entirely. Other examples included getting more voluntary input at the 'soft end' of adult social care: "the council will always provide at the hard edge".

Some interviewees discussed how the cuts experienced by the voluntary sector could mean more of a role from 'ordinary' residents was required. One told of a project in a deprived area which provided wardens and counselling services which had lost its grant: "We're now looking at training up resident volunteers as wardens.... In the end we might have one person who is paid to coordinate it all, but all of the

Box 2: Differing attitudes to the Big Society

'We're looking at a different vision for what the council can deliver and what voluntary groups and individuals should deliver. It's about managing the withdrawal of services and the decline of the role of local government in these areas; about working with people to fill the gap in services as well as getting people to take more responsibility....'

It's likely that in the end, the council will keep on delivering (or facilitating the delivery) to the most vulnerable, but that the more advantaged groups will be enabled to have services provided to them in a different kind of way.... Why should the council keep on picking up litter? Should we not be educating people not to drop litter? We need to change the dependency culture.'

Senior executive, affluent authority, Liberal Democrat

'What this is is a paradigm shift in the relationship between the state and the local citizen. [It makes it] more like a private sector relationship. We want to get alongside people to help them deliver their own well-being.'

Senior executive, deprived authority, Labour

'If people are talking about the Big Society, we've got great levels of volunteering here but actually it's for the easy stuff largely. But some of it is a lot more challenging and the Big Society is not going to flippin' do some of it, and other bits it might do but its going to take a long time.'

Senior officer, affluent authority, Conservative

wardening and advice and counselling services will be delivered by local volunteers from the community” (senior executive, deprived authority).

A key issue for further research would be the wider labour market effects of such approaches, as well as the perspectives of trades unions.

Client-targeted versus service-focused approaches to managing budget reductions

The telephone survey suggested that a strategic choice was being made in authorities between:

- continuing to deliver a full range of services, but targeting resources towards needier clients and communities;
- reconsidering the affordability either of whole services, specific aspects of services or of providing services above the ‘statutory’ level.

To an extent, the two approaches are not entirely distinct from one another and it was certainly the case that some authorities emphasised a service-focused approach, but in a small number of selected services had also begun to focus resources more sharply on needier clients. Thus, the distinction drawn here is partly a question of emphasis or balance. Indeed, the degree of emphasis could be signalled by the rationale for the choice. Compare:

‘... the rhetoric is very much around targeting services at those most in need and vulnerable communities ... how can we target resources on the families that cost us the most?’

Senior executive, affluent authority, Conservative

with

‘[The top priority] is that the cuts are as equitable as can be with regard to both services and staff.’

Senior executive, deprived authority, Labour

There were also other kinds of differences. For example, questions of value for money were perhaps more evident in relation to the service-focused approach when compared to the targeted one:

‘In addition to focusing on the statutory requirement, we also looked at the evidence base for some services. It was noted that the rate of teenage pregnancy was in no way related to Council’s investment, so the service has been stopped.’

Senior executive, deprived authority, Labour

As well as a moral rationale, it was clear that political difficulties led to targeting not being adopted. This might be from elected members or citizens:

‘... [the idea of targeting] proved very unpopular in the consultation process. Residents were not keen that some should be charged for services so that the most needy could receive them for free. However, this is a factor in ongoing service reviews.’

Senior executive, deprived authority, Labour

And a final example illustrates where distinctive choices are being made. The removal of the ‘ring fence’ around the funding for some services had been dealt with differently. For example, in two of the survey authorities, youth services looked like being withdrawn entirely:

'The issue is one of prioritisation of services, not geography or demographics. For example, it is likely that the entire youth service will be withdrawn. You could argue the youth in deprived areas are more in need of the youth service than the youth in more affluent areas, but members want to protect other children's services. The focus of our plan is to prioritise individual services and make hard choices between them.'

Senior executive, affluent authority, Conservative

In others, this service was being retained in a targeted form:

'So we're not just going to wipe out youth services and Connexions. These services will take a hit because they've been unringfenced, but rather than wipe them out we're looking at targeting them, we're reducing the universality of some of the services ... we'll target particularly to those communities and those schools that need it most.'

Senior executive, deprived authority, Conservative

Table 10 shows how the 25 authorities divide in relation to client-targeted and service-focused approaches. It shows a majority (14) had adopted targeted approaches. In the remaining 11, it was clear either that their approach was service-focused or, in two cases, that they answered a clear 'no' to a direct question about whether targeting was being developed. (As indicated, it is a question of emphasis and rationale rather than of absolute distinctions.)

Whereas there is no strong association with political control and the strategy adopted, it is clear that the authorities with the most intense deprivation were much more likely to opt for a client- or community-

Table 10: Approaches to managing budget contraction: targeting and service-focused approaches

Political control	Client- or community-targeted	Service-focused	Total
Coalition (Conservative or Liberal Democrat)	2, 11, 13, 18 1, 3, 6	9 4, 8, 14, 16, 23	13
Other (Labour and NOC)	5, 10, 15, 17, 19, 22, 25	7, 12, 20 21, 24	12
Deprived	2, 11, 15, 17 3, 5, 6, 10, 19, 22, 25	7, 12 24	14
Not deprived	13, 18 1	9, 20 4, 8, 14, 16, 21, 23	11
Coalition and deprived	2, 11 3, 6		4
Coalition and not deprived	13, 18 1	9 4, 8, 14, 16, 23	9
Other and deprived	5, 10, 15, 17, 19, 22, 25	7, 12 24	10
Other and not deprived		20 21	2
<i>Total</i>	14	11	25

Notes: Number in cells refers to individual authority (except row or column total). All-purpose authorities are in bold. Deprived = bottom third on the IMD. NOC = no overall control.

targeted approach. In a similar vein, 11 of the 15 'all-purpose' authorities in the survey had opted for this approach. This would appear to suggest that those authorities most severely challenged by the post-2010 grant settlement were having to think very carefully about how they could best serve their most deprived clients and were focusing their resources on them. Indeed, one interviewee argued that the situation was extreme – the authority could no longer simply hope to support the 'vulnerable':

'We are very clear that it has to be the most vulnerable, we cannot protect all of the vulnerable now.'

Senior executive, all-purpose deprived authority

The survey collected some initial evidence on the concrete ways in which targeting and service-focused approaches will impact on the ground.

Targeting in practice

In relation to targeting, there were examples of anti-social behaviour teams being told to deal only with serious offences and, in one case, of the Community Safety Partnership focusing in to deal with only the highest priorities on its agenda. However, three service arenas were volunteered most often by interviewees as examples of the development of more targeted approaches: youth services, adult social care and children's services.

The fact that a number of authorities are moving towards a more targeted approach to delivering youth services has already been alluded to. A number of authorities appeared to be wrestling with a large cut in resources for these activities. However, as one interviewee mentioned, community consultations often revealed that 'finding things for young people to do' was a priority for residents. In this authority at least the 'huge' cut initially planned for this service was reduced in recognition of this priority (and as the result of significant protest), and a targeted model was being developed. In another authority, a three-tier targeted approach to delivering careers advice to young people had been championed by staff. The original 'full' service would only now be made available to young people in the 'NEET' category (not in education, employment or training); the majority would be assumed to be capable of gaining all the information and support they would need via the internet; and a 'minimal level of guidance' would be offered to a third category of young people falling between these two extremes.

In relation to adult social care, various degrees and forms of targeting were in evidence. In one large urban authority, there was a clear decision to ensure that access to this care should be determined by need only with no filter according to ability to pay. However, means testing was being introduced in order to identify clients who could pay for transportation to daycare centres, for example. In a smaller deprived authority, fees and charges across a broad range of services were being increased for the first time in a number of years:

'Some adult services charges are going up but some of it we're continuing to freeze. So we're being quite selective. Some of the social services stuff, the services to the most vulnerable are the things that won't go up or will go up less than the average. And the stuff that is discretionary spend (things people can choose whether or not to do) will go up.'

Senior executive, deprived authority

A number of councils were also planning to concentrate their efforts and services on the most needy clients. In one authority, adult social care was to be reduced for those without substantial and 'critical' needs. Clients with 'moderate' needs would be signposted to other services.

Service-focused approaches in practice

In authorities where targeting had not been adopted, a range of more service-focused savings were being implemented.

Box 3: Targeting the offer within children's centres

In a number of authorities, early years provision had been prioritised. As a result, there were no reports of Sure Start-funded children's centres being closed in the survey sample. The preference seemed to be to 'reduce the offer in the less needy ones'. For example, in one deprived urban authority:

'We are rethinking what services are "core". What used to be core is now an "enhanced" level of service according to need. What is now called "core" is a reduced level of service.'

Senior executive, deprived authority

In another large all-purpose authority, the decision not to close any children's centres was part of a strategy to ensure they "retained essential services for everyone".

Interviewee: 'Part of the philosophy is that everyone should get it – it's like waste collection – but everyone might not get it at the same level or quality as before.'

Researcher: 'Are you telling your services users that quality will fall?'

Interviewee: 'Yes, we are openly talking about quality falling, but we say that we have always provided very high quality services – it's a high base from which to fall.'

(The interviewee was a senior executive from a deprived authority.)

There was also a plan to means test access to provision above the statutory nursery provision offered in the centres.

In a handful of authorities, a 'salami slicing' approach – where a little is removed from a broad range of services – was being implemented for the 2011/12 budget year at least: "We are squeezing services rather than slashing them".

One affluent Conservative authority had opted for 'across-the-board' savings to children and young people's services, adult social care, highway maintenance, grass cutting and library opening hours. Another Conservative and reasonably affluent authority was also reducing the scale and scope of services. This involved reductions in the frequency of services, such as grass cutting, where frequencies were being reduced by around a fifth; the frequency of residential street sweeping was being halved; and anti-social behaviour services were being removed during daytime weekends.

In some of these authorities, discussion was ongoing about refocusing efforts on 'statutory' services only. In one case this built on the approach already adopted: "this Council does not provide services over and above the statutory. If people are eligible for services they must be delivered". Another deprived authority considered retreating to statutory services only, before it developed a more targeted approach: "The first step was for every service to strip itself back and look at what the service would look like if it only delivered statutory functions. Then to look at what was being stripped out and decide what we would want to keep: essentially those on which the most vulnerable depended".

Finally, in one affluent Conservative authority, implementing the 'service-focused' approach was being done in a way that deliberately avoided protecting needier groups from the effects of the cuts. This authority had been in the practice of "skewing investment to poorer areas". However, in the years to come, "these areas are not going to enjoy the same level of investment, they are going to see a reduction along with other areas".

There was some recognition among the interviewees from authorities adopting a service-focused approach that cutting universal across-the-board services may have a disproportionate impact on the disadvantaged. Thus, in one authority where a range of subsidised transport provision was being cut, there was recognition that this was used most by older people and those on a low income.

Client and community-focused targeting approaches are clearly designed to offset the above danger. The fact that there appears a tendency for the most severely deprived authorities to prefer targeted approaches might mitigate the impacts of the post-2010 budget reduction for some of the most vulnerable sections of the population living in areas of concentrated poverty. However, the capacity of these authorities to continue to deliver services appropriate to needs must be in question. There must also be concern about the impact on poorer households and on those living in smaller ‘pockets of poverty’ in authorities where client or community targeting has been rejected.

Neighbourhood approaches to managing budget reductions

The final dimension to managing the challenges of budget reduction relates to area or neighbourhood decentralisation. As Table 11 shows, a third of authorities already had a neighbourhood approach or were actively developing one. For some, this was a key aspect of how they would tackle budget reduction. For others it was simply helpful for managing cuts. Neighbourhood approaches usually consist of a pan-authority area or neighbourhood structure, or of forums for spatially focused consultation. In some there is some degree of budgetary decentralisation. In a smaller number, there is the capacity to set local priorities and perhaps influence service design.

Table 11: Approaches to managing budget contraction (neighbourhood and a-spatial approaches)

Political control	Neighbourhood approach underway or planned	A-spatial approach	Total
Coalition (Conservative or Liberal Democrat)	11, 13 6, 23	2, 9, 18 1, 3, 4, 8, 14, 16	13
Other (Labour and NOC)	7, 12, 19, 22, 25	5, 10, 15, 17, 20 21, 24	12
Deprived	7, 11, 12, 19, 22, 25 6	2, 5, 10, 15, 17 3, 24	14
Not deprived	13 23	9, 18, 20 1, 4, 8, 14, 16, 21	11
Coalition and deprived	11 6	2 3	4
Coalition and not deprived	13 23	9, 18 1,4, 8, 14, 16	9
Other and deprived	7, 12, 19, 22, 25	5, 10, 15, 17 24	10
Other and not deprived		20 21	2
<i>Total</i>	9	16	25

Note: All-purpose authorities in bold.

Once again, it is evident that there is not a clear politics to developing either a spatial or an a-spatial approach. Intensity of deprivation does, however, seem to make a difference. Although these kinds of approaches will tend to cover affluent and more disadvantaged neighbourhoods, it is evident that authorities with more significant deprivation are more likely to adopt this kind of approach. Thus, half of the authorities in the bottom third of the deprivation spectrum had a neighbourhood approach, but only two of the eleven which were affluent. Further, one of the deprived authorities in the a-spatial category had deliberately cancelled its established neighbourhood management programme as a cost-cutting measure. Whether the authority is all-purpose or not appeared not to make a difference.

In some of the deprived authorities with a neighbourhood approach, retaining this was central to their budget contraction strategy. In one deprived authority, this was because its ward-based structure for service delivery had allowed it to deliver some services at a higher level to more deprived wards:

'The overwhelming priority to the Council was protecting its neighbourhood-based approach... Poorer neighbourhoods did tend to be better resourced, and the intention has been to protect this differential.'

Senior executive, deprived authority

More broadly, the neighbourhood focus had led to a commitment to retain all Sure Start services, and all of the libraries in the authority, thus securing a baseline of services across the various localities in the authority.

Equally, an affluent authority had also identified retaining its area focus as one of its two top priorities. In this example, local committees had long had a small participatory budget that they could decide to spend on local priorities. However, as a response to budget contraction, further area working pilot activities had been established in a broadly representative subset of areas to examine different ways of working and to develop "a different vision for what the council can deliver and what voluntary groups and individuals should deliver". Thus, the pre-existing approach is being extended as a means to "manage the withdrawal of services and the decline of the role of local government in these areas". It was envisaged that by working more locally and closely with citizens it will be possible to "to fill the gap in services as well as getting people to take more responsibility" in relation to, for example, litter or snow removal.

There were plans to reinvigorate a dormant neighbourhood strategy in one large urban authority and to introduce one for the first time in another. In the latter case, the rationale resonates clearly with the 'Big Society' ideas underpinning the affluent example above. Here the emerging plan is to devolve significant aspects of spending down to the neighbourhood level (while keeping some strategic functions at a higher level such as education, child protection and economic development). There would likely be a base allocation plus a gearing for need. Neighbourhood plans would be devised, and:

'Neighbourhoods would know how much each thing cost, how much budget they had and would be able to spend the resource according to a neighbourhood plan. Some places would say they need only fortnightly bin collection, and might invest money saved in communal recycling. Neighbourhoods might ... specify the frequency and nature of the grass cuts... It's about redefining the relationships between citizens and public sector. Once people realise how much something costs, they might say, "well I'll just do it myself".'

Senior executive, deprived authority

Implications for deprived people and places

It is perhaps too soon to tell what the implications of the approaches taken to managing the cuts might be for more disadvantaged individuals and neighbourhoods. There is some variation across the sample, with

some authorities considering carefully how they can best protect vulnerable people and, to a lesser extent, places. However, a de-emphasis of the needs of such clients can also be detected in a few instances, and the unintentional consequences of other major changes which are currently ongoing in local government – such as back office efficiencies, service remodelling and Big Society approaches – will need to be assessed as they emerge.

What is clear, however, is that those authorities with the most intense levels of deprivation will struggle the most to meet the range and depth of needs of their citizens. The fact that so many of the councils in these circumstances have already opted to provide services in ways which are more sharply focused on ‘need’ offers some hope that deprived communities will continue to be served by local government. However, the political difficulties involved in such approaches also emerged from the discussions with senior officials. Elected members have their voters to appease and more generally there is a need to ensure ‘buy-in’ from a broad cross-section of Council Tax payers to the idea of locally provided public services. The sustainability of targeting is not a foregone conclusion, and the ability of the so-called ‘sharp-elbowed middle classes’ to defend or claim back the services they consider they need or deserve should not be underestimated.

Finally, the data gathered via the telephone survey on the impacts of the cuts on specific services within the sample of local authorities was rather patchy. Chapter 5 which follows uses further sources to provide both a national overview of this, together with more detail on the picture within the original sample of authorities.

5 National picture of cuts on services

Summary of key findings

- Cash cuts in specific service budgets (particularly environment, transport and leisure/culture) have been made by many English authorities for the financial year 2010/11, which pre-dates the General Election.
- For 2011/12, survey evidence suggests that the service areas most frequently identified for cuts were services for young people and early years, libraries and culture, sport, leisure and parks. Most authorities were protecting social care services but some are still seeking some economies in these.
- There is clear evidence from the actual budgets reported for 2011/12 that while both deprived and affluent local authorities are cutting significantly, deprived authorities are generally making greater cuts in relation to most services and overall.
- There is some tendency for service cuts to be greater for services that are neutral or pro-rich in their individual usage distributional pattern, and less sizeable for some of the most pro-poor services. However, a number of pro-poor services are experiencing significant cuts for 2011/12.
- There is a pronounced tendency for cuts to affect adversely services aimed at or heavily used by young people, which could compound problems of entry to the labour market or higher education for this group.
- Although nearly all authorities emphasise efficiency savings and cutting of central costs, many have already undertaken most of the obvious organisational changes. Current and future spending reductions will therefore have a general impact on service levels.

Introduction

This chapter discusses national evidence available at the time of writing (August 2011) on the emerging pattern of expenditure reductions in English local government, in particular the differential impact on different services and activities. We only obtained official budget returns for all authorities for the financial year 2011/12 in late July 2011, while revising the final version of this report, but we could draw on two surveys (by the LGA and BBC/CIPFA) which both attracted quite a high response. We were also able to look back at the budgets local authorities set for 2010/11 compared with 2009/10 for some clues on their likely priorities. Although budget setting for 2010/11 predated the General Election, the Emergency Budget and the subsequent Comprehensive Spending Review and local government financial settlement of Autumn/Winter 2010, it will have been influenced by the overall economic and political climate, including a fairly tough budget by the previous Labour Chancellor Alistair Darling.

In addition to analysis in terms of different services, we used the BBC/CIPFA survey data and the 2011 budget data to examine whether there were distinct patterns in terms of the cuts facing broad groups of services in different kinds of local authority, particularly on the affluent–deprived spectrum.

Lastly, we set out what we believe can be inferred about distributional impacts, between deprived-affluent households and neighbourhoods, given the apparent division of cuts across services.

Straws in the wind?

The pattern of budgetary changes made between 2009/10 and 2010/11 may be viewable as ‘straws in the wind’ for what was to come, as the financial deficit storm clouds were gathering and the policy debate was shifting from immediate economic recovery following the financial crisis to longer-term rebalancing of the economy and the public finances. Authorities would also have been aware of the impending election and possible changes in national government.

We did a simple analysis of the sample of 30 local authorities used as a frame for the first-stage interview survey in England, using a comparison of the CIPFA budget estimates published for those two years. We placed services into four broad categories, according to whether the number of authorities making (cash) reductions in those service budgets was: a small minority, a substantial minority (that is, a quarter to a third), around half of authorities or most authorities. Although in terms of total net expenditure most authorities were still budgeting for some increases at this time, a small minority were already budgeting for cash cuts. However, at service level it was quite common to observe cash reductions planned between these two years. Table 12 summarises the picture.

Most services saw cuts in either a substantial minority or as many as half of local authorities. Certain major spending services, particularly primary and secondary schools, were rarely subject to significant cuts – this reflects their protected status and the process of shifting their financing out of mainstream local authority budgetary control. The services where most authorities appeared to be making savings were

Table 12: Frequency of reductions by service in 2010/11 budgets

Few cutting (<1/4)	Significant number cutting (1/4–1/3)	Half cutting	Most cutting
<ul style="list-style-type: none"> • Primary • Secondary • Other education • (Total education) • (Total service expenditure) 	<ul style="list-style-type: none"> • Special schools • Highway maintenance • Concessionary fares • Public transport support • Children family asylum • Children family other • Social care older • Social care adults • Housing Benefit admin • (Housing total) • Recreation sport • Environment, health, housing • Community safety • Street cleansing • Central services 	<ul style="list-style-type: none"> • Highways other maintenance • Street lighting • (Total transport) • Social care disabled • Homeless • <i>Supporting People</i> • Cultural heritage • Open space • Tourism • Library • (Total culture and heritage) • Trading standards • (Total environment regulation) • Economic development • Community development • (Total planning) 	<ul style="list-style-type: none"> • Traffic management safety • Waste collect

Note: Services in brackets are totals for wider groupings that may include sub-service headings included above.

traffic management and safety and waste collection. However, cuts of some sort were being applied by around half of authorities in a wide range of services, including 'other' highway maintenance and lighting, social care for disabled, homelessness, *Supporting People*, a number of cultural services and several aspects of planning. Significant minorities of authorities were cutting budgets for mainstream highway maintenance, concessionary fares and public transport support, aspects of children and families and social care for adults, Housing Benefit administration and some environmental and recreation services.

Some of the services identified here reappear in the list of services identified in the recent BBC/CIPFA and LGA surveys. Others do not as they were not identified for questioning within these high profile surveys. Our evidence does suggest that they may nonetheless be targets for cuts, particularly those services in the highways and transport arena, and some environmental services.

Local Government Association Finance Directors survey

This survey was carried out in March 2011 and achieved a 38 per cent response from the 349 English local authorities targeted. The key relevant findings are highlighted here.

When asked to highlight services (from a list) that were being subject to proportionately larger savings targets in 2011, the most common by a wide margin was central services. This is unsurprising and confirms that authorities are clearly trying to achieve economies in the 'back office' and in overhead costs as far as they can, rather than immediately cut front-line services. However, it is also clear that sizeable numbers of authorities are seeking relatively large savings from a number of services, as highlighted at the top of Table 13. Services for young people comes next in the list after central services, facing cuts in 22 per cent of all authorities and of major multipurpose authorities. This is followed by libraries and cultural services (including community learning), which 16 per cent of authorities are subjecting to relatively larger cuts. Early years services come next (14 per cent), continuing the theme of the younger generation bearing a significant part of the burden of cuts, which is also echoed by sport and leisure coming well up the list (sports participation being skewed to younger people). Tourism comes high on the list for all authorities but this reflects mainly decisions by shire districts.

There is quite a strong environmental theme in the next group of services subject to disproportionate cuts in 9 to 12 per cent of authorities, including refuse and recycling, parks and public open spaces (POS), planning and street cleansing. At the bottom of the table – which shows where none of this sample of authorities was planning disproportionate cuts – are housing/homelessness, fire and rescue and special educational needs. Only one authority anticipated cuts in children's social care, but four authorities (8 per cent) mentioned adult social care.

The question on which services councillors would protect most from cuts produces results that broadly mirror these. Children's and adult social care come top (63 and 57 per cent), but refuse/recycling and street cleaning also come fairly high up, along with housing/homelessness, road/pavement maintenance and fire and rescue. Only 10 per cent of authorities were trying to protect services for young people, and just a few authorities were protecting early years and libraries/culture. None were protecting central services or tourism.

Comparison of these two questions suggests that there is not a completely uniform pattern across English local government in terms of priority services, but genuine differences between authorities.

The survey also suggests that most authorities have already undertaken most of the obvious organisational changes that are frequently argued to increase efficiency, including shared services, outsourcing, reduced senior officer posts and pay and reduced middle management. Majorities were already implementing, or were likely to implement, pay freezes, organisational reviews/transformation, asset disposal/consolidation and renegotiation of contracts with suppliers. Use of reserves to balance budgets was not anticipated in a majority of councils.

Table 13: Services with proportionately larger savings targets in 2011/12

Service	All Authorities total	All Authorities total %	County and unitary	County and unitary %
Central services	59	58	33	65
Services for young people	11	22	11	22
Libraries, culture and community learning	8	16	8	16
Early years services	7	14	7	14
Tourism	14	14	2	4
Sports and leisure facilities	12	13	3	6
Refuse and recycling	12	12	5	10
Parks and open spaces	11	12	4	8
Planning including economic development	5	10	5	10
Street cleansing and enforcement	8	9	3	6
Adult social care	4	8	4	8
Development and building control	8	8	2	4
Regulatory services	8	8	0	0
Support for children in schools	3	6	3	6
Bus services/passenger transport	3	6	3	6
Road and pavement maintenance/repair	4	4	3	6
Reduce crime and anti-social behaviour	2	4	2	4
Emergency planning and flood defence	4	4	1	2
Protecting the environment	4	4	0	0
Children's social care	1	2	1	2
Housing and homelessness	0	0	0	0
Fire and rescue services	0	0	0	0
Children with special educational needs	0	0	0	0
Total responses	102	100	51	100

Source: Local Government Association Finance Directors Survey, March 2011

There has been considerable speculation and media coverage of the possible impacts on specific services, such as libraries, and this survey homes in on some of these. A quarter of authorities were considering transferring library services to a community or mutual ownership model, and a quarter were looking at moving libraries in with other services in shared premises.

Nearly two-thirds of authorities (63 per cent) were planning to make savings from Sure Start, which is a sharper level of cut than might be inferred from Table 13 and from the telephone interviews with particular authorities. Fourteen per cent of authorities were proposing to amend their 'Fair Access to Care' standard of eligibility for adult care services by one grade, basically from 'moderate' to 'substantial'. That would make 'substantial' the threshold in 80 per cent of authorities.

BBC/CIPFA survey

The BBC/CIPFA survey is slightly more recent, has a rather larger response rate and enables drilling down into more detail in some areas. We were also able to access the data spreadsheet and perform further

analyses grouping the local authorities in different ways. It is a bit less systematic in the way parts of services are described, but we have attempted to summarise the data. Table 14 looks at adult social care and children's services as two of the major areas covered.

From these data, it would appear that the emphasis on management and central/back office costs, rather than front-line services, is not quite as great as was suggested by the previous survey. Services for older people were among the 'three areas most affected' in 15 per cent of authorities, with learning

Table 14: Parts of adult social care and children's services most affected by budget reductions in 2011/12

Adult social care			Children's services		
Service	Number	%	Service	Number	%
<i>Client group</i>			Youth services	20	33
Older people	9	15	School improvement	16	26
Learning disability	8	13	Connexions	11	18
Physical disability	3	5	Children's centres	8	13
Mental health	3	5	Early years	6	10
<i>Service type</i>			Supporting children and young people	5	8
Day services	8	13	Sure Start	4	7
Domiciliary care	7	11	Support services for schools	4	7
Enablement/reablement ^a	7	11	School transport	4	7
Supporting people	6	10	Learning	4	7
Services for clients with low/moderate needs	6	10	Family support and child protection	4	7
Residential care homes	5	8	Play	4	7
Assessment and care management	5	8	Children placements	3	5
Charges	5	8	Short breaks	2	3
External commissioned care	4	7	Looked after children	2	3
Voluntary sector	4	7	Extended services/schools	2	3
Meals	3	5	Curriculum support schools	2	3
Community support centre	2	3	Children and families support	2	3
Transport services	2	3	Safeguarding	2	3
<i>Efficiencies/non-front line</i>			<i>Efficiencies/non-front line</i>		
Management	5	8	Back office business support	7	11
Procurement	4	7	Strategic management	5	8
Back office	4	7	General all areas	3	5
General efficiencies	3	5	Government grant-funded services	1	2
Zero inflation outside providers	3	5			
Outsourcing	2	3			
Providers' services	2	3			
Total responding social services authorities	61			61	

Source: Authors' further analysis of BBC/CIPFA Survey, May 2011

disabled adults close behind, at 13 per cent. Physical disability and mental health client groups were only mentioned in 5 per cent of cases. Looking at types of service provision, daycare was most frequently mentioned, followed by domiciliary care. *Supporting People* and services for clients with low/moderate needs were mentioned by 10 per cent, the former reflecting cuts in government grant and ending of ringfencing, the latter supporting the finding on eligibility thresholds mentioned above. Reviewing and increasing charges was mentioned by 8 per cent. Although 'outsourcing' was mentioned by 3 per cent, areas for reductions involving 'external commissioned care' and 'voluntary sector' were cited by 7 per cent, while cash limiting payments to outside providers was mentioned by 5 per cent and reviewing 'provider services' by 3 per cent. This suggests that outside and voluntary providers could be facing a tough time, as some have feared.

This picture of significant negative impacts in substantive areas of adult social care should be balanced against counter-tendencies in the responses of many local authorities. First, quite a few say no cuts are being applied in this area, and quite a few are at pains to point to increased financial provision to meet rising demand and demographic pressures. Also, certain general movements in service provision, (re-)enablement and personal budgets are seen as offering opportunities to both increase effectiveness in terms of better outcomes while leading to some resource savings from traditional services.

Table 14 also looks at services for children, families and young people in a similar way. There is confirmation here that youth services are taking a significant hit in many areas (33 per cent mentioning it); we would infer that the 'non-statutory' nature of these is a key reason. Connexions (formerly the Careers Service) was also widely cited (18 per cent), and this is also focused on young people. There is also further confirmation of quite widespread cuts in early years, children's centres, Sure Start and play. Again, these can be seen as preventive and developmental activities intended to improve children's later chances in school and after, but a victim of being seen as extra add-ons rather than the statutory core. School improvement takes a hit in many areas (26 per cent), triggered by withdrawal of specific grant aid that has been restructured into the school budgets. Other related headings quite often mentioned were school support and learning (7 per cent each), extended schools and curriculum support. Although the core areas of child protection and care are often protected, there are still a number of authorities mentioning cutbacks in aspects of this – family support and child protection (7 per cent), placements (5 per cent), short breaks, looked after children and safeguarding (3 per cent each).

Cultural services was another broad area examined in this survey, as summarised in Table 15. This confirms some of the picture presented from the LGA survey earlier, but points up some particular targets for cuts more clearly. Arts are taking the largest hit (19 per cent), closely followed by museums (18 per cent). Arts activities are also often geared to young people. Parks, leisure, sport and libraries were also quite frequently mentioned (and because libraries are a county service in two-tier areas this service impact is more pervasive). Tourism features again, along with events and heritage/conservation. Again the picture is one where although management and back office efficiencies were mentioned, they were less dominant than actual cuts in specific services.

Association with area deprivation

So far we have examined survey evidence that captured the service cuts that local authorities anticipated they would make. In June 2011, as this report was being finalised, data became available which identified where actual cuts have been made for 2011/12. In this section we identify change between 2010/11 and 2011/12 in terms of budgeted spend in selected service areas and overall. And in order to understand the broader significance of this data, we analysed it in relation to key local authority characteristics, particularly deprivation level as measured by IMD ranking.

Table 16 examines all-purpose authorities and shire counties. The first block of figures are percentage changes, while the lower block show change in spending per capita. This per capita calculation

Table 15: Cultural services most affected by budget reductions in 2011/12 (all classes of local authority including shire districts)

	Number	%
<i>Service</i>		
Arts (development)	31	19
Museums	30	18
Parks and POS	25	15
Leisure services/centres	21	13
Sport	20	12
Libraries	16	10
Tourism	13	8
Events	11	7
Heritage and conservation	11	7
Theatre	9	5
Sports development	6	4
Community centres/venues	6	4
Archives	5	3
Community engagement	5	3
Grants to charities	4	2
Play development	3	2
Children and young people services	3	2
Creative services	2	1
Adult learning	2	1
Culture	2	1
Beaches, seafront	2	1
<i>Efficiencies/non-front line</i>		
Management	4	2
Back office (including sharing)	3	2
All services	3	2
Overall efficiency target	2	1
Number responding	164	

Note: POS = public open spaces.

Source: Authors' further analysis of BBC/CIPFA Survey, May 2011

gives a clearer picture of absolute spending change. As already shown in Chapter 2 ('Overall size of the cut'), the spending power change produced by the grant settlement in its first year (2011/12) shows a markedly greater fall in spending power for the most deprived authorities. This is clearly reflected in the spending per capita figures, but is less clear in the percentage figures. The averaged percentage figures are more subject to possible distortion from a few extreme values. In addition, more affluent areas generally had lower spending to start with, so a given absolute cut will be a larger percentage in such a case.

Tentatively, we would suggest that some of the more affluent authorities are looking forward more than one year in setting their budgets for 2011/12, and getting stuck into cuts that they know are coming at the earliest opportunity. The second and later years of the settlement are less skewed to deprived areas than the first year, as damping is removed. In addition, more affluent authorities may have more appetite for

Table 16: Budget spending changes by deprivation level for all-purpose authorities and counties, 2011/12 versus 2010/11

IMD quintile	Education	Transport	Social care	Housing	Culture	Environment Regulation	Planning	Central	Average across services
%									
<i>All-purpose local authorities</i>									
Most deprived 1	-4.01	-4.51	-0.55	-17.44	-11.41	-8.31	-39.48	-6.11	-5.52
2	-7.43	6.52	-0.05	8.44	-9.39	-2.33	-22.86	-5.81	-5.74
3	-5.90	6.56	5.64	-9.35	-5.79	-1.70	38.14	-11.01	-3.87
4	-9.91	-6.32	4.41	-5.98	-10.42	-3.32	-15.78	1.69	-5.85
Least deprived 5	-6.01	-7.00	7.73	-9.05	-11.53	-1.71	-50.20	0.23	-2.71
Average	-5.82	-0.34	1.54	-7.95	-9.97	-4.86	-22.37	-5.64	-5.15
<i>Shire counties</i>									
Most deprived 2	-9.38	18.13	1.20		-14.48				-3.35
3	-8.09	12.10	1.99		-8.01				-4.35
4	-7.11	4.86	4.69		-14.16				-3.72
Least deprived 5	-1.60	16.17	10.21		-5.60				1.95
Average	-6.62	10.62	4.46		-10.32				-2.88
£ per capita									
<i>All-purpose local authorities</i>									
Most deprived 1	-40.44	-3.48	-4.26	-15.37	-9.43	-7.61	-29.28	-4.79	-108.64
2	-72.21	-1.21	-1.50	-3.97	-6.47	-2.34	-7.99	-6.40	-101.45
3	-58.02	-1.94	24.59	-12.78	-3.31	-1.80	-1.84	-7.71	-66.25
4	-88.00	-3.29	11.26	-2.90	-4.51	-3.32	-2.87	-2.05	-90.85
Least deprived 5	-50.01	-5.71	23.21	-4.19	-4.88	-1.56	-2.12	-1.47	-41.34
Average	-55.05	-2.77	3.27	-9.99	-6.88	-4.49	-15.17	-5.08	-92.35
<i>Shire counties</i>									
Most deprived 2	-82.70	12.53	3.49		-3.31				-49.99
3	-65.60	7.25	7.26		-2.35				-60.28
4	-58.78	3.25	15.22		-2.70				-51.01
Least deprived 5	-12.72	9.54	31.98		-1.40				24.98
Average	-54.55	6.58	14.51		-2.37				-40.30

making cuts. These are some speculative reasons why for some services percentage cuts look as great for affluent authorities as for deprived authorities. However, the bigger picture is that in absolute terms, and in some services in proportional terms, deprived areas are making bigger cuts.

The data for the first two services – education and transport – present a rather unclear picture. Education has traditionally been local government’s largest spending service but the larger part of this funding has now passed directly from the government to schools. Nevertheless, there are large changes apparent in residual education spend controlled by local government, although some of this appears to be related to reclassifications and redirections of certain funding streams. With this qualification in mind, it may

be noted that the overall average percentage reduction for all-purpose authorities was around 6 per cent, and that this reduction was slightly lower in the most deprived authorities, and highest in moderately affluent ones. However, for shire counties, the reductions were considerably greater in the more deprived counties. For transport, the average net change for all-purpose authorities is small, with evidence of more substantial reductions in the most and least deprived authorities, as well as spending increases for those which are moderately and averagely deprived. Shire counties show an increase in spend in this arena.

In relation to social care, again the pattern is not entirely clear. The size of the cuts are generally low in percentage and absolute terms and there is also evidence of spending increases in all but the most deprived 40 per cent of all-purpose authorities. Indeed, the key distinction to be drawn here is of (small) cuts in these authorities while often quite notable spending increases have been implemented elsewhere.

For housing, the data show that the scale of the cuts is greater in the most deprived authorities. However, the data do not appear to be consistent with the picture from the surveys that this service is being protected, as the overall cut across all authorities is around 8 per cent.

For cultural services, the cuts are large in magnitude (around 10 per cent), which is more consistent with the evidence from the surveys. In terms of absolute spend per capita, cultural and related services are losing the largest amount of money in the most deprived areas, although when the assessment is made in percentage terms, the cuts are as great in the fairly and most affluent authorities.

For environmental and regulatory services, the absolute scale of cuts is relatively modest (around 5 per cent). It is greater in the most deprived fifth of authorities, however measured.

Planning has taken the largest cut by a substantial margin, averaging about 22 per cent for all-purpose authorities. In percentage terms the cut is greatest in both the most deprived and the least deprived authorities. However, £ per capita calculation shows that in these terms the cut in the deprived areas is quite large, whereas in the most affluent areas it is trivial. In addition, planning is a service where considerable income is brought in from fees, land development and developer contributions. In areas more favoured in these respects, net cost might be close to zero.

The cuts in central services (some 'back office' functions plus the core costs of corporate and democratic decision-making) are only about 5.6 per cent in average percentage terms, or £5 per head. This puts into perspective the arguments being made about the scope for reducing 'waste' in these areas. The scale of these cuts tends to be rather larger in authorities in the middle bands of deprivation.

Finally, the overall picture for service expenditure is unambiguously one of greater proportional and absolute spending cuts in the most deprived authorities, compared with the most affluent. For all-purpose authorities in percentage terms the difference is between -5.5 per cent and -2.7 per cent, with a difference of -3.3 per cent to +2 per cent for the shire counties. In absolute £ per capita the differences are twice the loss in the most deprived 30 per cent of all-purpose authorities compared to the most affluent 20 per cent (£109/101 per head versus £41). In the shire counties, the most affluent quarter gain £25 per head, while the remainder lose between £50 and £60.

In Table 17 we present a similar analysis for shire districts, although social care and education are not provided by these authorities. Again we show both the average of percentage changes and the average of per capita changes. On the whole the per capita changes tend to provide a more robust picture, because percentages can be vulnerable to extreme values that arise when the base year net spending figure is rather small (for example, because the authority does not provide a comprehensive service, or because it charges users a lot and mainly covers its costs). Indeed, for some of these services districts might have negative net expenditure. These issues are particularly marked for services such as transport.

The overall spending picture shows the most deprived authorities making the largest across-the-board cuts, with the most deprived fifth of authorities reducing spending by £49.90 per head compared with £24.50 overall and £18.00 in the least deprived districts. (In average percentage terms these figures are similar -20 per cent, -14 per cent and -12 per cent.) This pattern holds across all of the service headings except cultural services, where absolute spending cuts are slightly greater in the middle bands of deprivation, although still smallest in the most affluent districts.

Table 17: Budgeted spending changes by service and deprivation level for shire districts, 2011/12 versus 2010/11

IMD quintile	Transport	Housing	Culture	Environment regulation	Planning	Central	Average across services
%							
Most deprived 1	22.8	-15.0	-4.8	-10.2	-32.6	-2.3	-20.5
2	-1,958.5	-17.6	-8.6	-4.8	-14.7	1.1	-16.4
3	356.1	-0.7	-7.7	-5.1	-8.6	-0.1	-16.2
4	7.0	2.8	-11.7	-5.5	-13.3	4.8	-11.3
Least deprived 5	17.1	-9.1	-6.5	-6.3	-10.4	1.0	-12.0
Average	-238.5	-5.9	-8.5	-5.9	-13.0	1.5	-13.9
£ per capita							
Most deprived 1	-20.8	-6.0	-2.3	-6.9	-1.4	-1.4	-49.9
2	-17.9	-4.1	-3.3	-2.6	-0.4	-0.4	-31.7
3	-14.6	-4.7	-3.1	-2.6	-1.1	-1.1	-28.1
4	-10.9	1.5	-3.3	-2.8	0.9	0.9	-18.7
Least deprived 5	-8.2	-2.1	-1.5	-3.1	-0.5	-0.5	-18.0
Average	-12.6	-2.2	-2.7	-3.1	-0.3	-0.3	-24.5

For environmental regulation, planning and central services, the average percentage cut is greatest in the most deprived fifth of districts. For housing, the large proportional cuts appear to be a feature of both the first and second quintile groups of deprivation. For culture, the cuts are greater in percentage terms in the less deprived and middle bands, and for transport, as already noted, the values are too extreme and varied to be interpreted.

Implications of service spending changes in terms of the uneven distribution of impacts

So far we have looked at the evidence on which services are being cut. It is important to put this together with an analysis of who uses which services. This allows the distributional impacts of any changes to be assessed. Thus, for example, services associated with social housing are used disproportionately by more disadvantaged groups. These services are therefore ‘pro-poor’ in terms of who benefits from any spend. However, this means that any reduction of spend in this area will have a greater impact on disadvantaged people – distributional impact is uneven. For the sake of brevity, we include as Appendix B the very detailed analysis that underpins our understanding of which services are used most by which groups and which can therefore be categorised as ‘pro-poor’ or ‘pro-rich’. At this stage, evidence on cuts by service is rather incomplete and we must rely on a mix of sources that use different methods and definitions. Nevertheless, a reasonably consistent picture emerges.

Table 18 provides our best summary of the likely distributional impacts of service cuts. Services are grouped in descending order in terms of the ‘progressiveness’ of their distributional character, that is, from ‘very pro-poor’ to ‘pro-rich’. Three measures of cuts for 2011/12 are reported. Two measures are based on surveys and report the number of authorities planning above-average cuts in a particular service. The third

Table 18: Cuts in services by level of redistribution

Consensus assessment	Service	% of authorities cutting service		% change in budget
		LGA Finance Directors Survey a	BBC/CIPFA b	CIPFA c
Very pro-poor	Housing Benefit admin	0		-3
	Homelessness	0		0
	Children's social care	2	4	-24
	Housing (General Fund)	0		-12
	Police			
Pro-poor	Crime and community safety	4		-26
	Older people		15	-5
	Other adult social care		8	15
	Adult social care	8	15	3
	Fire and rescue	0		
	Other education	6	16	-21
	Primary education			-3
	Public transport (bus)	6		-17
	Special education	0		-7
Neutral +	Concessionary fares			68 ^a
	Libraries	16	26	-8
	Secondary education			-13
	Youth, careers	22	25	
Neutral	Community development			-31
	Economic development			-52
	Early years/pre-school	14	10	195 ^b
	Environmental health	8		-10
	Street cleansing	9		-7
	Trading standards	8		-11
	Waste collection	12		-4
Neutral	Play		7	
	Further education			
	Parks and POS	12	15	-9
	Recreation and sport	13	13	-11
	Road maintenance	4		-4
	Street lighting	4		3
	Tourism	14	8	-19
	Traffic management		4	5
Pro-rich	Adult/community education	16		0
	Museums	16	18	0
	Other arts and culture	16	19	-18
	Planning	10		-35
Weighted average				
Very pro-poor		1	4	-2.1

(continued)

Table 18: Cuts in services by level of redistribution (continued)

Consensus assessment	Service	% of authorities cutting service		% change in budget
		LGA Finance Directors Survey a	BBC/CIPFA b	CIPFA c
Pro-poor		4	14	-1.8
Neutral +		19	26	-11.0
Neutral		10	10	-10.6
Neutral -		9	9	-3.9
Pro-rich		15	19	-31.2
All		8	14	-4.7

Notes:

^a Very high positive value – not included in average figures to avoid distortion.

^b Weighted average which reflects absolute size of budget. Growth in ‘early years/pre-school’ expenditure transferred back to ‘children’s social care’. Without this transfer, the weighted averages are: -21%, -2%, -11%, +35%, -4%; and -31%.

Sources:

Column a: LGA Finance Directors Survey (see Table 13): the proportion of authorities seeking larger-than-average cuts in a particular service in 2011/12.

Column b: BBC/CIPFA Survey (see Tables 14 and 15): the proportion of authorities mentioning service as one of the three or so main areas where reductions would be sought in 2011/12.

Column c: CIPFA budget data: average change in budget for each service for 2011/12 (i.e., negative values represent cuts).

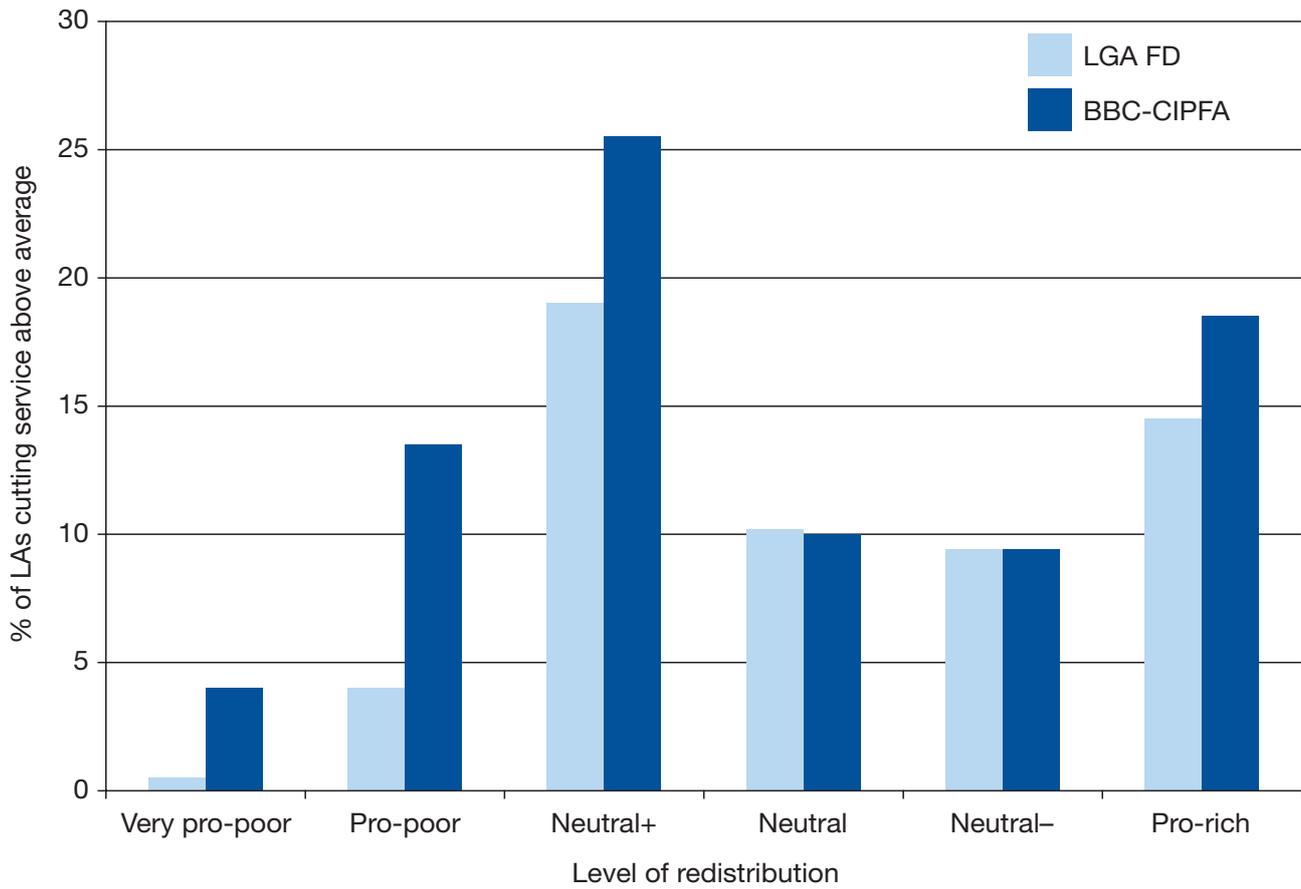
measure is based on budget data and reports the average level of cut in a particular service. Figures 6 and 7 provide simple visual summaries of this data.

Where the two surveys report figures for the same service categories, there is quite good correlation between their findings. There is much less correlation, however, between the survey estimates of which services face the highest cuts and the figure provided by the CIPFA data on budgets. In this situation, we should be cautious about drawing definitive conclusions, although we would generally regard the budget change data as more robust as it is more comprehensive (virtually all authorities are represented, and the change is as calculated in hard cash). The survey data were based on a partial response and are measuring something different (proportion of authorities making cuts versus average size of cuts).

In general, the picture appears somewhat progressive but also rather confused. According to the survey evidence, the most ‘progressive’ services (‘pro-poor’) are less likely to be facing large cuts compared with those that are most ‘regressive’ (‘pro-rich’) (see Figure 6). The budget data also show a greater level of cuts in the most ‘pro-rich’ services than the most ‘pro-poor’ (Figure 7). On the other hand, the survey data suggested that quite neutral (or weakly progressive) services would be facing the highest levels of cuts but the budget data shows these as having only small reductions. Pro-poor services could certainly not be said to be being protected overall, as they are experiencing cuts of on average 2 per cent in cash terms (perhaps 5 per cent in real terms) while services which are on the progressive side of neutral are being cut by 11 per cent in cash terms.

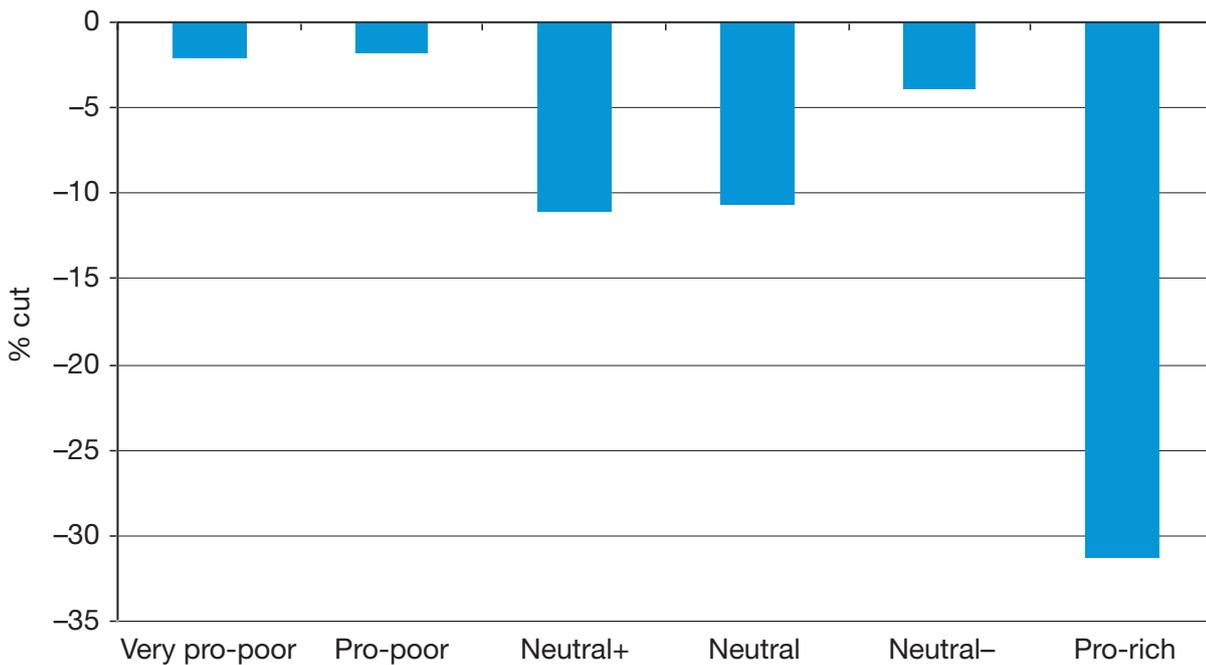
If we examine the detailed picture in relation to specific services (see Table 18), within the very pro-poor group of services, few authorities report targeting these services for cuts above average. The actual budget cuts in homelessness and Housing Benefit administration appear slight but there is a sizeable cut in other general fund housing expenditure (-12 per cent), primarily related to *Supporting People*. There is also

Figure 6: Proportion of authorities cutting service by level of redistribution



Source and notes: see Table 5.7

Figure 7: Average change in budgets by level of redistribution



Source and notes: see Table 5.7

a significant cut apparent in children's social care (-24 per cent). This appears larger than expected from the earlier survey indications but it could be affected by definitional changes, possibly a switch to early years (where the CIPFA budget data records a dramatic increase in budgets). Figure 7 above corrects for this.

Within the next group of moderately pro-poor services, the survey data and the budget data provide some agreement. Crime and community safety, other education and public transport (bus support) appear to be facing widespread reductions.

Within the next two sets of relatively neutral services, there are large increases in two cases (again these may be definitional or financing transfers): concessionary fares and early years. Otherwise, the picture is mainly one of moderate reductions in budgets in the range -7 per cent to -11 per cent with rather lower reduction in waste collection. There are very large reductions in economic and community development.

The next group of services are those where a less neutral distributional impact is apparent. Some of these (parks and public open spaces (POS), sport and recreation and tourism) take a rather larger hit (9 to 19 per cent) while road maintenance escapes more lightly (-4 per cent). Increased spend is apparent in street lighting and traffic management. As expected, the pro-rich other arts, culture and heritage takes quite large cuts. Planning, which is also classified as pro-rich, faces one of the largest cuts of 35 per cent.

The question of whether this will lead to a differential impact remains open thus far. While some of the services used by the rich to enhance their quality of life are affected – museums, libraries etc. – it is plausible that this group can simply rebalance their consumption towards private provision in relation to these and indeed most other services. However, while only some services are pro-poor, disadvantaged groups use the full range of services on offer and will be much less able to access alternative providers. Moreover, there are key services that are taking big cuts – such as children's social care and housing support – that the poor rely on for life necessities rather than enhancements. This could have quite fundamental consequences for their well-being.

Finally, it is also important to highlight some additional dimensions to differential impact. It is striking, for example, how substantial the impacts could be on families with younger children and on youths/young adults, particularly those from poorer backgrounds who again would be hard-pressed to substitute private forms of service. Indeed, some of the arts and cultural activities that are being hit in a major way may also be targeted at these groups. Taken in conjunction with the seriously limited employment prospects facing young people in the current recession, the combined effects on this group, and ultimately on communities, could be serious – 41 per cent of adults in the 2006 Best Value Performance Indicator (BVPI) survey cited services for youth as what 'most needed improving' in their area, the highest score of any of the services (Appendix B discusses the BVPI survey data).

6 Conclusion and looking forward

Introduction

This final chapter summarises the key findings. It also tries to step back from the detail about distributive impacts and immediate responses, and considers the broader or longer-term implications of the findings. The report as a whole provides a detailed overview of some of the early impacts of the severe contraction from 2010 onwards in local authority budgets. It also provides a record of how a cross-section of authorities initially sought to grapple with the challenges posed by this. Clearly this is a fast moving area of policy and practice, and sustained research effort will be required to understand the real magnitude of the changes and their effects.

What is clear at the time of writing is that the impacts of the budget cuts will be cross cutting and interconnected. This makes it challenging to assess the specific impacts on distinctive ‘types’ of people and places. Indeed two key concerns emerged from the interviews with senior executives:

- There can be *differential impacts* on distinctive neighbourhoods and client groups. Thus, changes in eligibility criteria, charging strategies or service reshaping more generally are expected to have more or less of an impact depending on the relative capacities, resources and contexts of those to whom the change applies.
- There will also be *cumulative impacts* on particular groups or places. These will be difficult to anticipate but have the potential to ‘tip’ communities and individuals over vulnerability thresholds, and could lead to the generation of additional, more intense problems or needs.

In those local authorities where the need to answer these kinds of questions has been recognised and some action taken, monitoring has so far tended to be done on a silo basis. For example:

‘... the cuts have been looked at on a portfolio basis, but there has been a lack of joined-up thinking about the overall impact of the cuts on particular groups, and also a failure to take account of the long-term impact and spillover impacts of cutting spend in one area [on other areas].’

Senior executive, affluent authority

The evidence presented in this report suggests that it will be essential to scrutinise the changes in local government as they unfold over the years to come. The bigger picture emerging from the evidence at the national level clearly suggests that large, deprived authorities will be under intense pressure to provide high quality services for deprived as well as for other groups. The local authority perspective corroborates this view, but it also points to a significant ‘remaking’ of local government. Whether this remade local government can continue to serve deprived communities is clearly a critical question. Extensive and intensive research is required to answer it. In what follows, we reflect on the evidence thus far on whether local government can continue to serve deprived communities. Before doing this, however, we identify two challenges for further research: the deficit in monitoring and evaluation capacity and the scale of the potential change across local government.

Assessing the impacts: a challenging necessity?

There are some significant challenges ahead for research on the impacts of local government cuts. A key issue relates to the ‘hollowing out’ of research capacity across the sector, alluded to in Chapter 4 (‘Managing budget retraction: inward-looking efficiency savings’). Below we summarise the challenges that have emerged specifically from the research evidence on which this report is based.

The hollowing out of monitoring and evaluation teams

There is clear evidence across a number of authorities of such teams being pared down as part of ‘back office’ efficiency drives. The imperative to protect front-line services generally and vulnerable groups specifically has meant that in many authorities such roles are obvious and often uncontroversial casualties. The contraction of performance audit at a national level with the abolition of the Audit Commission and deletion of the Comprehensive Area Assessment and large parts of the National Indicator Set will make it much more difficult for authorities to know the outcomes of service provision in the future.

Assessing outcomes becomes an opt-in

A minority of the authorities in the survey were, however, prioritising the retention of significant internal research capacity. These authorities prized the ‘rich data’ they had accumulated over the years and planned to keep collecting data on key indicators in order that they could assess what effect changes were having. In one authority there was political commitment to adjusting budget decisions to mitigate the effects of any unwelcome, unintended consequences of the decisions taken to balance the 2011/12 budget. Initiatives such as the LGA-led LGINform, that appear to be an attempt to fill the gap in knowledge on outcomes left by the demise of the Audit Commission and associated activities, may offset some of the challenges in assessing the effect on outcomes of budget contraction. However, collecting outcome data will be an opt-in rather than a compulsory activity from now on.

Some embracing of assessing ‘equalities’ impacts of service changes

The requirement to assess the impact of changes to service provision on the range of ‘equalities’ groups does mean that all authorities have had to think about how specific changes might have a differential impact on people with disabilities, or different ethnicities and across gender. However, the fact that there is no requirement to assess the impact on socioeconomic groups means that the opportunity to assess the impact on people in poverty has been lost. It was also clear that the task of ‘equality impact assessment’ had been prioritised to differing degrees across the authorities. In some, it was clearly a ‘tick box’ exercise. In others, interviewees acknowledged the shortcomings of their approach as well as time constraints. A number used the same phrase “it’s a work in progress” when asked to assess how well they felt the exercise had helped them to understand the differential impacts of service changes.

Inherent difficulties of assessing the long-term impacts of current changes

There is also an issue about the speed of change within the sector and, in particular, the need to make relatively quick decisions about service provision where the immediate effects can be forecast with some reliability, but the long-term consequences will be more difficult to predict. One senior executive eloquently summed up the issue:

‘It just feels like we are making cuts that are okay for now, but will come back and get us in the next couple of years, particularly when we’re talking about cutting preventative services that are going to

come back and get us in 10 or 12 years' time... The long-term view's not there. It's very much how do we get the cuts done now, how do we survive the next three years to five years. Maybe we're in a place where we can't afford that financially at the moment and we just have to deal with the emergency crisis now and we can't say – this is daft we need to have a longer game in mind because actually what we're doing is storing up problems for the council in 12 years' time.'

Senior executive, affluent authority

Local government in the future: a remade relationship between citizens and government?

It is clear that local government is currently undergoing major change. It will certainly be leaner than it has been, with smaller staffing complements – particularly managers, it seems – and fewer or pared-back services in many areas. The experience of service provision is likely to be different: one-stop shops and services shared between different local authorities will become more prevalent. Some services will be provided by volunteers or will be community-owned, and there may well be a different relationship between service users and local government. Thus even in authorities where there is little enthusiasm for so-called 'Big Society' solutions, there is likely to be more of an emphasis on putting more responsibility onto service users, whether this is using the internet to obtain careers advice, subjecting oneself to means testing prior to qualifying for care services or challenging someone dropping litter in a neighbourhood. Finally the nature of service provision will change in many places, with a move towards more targeted provision in relation to need.

For all of these reasons, it is a complex matter to assess the immediate impacts of the cuts on deprived people and places. It is not simply about assessing what services have been lost, but also how those that are left have been remade. There may well be benefits to be had – one-stop shops can provide an easier access point for individuals with complex needs or severe time constraints and management delayering has the potential at least to move decision-making about services closer to clients. And a move towards more targeted service provision means that in some places the needs of the poorest and the most vulnerable will be prioritised. However, targeted service provision in particular can have its own consequences. It could mean that, for example, the adult social care provided by local government becomes stigmatised and residualised (much like what has happened to social housing over the past 30 years). In such a scenario, local authority service providers could find themselves doing even more pressurised jobs, as their client base becomes over-represented by those with the most severe and complex needs. The quality of service could drop as a consequence, and also as an indirect result of middle-class flight to alternative providers, a process put in train that removes from the client base well-connected, demanding advocates of good service.

Clearly it is too early to assess the long-term impacts of what appears a fairly fundamental shift in the nature and purpose of local government. In the final section, we sum up what we do know about how, over the next two or three years, local government will be able to serve deprived communities.

Serving deprived communities in a recession

So, having considered the future challenges, what do we know at the present time about local government's capacity to serve deprived communities?

The evidence from both the national data sources and discussions with individual local authorities is that, whereas there is considerable variety in terms of these initial impacts of the cuts, authorities with the most intense disadvantage have in general been the hardest hit. The way in which the initial phases of budget contraction (via the Emergency Budget, main grant settlement and design of the damping system)

have been approached has made this almost inevitable. In particular, the scrapping or winding down of the various grants previously targeted towards the needs of deprived authorities has meant a swifter and more severe cut for such areas. And while some of these grants have been rolled into formula grant, it is difficult to escape the conclusion that addressing deprivation has been substantially de-emphasised in national policy-making.

However, despite the clarity of this bigger picture, a more subtle picture emerges when we consider the immediate impact on poorer communities. Thus, the evidence of the budgets set by English local authorities for 2011/12 shows that service expenditure has been cut back across local government and that there is fairly limited evidence of savings being made by cutting out 'inefficient' back office functions. The overall picture is for greater cuts (in proportionate and absolute terms) to have been made by more of the most deprived authorities, compared with the most affluent. However, in terms of which specific services have been targeted for cuts, the evidence is of significant cuts across an extensive range of services from across the spectrum of pro-rich to pro-poor in terms of usage and benefit. While pro-rich services are clearly taking large cuts, it must be remembered that affluent households have the capacity to supplement their consumption of local authority service provision in ways that more disadvantaged groups do not. An across-the board retrenchment of local government service provision will always have a more severe impact on disadvantaged people.

The evidence from local authority senior executives is of some careful thought and work underway to try and develop forms of service provision that will continue to meet the needs of disadvantaged places and people despite the straightened financial climate. There were specific examples of projects in deprived areas that had lost their funding continuing to go ahead, albeit in a cut-price fashion, funded from other sources. There was also a strong prioritisation of strategies to tackling unemployment in larger urban authorities. However, only half of the sample of authorities had adopted 'protecting the needs of the most vulnerable clients or communities' as a principle guiding budgetary decision-making, and only two of the twenty-five suggested that 'protecting deprived neighbourhoods' was a key priority.

Indeed, there was some evidence of tensions emerging around the degree to which the needs of disadvantaged groups should be protected and prioritised. Some authorities had opted to simply delete specific service areas – two of the sample had dispensed with youth services in their entirety. Others were cutting back services – such as subsidised transport provision – while recognising that the impacts of this would be more severe for more disadvantaged groups. The majority of authorities were, however, developing forms of provision focused more clearly on need. Thus, youth services might be protected for needier groups or areas, the range of services provided in children's centres within affluent areas might be reduced or tighter thresholds and charging structures might be introduced as filters to adult social care. However, the fact that targeted approaches can be politically controversial needs to be borne in mind, and the long-term viability and indeed desirability of a significant reorientation of local government to addressing the needs of the poor and vulnerable needs to be kept under review.

The evidence this far is mixed then as to whether English local government can continue to serve deprived communities. There is, however, undoubted cause for concern, particularly it would seem in relation to people living in concentrations of multiple disadvantage in the most deprived authorities wrestling with the largest cuts. People living in smaller pockets of disadvantage in better-off authorities without a targeted focus on need also appear particularly vulnerable. Finally, although we need much more evidence on how deprived people in general are faring, this early evidence clearly points to the distinctive impact of cuts on services for children and young people from the Emergency Budget on. That the 'next generation' are the most obvious casualty of the current remaking of local government provides considerable cause for concern.

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Appendix A

Formula grant model and examples

The formula grant used in England is directly descended from the system introduced in 1990, which itself shares strong elements with systems going back to 1974 and earlier. It is an equalisation grant designed to fully equalise the fiscal capacity of local authorities, which means that they should be capable of providing an equal/equivalent/comparable standard of service at an equal local (Council) Tax rate, consistent with the overall level of public expenditure and grant support available from the government. Such a grant compensates for variations in *needs* to spend (including costs) and also for variations in local taxable *resources*. Needs assessments are based on formulae derived from a body of research built up over quite a long period. Although methods vary, quite a lot of these needs formulae are based on regression analysis of past expenditure against a range of objective need indicators. These needs assessments have been variously known as GRE ('Grant-Related Expenditure') (1980–89), SSA ('Standard Spending Assessment') (1990–2000), FSS ('Formula Spending Share') (c. 2000–04) and currently RNF ('relative need factors'). Because of the variable geometry of English local government it is necessary to run this system in parallel for six blocks of expenditure: 'upper tier', 'lower tier', 'police', 'fire', 'mixed tier' and 'capital finance'.

Grant system and examples

Formal grant model

The total grant (TG) combines the former 'revenue support grant' (RSG) and the redistributed non-domestic rate (RNDR):

$$TG = RSG + RNDR \quad (1)$$

However, that is really presentational. The real formula for the grant is:

$$\begin{aligned} TG &= SS - CT^*.TB \\ &= [SS - SS_{min}] - CT^*. [TB - TB_{min}] + PCA \end{aligned} \quad (2)$$

where:

SS = 'Standard spending' or assessed spending need

SS_{min} = 'Standard spending' for the authority with the lowest needs (per capita)

CT* = Council Tax rate for spending at standard level

TB = Tax base expressed as number of Band D equivalent properties (per capita)

TB_{min} = The tax base (per capita) of the lowest tax base authority (i.e., that with the most low-valued properties/fewest high value properties)

PCA = A per capita amount of grant

It should be noted that the whole system pivots around population and is best understood in terms of per capita amounts.

The first term in square brackets in equation (2) is the ‘needs element’ of the grant. The second term is the ‘resources element’, and it should be noted that this is negative, a sort of levy on richer authorities. So the basic grant has three elements: needs, resources and per capita. In the specific situation of 2011, there are actually two further elements: a ‘damping’ adjustment (positive or negative) and an additional element of formerly specific/special grants ‘rolled into’ formula grant using ‘tailored distributions’. The former makes the system more like a weighted average of contemporary values for SS, etc. and some previous year values. The latter may be thought of as like an addition to the needs element (SS-SSMin).

The basic formula in (2) above suggests that the government does not have complete discretion about how it can manipulate this system. SS should add up to the government’s expenditure plans for the relevant services; TB is given by the Council Tax admin and valuation system; TG is given by the public spending/budget at national level. Therefore, there is only really a trade-off between CT* and the PCA. You can have a higher average assumed level of Council Tax along with a higher per capita element in the grant, or you can have a lower CT level with a lower per capita amount. This is not a completely neutral trade-off – higher PCA with higher CT* is more redistributive than the opposite. In practice, in the current context, the government does not want to see Council Tax rates rising, therefore CT* is fixed as well, and there does not appear to be a trade-off. However, the government has taken the opportunity to increase the amount of money distributed as needs element, so deviating from the model as presented here (or introducing an extra proportional adjustment to the first term and presumably some offsetting adjustment to PCA).

There are other discretionary levers in the system, particularly the determination of the control totals for SS across the six blocks, the splitting of CT* between the six blocks and the determination of the damping scheme.

Worked examples

We have tried to trace how the system works by developing a couple of worked examples, using the metropolitan authorities of Liverpool and Solihull, as in the tables below. We think most of the figures are correct or approximately so, but it is possible that we have missed something. The analysis shows the implicit spending need assessment and the needs element of grant at the top, then the resources element (negative), then the damping and the total grant. Figures are shown in £m and £ per capita, for the two years. At the bottom we show various measures of change between the two years. It is necessary to do this because of the major ‘in-year’ changes made in 2010, which included the dissolution of ‘area-based grant’ and its partial absorption into formula grant. It is also useful to contrast changes in grant with changes in implicit spending power.

The bottom line is our best estimate of the impact on Liverpool’s spending power, which is a loss of £88 million, £243/head or nearly 15 per cent. That is the position without damping; damping reduces the loss by £11 million/£28/head/two percentage points. This measures against a baseline of the original 2010/11 settlement and the fact that Liverpool started the year with the expectation of receiving £108 million of area-based grant as well as £325 million of formula grant. The government’s presentation of the situation is effectively that shown in the line labelled ‘Adj form grant’ (‘Adjusted formula grant’), which measures against the baseline of a combined grant figure (including remaining parts of area-based grant [ABG]) *after* the in-year cuts of £383 million. On this basis the loss of *grant* is £56 million/14.6 per cent/£155 per head (the actual CLG figure is £162, but that is near enough). However, our figure for grant loss (‘Original form grant+ABG–Damp2’) is much larger, at £105 million/24.4 per cent/£271 per head. Just looking at the figure for formula grant for the two years (‘total grant’) would be highly misleading, as this suggests a gain of £15 million/4.6 per cent/£8 per head.

It is possible to trace the changes in terms of the different elements of grant for Liverpool. The needs element fell but by only £25/head; this fall would have been greater if the government had not increased the weighting on the needs element. A total of £66 per head was added to the formula grant as 'tailored distribution' of the remains of former area-based grant – however, this was only about a quarter of the previously allocated total amount of area-based grant before the cuts started (£251). There was a small reduction in the (negative) resources element. There was quite a sizeable reduction in the per capita 'central allocation' (£58/head). And Liverpool was eligible for £28/head of damping plus £36/head of transition grant (the latter not shown in these tables).

It should be clear from this presentation that the main reason for Liverpool's dramatic loss of funding in 2011 compared with a year ago is the loss of (most of) area-based grant, with a moderate further loss caused by the general reduction in grant.

The second example is Solihull, one of the more affluent, predominantly suburban metropolitan districts. Our bottom line estimate is that Solihull's spending power is almost unchanged. It does appear to have lost grant, a moderate amount in per capita terms (£46), albeit sufficient to trigger a small damping eligibility, because damping is based on *percentage change in grant* and Solihull is a relatively low grant authority.

Solihull's assessed spending need has not increased much (£6 per head), but it gains more than this in grant because of the lowering of the minimum need threshold, which was part of the mechanism to increase the share of needs element in the total grant. Therefore it actually sees a needs element of £39/head higher (ironically, compared with Liverpool's loss of £25/head). It is possible that the detailed formula changes made in this round favoured Solihull over Liverpool, but it quite difficult to trace this. There is a similar small positive change in resource equalisation amount, and the same £58/head reduction in the per capita amount. As noted above, Solihull is just eligible for a small amount of damping in 2011; in fact it was receiving rather more damping in 2010 (based on 2008 settlement figures).

In summary, Solihull never expected to receive much area-based grant, so did not have much to lose, and kept nearly all of it in the residual part transferred into formula grant. It seems to be a modest gainer from the new needs assessments.

These worked examples are not that easy to follow, and it is easy to make mistakes given the complexity of the system. These numbers are not guaranteed to be foolproof although we have attempted to check and triangulate them wherever possible.

Table A1: Worked examples of grant changes 2010/11 to 2011/12

	2010/11		Settlement		2011/12		Year 2		Difference	
	Year 1		Year 1		Year 2		Year 2		Year 2	
	£m	£/capita	£m	£/capita	£m	£/capita	£m	£/capita	£m	%
Case 1: Liverpool										
Population	430,044				444,843					
Standard spend need	= budget	482.6	1,122		473.6	1,065		-9.0	-1.9	-58
Minimum need threshold		220.8	513		214.0	481		-6.8	-3.1	-32
Needs element		261.8	609		259.6	584		-2.2	-0.8	-25
Specific grant tailored					29.2	66				
Resource base Band D		125,359	0.292		133,689	0.301				
Minimum resource base		105,499	0.272		113,795	0.256				
Difference	19,894	19,860	0.020		19,894	0.045				
CT* at SS	1,307	163.9	381		164.0	369				
Resource equalisation amount		-28.2	-66		-23.0	-52		5.2	-18.4	14
Central allocation		84.4	196		61.6	138		-22.8	-27.0	-58
Damping		7.1	17		12.6	28		5.5	77.5	12
Total grant		325.1	756		340.0	764		14.9	4.6	8
ABG		107.8	251							
Adjusted formula grant (-Damp2)	383.3	891	327.4		736	-55.9		-14.6	-155	
Original form grant+ABG-Damp2	432.9	1,007	327.4		736	-105.5		-24.4	-271	
Standard spend+ABG		590.4	1,373		502.8	1,130		-87.6	-14.8	-243
Case 2: Solihull										
Standard spend need		146.6	713		148.6	719		2.0	1.4	6

(continued)

	2010/11		Settlement		2011/12		Year 2		Difference	
	Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2	£m	%
	£m	£/capita	£m	£/capita	£m	£/capita	£m	£/capita	£m	%
Minimum need threshold	105.6	513	99.4	481			-6.2	481		-5.8
Needs element	41.0	199	49.2	238			8.2	238		20.0
Specific grant tailored			6.2	30				30		
Resource base Band D	6.15	0.393	80,940	0.392				0.392		
Minimum resource base	68.6	0.283	68.6	0				0		
Difference	22,725	0.110	22,725	0				0		
CT* at SS	1,307	512	105.8	512				512		
Resource equalisation amount		-157	-30.4	-147			1.9	-147		-5.9
Central allocation	40.4	196	28.6	138			-11.8	138		-29.2
Damping	5.6	27	0.7	3			-4.9	3		-87.5
Total grant	54.7	266	54.3	263			-0.4	263		-0.7
ABG	8.0	39								
Adjusted formula grant (-Damp2)	63.3	53.6	259	-9.7			-15.3	-9.7		-48
Original form grant+ABG-Damp2	62.7	53.6	259	-9.1			-14.5	-9.1		-46
Standard spend+ABG	154.6	752	154.8	749			0.2	749		0.2
										-3

Appendix B

Serving deprived communities in a recession: background evidence on distribution of local public services

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 ways, sometimes in simple binary form (yes/no), sometimes in banded frequency form (enabling quasi-continuous usage numbers to be generated) and sometimes in a form that flags quality/adequacy of service.

This note draws on several sources:

- 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.
- Analysis of a recent dataset from the Scottish Household Survey.
- Analyses of the Best Value Performance Indicators (BVPI) survey dataset for a subset of urban local authorities in England, as originally carried out in a study for CABE Space but extended slightly.

In the context of this research 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:

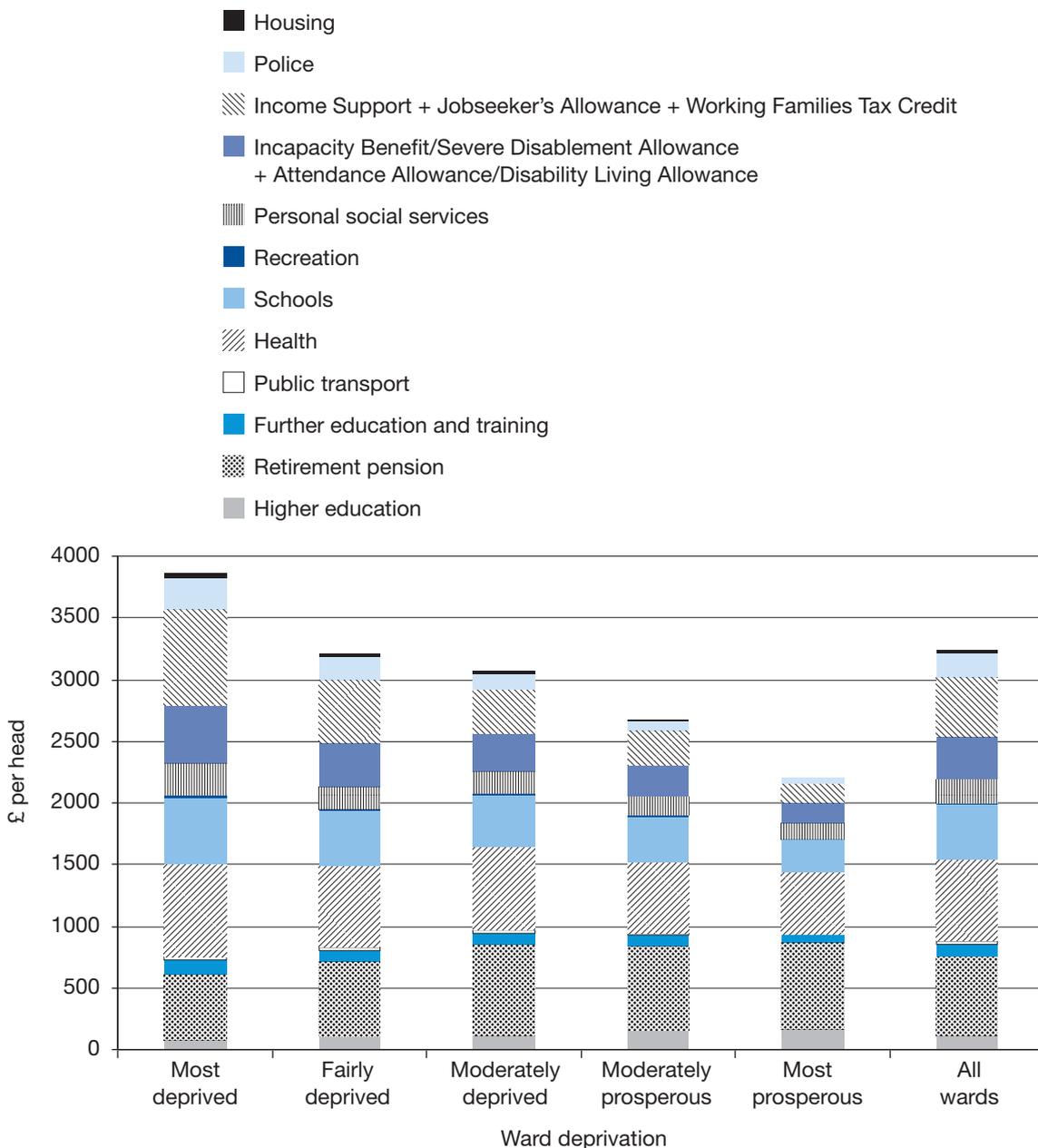
- that distributional incidence recorded some years ago still applies today;
- that the cuts have an impact on real service delivery and usage and not just on efficiency of service organisations;
- that differential pricing or rationing procedures are not applied differentially to different groups or 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 local authorities 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 local authorities may make quite different patterns of cuts.

Mainstream services study

This study (commissioned by HM Treasury, the former Neighbourhood Renewal Unit and Scottish Executive) aimed to update the previous ‘Where does public spending go?’ study for the Department of the Environment, Transport and the Regions published in 1998, and focused on the distribution of spending between wards at different levels of deprivation (see also Bramley & Evans, 2000). 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 B1, 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 further education and training (all non-local government). Of the remainder, some were only partially in local government (for example, housing).

Figure B1: Expenditure per capita on services analysed by ward deprivation, ranked by redistributive pattern



Source: Bramley et al (2005)

The ward deprivation bandings were 'Worst 10%', 'Next 15%', and the remaining quartile groups, using the then (2002-based) Index of Multiple Deprivation (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 (for example, 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, many 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 B1 below. The middle column characterises the overall distribution in terms of deprivation versus 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 B1: Summary of ward spending, distribution patterns by service

Service	Category	Distribution by ward deprivation level	Variation between individual wards	Change 1995–2000 by ward deprivation level
Attendance Allowance/ Disability Living Allowance	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 Benefit/Severe Disability Allowance	Ab	Quite pro-poor	Medium	Increased both ends
Income Support	Ac	Strongly pro-poor	Quite high	Decreased less
Jobseeker's Allowance	Ac	Strongly pro-poor	Quite high	Decreased less
Working Families Tax Credit	Ac	Quite pro-poor	Low	Decreased less
Hospital in/out-patient	B	Moderately pro-poor	Quite Low	Increased more
Primary healthcare	B	Slightly pro-poor	Low	
Children's social services	B	Quite pro-poor	High	Increased more
Elderly social services	B	Quite pro-poor	Medium	Increased less
Special education	B	Quite pro-poor?	Medium?	
Registered Social Landlord housing investment	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 and cleansing	F	Neutral?	Low	

Source: Bramley et al (2005, Table 18.1)

Scottish Household Survey

The analysis presented here is based on extracting all the relevant information that 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 (see, for example, Bramley and Smart, 1991; Bramley and 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, usage 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.

Parks and open spaces have a high level of usage that 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 a recent CABI Space study which showed a low amount of public green space 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 (including 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 B3) 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 people with particular needs. Street cleaning is universal in terms of who uses the streets, but again specific contact with this service is relatively infrequent.

Table B2: Usage rates of six local leisure and cultural services by income, deprivation, occupation and urban–rural category, Scotland 2007–08 (annual frequency, adults)

	Sport and leisure usesport	Library uselib	Museum usemus	Theatres useheat	Parks and POS usepark	Community centres usecomcen
Grouped income (individual)						
£0–10,000	15.39	9.69	1.53	1.62	40.66	7.69
£10–20,000	16.60	7.11	1.72	2.23	42.91	6.95
£20–30,000	18.06	7.29	2.50	2.31	43.17	7.74
£30,000+	19.81	7.11	3.06	3.01	45.47	7.64
SIMD quintiles (2006)						
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
NS-SEC occupations						
Higher management and professional	19.96	8.41	3.29	3.29	42.96	6.18
Lower management and professional	20.74	8.16	2.52	2.92	46.16	7.97
Intermediate occupations	19.72	8.77	2.19	2.49	42.33	8.66
Small employers and own accountant	13.62	5.61	1.49	3.19	42.54	8.48
Lower supervisory and tech	20.53	6.31	1.32	1.51	49.37	7.66
Semi-routine occupations	17.91	8.62	1.76	1.93	43.99	8.17
Routine occupations	14.30	6.39	1.15	1.60	44.34	5.99
Urban–rural classification						
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
All adults	16.01	8.21	1.86	2.09	41.21	7.53

Note: POS = public open spaces.

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 that is 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 B3: Whether used selected services by income, deprivation, occupation and urban–rural category, Scotland 2007–08 (%)

	Police	Fire	Local school	Social care/ work	Street cleaning
Grouped income (individual)					
£0-10,000	20.8	3.0	14.3	10.0	1.0
£10-20,000	23.0	2.6	14.0	6.2	1.6
£20-30,000	25.4	2.4	17.7	6.0	1.6
£30,000+	26.0	3.3	15.9	4.9	2.6
SIMD quintiles (2006)					
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
NS-SEC occupations					
Higher management and professional	26.0	3.0	11.0	5.0	1.0
Lower management and professional	27.0	3.0	15.0	6.0	1.0
Intermediate occupations	25.0	2.0	16.0	5.0	1.0
Small employers and own accountant	23.0	2.0	16.0	6.0	1.0
Lower supervisory and tech	23.0	3.0	13.0	5.0	1.0
Semi-routine occupations	22.0	3.0	18.0	6.0	1.0
Routine occupations	21.0	3.0	19.0	5.0	1.0
Urban–rural classification					
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
All adults	22.0	3.0	15.0	8.0	1.0

The next group of service indicators relate to services mainly used by older people or people with disabilities, as shown in Table B4.

Concessionary bus passes are available 'universally' to all those aged 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

Table B4: Use of services mainly related to older people or people with disabilities by income, deprivation, occupation and urban–rural category, Scotland, 2007–08

	Concessionary bus pass	Frequency of concessionary travel	Adaptation/sick or disabled	Home help/sick or disabled	Any local authority care	Care hours pw
Grouped income (individual)						
£0-10,000	32.5%	93.63	32.0%	4.8%	8.1%	1.41
£10-20,000	21.3%	76.50	29.2%	5.2%	7.4%	1.31
£20-30,000	11.5%	67.55	16.8%	2.9%	1.5%	0.29
£30,000+	7.8%	52.19	15.3%	1.9%		
SIMD quintiles (2006)						
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
NS-SEC occupations						
Higher management and professional	6.8%	63.41	13.1%	0.0%	0.6%	0.09
Lower management and 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 employers and own accountant	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
Urban–rural classification						
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
All adults	24.0%	80.49	32.3%	6.3%	4.9%	0.87

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 B5).

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 and by people in more deprived neighbourhoods; the relationship with occupation is less clear. There is slightly more use in urban areas.

Adults receiving any local authority 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 B5).

Table B5: Public transport convenience and usage by income, deprivation, occupation and urban–rural category, Scotland, 2007–08

	Public transport convenience Index	Public transport usage Frequency	Local bus usage Frequency
Grouped income (individual)			
£0-10,000	0.84	46.5	79.0
£10-20,000	0.83	33.8	56.8
£20-30,000	0.81	25.2	35.7
£30,000+	0.80	23.2	28.6
SIMD quintiles (2006)			
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
NS-SEC occupations			
Higher management and professional	0.80	30.9	39.8
Lower management and professional	0.81	27.8	36.3
Intermediate occupations	0.81	36.9	66.6
Small employers and own accountant	0.81	15.5	20.0
Lower supervisory 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
Urban–rural classification			
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
All adults	0.82	35.3	56.7

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/public transport 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.

Best Value Performance Indicator survey

The BVPI datasets were derived from standardised household surveys carried out on behalf of most local authorities in England at intervals of three 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. The researchers compiled a number of measures relating to parks and public green space (Bramley, Brown and Watkins at Heriot-Watt University) as part of the study for CABE Space published in early 2010 under the title *Urban green nation* (CABE has also subsequently been wound up, but legacy material, including the green space 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 B6 presents a representative sample of indicators from this source, plus one ('Active 2') that 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 green space available is deprived wards is very much lower than the amount in more affluent wards.

Table B6: Indicators of quantity, usage and satisfaction relating to urban parks, green space and outdoor recreation

Ward-based deprivation band	Park area/000 population (Inv)	All green space/000 population (Inv)	Frequency use parks times pa	Use parks at all (% BVPI)	'Active' 1-6 days /month	Satisfaction with parks and POS (% BVPI)	Satisfaction with clean public space (% 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 deprived	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%
Ratio	6.0	5.6	1.2	1.1	1.5	1.2	1.2

Note: POS = public open spaces.

Sources: Indicators compiled for CABE Space (2010), derived from inventory of green spaces, 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 open 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 and anti-social behaviour.

These indicators provide some clue as to the kind of measures that 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 CAGE Space 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/public open spaces).

- Housing
- Planning
- Personal social services
- Fire and rescue
- Local authority education service
- Sports/leisure facilities
- Libraries
- Museums and galleries
- Theatres/concern halls
- Bus services
- Waste collection
- Recycling
- Civic amenity sites/tips

Poverty and Social Exclusion survey

The Millennium Poverty and Social Exclusion (PSE) survey, carried out in 1999, collected data on a range of local services, distinguishing people who used and did not use services and also indicators of service adequacy and affordability. Comparable questions will be included in the new PSE survey going into the field in early 2012, and were also included in the 1990 Breadline Britain survey. These surveys have nationally representative samples.

Table B7 provides summary of 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 (that is, income adjusted for household composition); and (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 older people 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 versus larger adult households.

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.

Table B7: Standardised usage ratios by class, equivalent income and poverty for public local services, 1990 and 1999*

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: Bramley and Fisher (2006, Table 8.1). Calculated from the 1990 Breadline Britain survey and 1999 PSE survey

Note: *The ratio of the rate of usage by the highest income/class/least deprived group to that by the lowest income/class/most deprived group, standardised for household type composition

Childcare services (including 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 that are targeted at the low-income poor.

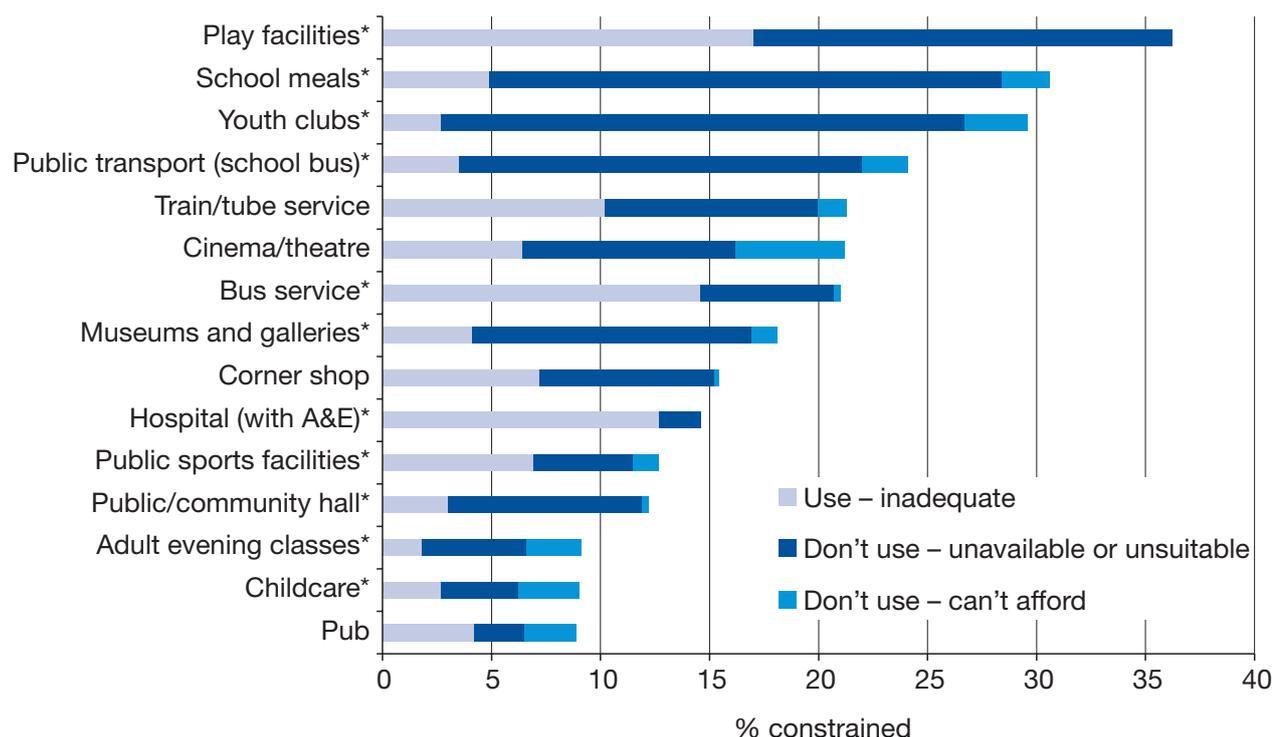
Social care services for older people and people with disabilities tend to be somewhat pro-poor, but this is not consistently the case for home help across all the indicators in 1990.

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 B2 illustrates the pattern across services combining both public and private services.

The distribution of constraints by income and deprivation of household is summarised in Table B8 below.

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.

Figure B2: Service constraint or inadequacies for top 14 public and private local services, 1999 (ranked by % constrained)



Note: * indicates services mainly provided by public sector.

Table B8: 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 the 1990 Breadline Britain survey and 1999 PSE survey

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