



Centre for Local  
Economic Strategies

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***A SUMMARY OF AUSTERITY IN THE SOUTH EAST AND READING AND A CASE  
STUDY OF READING BOROUGH COUNCIL***

Final report prepared by

**Centre for Local Economic Strategies**

Presented to

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## 1 INTRODUCTION

This paper is part of a wider report called 'Austerity Uncovered', developed by the Centre for Local Economic Strategies for the TUC, which highlights some of the key trends and impacts of austerity measures, implemented by the Coalition Government, across the country. The main report goes into detail on how austerity is impacting upon public services and jobs, and how this affects particular population cohorts, many of whom are amongst the most vulnerable in society. Supplementing this are nine summary papers – one for each of the English regions – which outline the effects of austerity measures spatially across the UK. A number of impacts are of course similar across the regions, although there are particular nuances and challenges specific to regions which are outlined within these papers. The summaries are set out as follows:

- ❑ A brief overview of the structure of the socio-economic challenges facing policy practitioners within the region;
- ❑ A summary of some the key austerity impacts within the region, particularly in terms of public services and jobs.

Following the regional summary, a case study of a local authority area within the region is provided. These include:

- ❑ London: Islington Council;
- ❑ South East: Reading Borough Council;
- ❑ East: Bedford Borough Council;
- ❑ South West: Devon County Council;
- ❑ West Midlands: Dudley Metropolitan Borough Council;
- ❑ East Midlands: Derby City Council;
- ❑ North West: Blackpool Council;
- ❑ North East: Redcar and Cleveland Borough Council;
- ❑ Yorkshire and Humber: City of Bradford Metropolitan District Council.

The case studies are derived from reviewing local secondary data sources such as academic research, local government and cabinet reports, and union documents. In addition they have included interviews with individuals such as Councillors, those delivering services, local union staff, and members of the voluntary and community sector. The precise mix of respondents depended upon availability and accessibility, therefore this varied across the case studies. It drills down into some of the key impacts austerity measures are having on local authorities and communities, with a particular focus on Children's Services and Adult Social Care. Where identified, the case studies also assess where local government has worked innovatively to protect services and jobs, and advance approaches to deliver economic and social gain within their localities.

It is important to note that this is not intended as direct criticism of the local authorities, rather highlighting the difficult circumstances that they find themselves in as a result of central government's austerity programme.

## 2 SOUTH EAST CONTEXT

The South East, together with London, has clearly been the key economic engine of the UK's economy over the last 20-25 years. This position will remain unchanged as the UK returns to growth and the region attracts increased investment. On the whole the South East has a strong labour market in terms of employment, skill levels, earning and occupational structure. On the surface, challenges facing the South East may not appear as acute as those in much of the north of England, with stronger private sector growth. However, the region is not universally wealthy, and there are significant disparities. For instance Kent's GDP per head, at £17,612 is markedly lower than both the national (£21,023) and regional (£21,898) levels,<sup>1</sup> comparing poorly towards many other areas of the UK.

There are the same structural problems facing the regional economy and labour market as in other parts of the country, but these are less intense in some parts of the region. Importantly the headline figures and trends mask significant pockets of inequality across the region, which are not always under the spotlight in the narrative of the so called 'north-south' divide. The South East is an area of contrasts that includes both globally successful locations and economically-challenged, deprived areas. In addition there are a number of challenges around the over-dependence on financial and business services, housing problems, transport costs and congestion. Data held by the South East England Councils network (SEEC) provides some revealing insights:<sup>2</sup>

- ❑ Approximately 500,000 people live in areas that rank within the 20% most deprived areas in the country. The large population of the South East often means that these figures account for a relatively small percentage of the population, but the absolute numbers are high. Deprivation is concentrated in coastal areas like Margate, Hastings and urban South Hampshire, but there are also significant numbers in areas such as Slough, Oxford, and Milton Keynes.
- ❑ The South East has over 235,000 children in income deprived households. This is much higher than the 156,137 children affected in the East Midlands and more than twice the 115,127 children in income deprived households in the North East. Despite having the highest number of children affected, the South East is regarded as the least deprived as the proportional amount is low. This results in a skewed picture being developed for the region.
- ❑ There is a similar trend for older people, where nearly 250,000 older people are in income deprived households. This is much higher than, for instance, 138,000 people in the North East. However, percentage comparisons rank the North East as England's second most deprived (23.3%) region, and the South East as the least deprived at 13%.
- ❑ An example of this hidden deprivation is the Isle of Wight, where a weak economy and labour market led to a successful bid for Assisted Area Status – a European Union structure that allows disadvantaged areas in the EU to get more European funding. Statistics show that the implementation of welfare reforms on the island leads to a 120% higher number of sanctions than the national average. Added to this are £28m cuts facing the council over the next three years, meaning that for many residents on the Isle, life is becoming increasingly difficult.<sup>3</sup>
- ❑ There are also significant divergences within districts, as the Reading case study shows within this paper. Inequalities continue to grow with a lack of spending power meaning that publicly funded interventions in wards and neighbourhoods are now more limited in scope, and the gap between areas of affluence which are often situated close to places of disadvantage, continue to grow.
- ❑ In addition, the use of food-banks has risen markedly – by 169% between 2011/12 and 2012/13, and 105% between 2012/13 and 2013/14.<sup>4</sup> Over 90,000 people used food banks in 2013/14 in the South East. It illustrates that there are many people in the region who are struggling, affected by a range of issues including low wages, cost of living, unemployment, and welfare reform.

<sup>1</sup> Source: <https://shareweb.kent.gov.uk/Documents/facts-and-figures/Economy/gva-bulletin-2013.pdf>

<sup>2</sup> Source: South East England Councils (2011) Deprivation and public sector reliance in the South East [http://www.secouncils.gov.uk/upload/datas/SEEC\\_Deprivation\\_briefing\\_spring\\_2011.pdf](http://www.secouncils.gov.uk/upload/datas/SEEC_Deprivation_briefing_spring_2011.pdf)

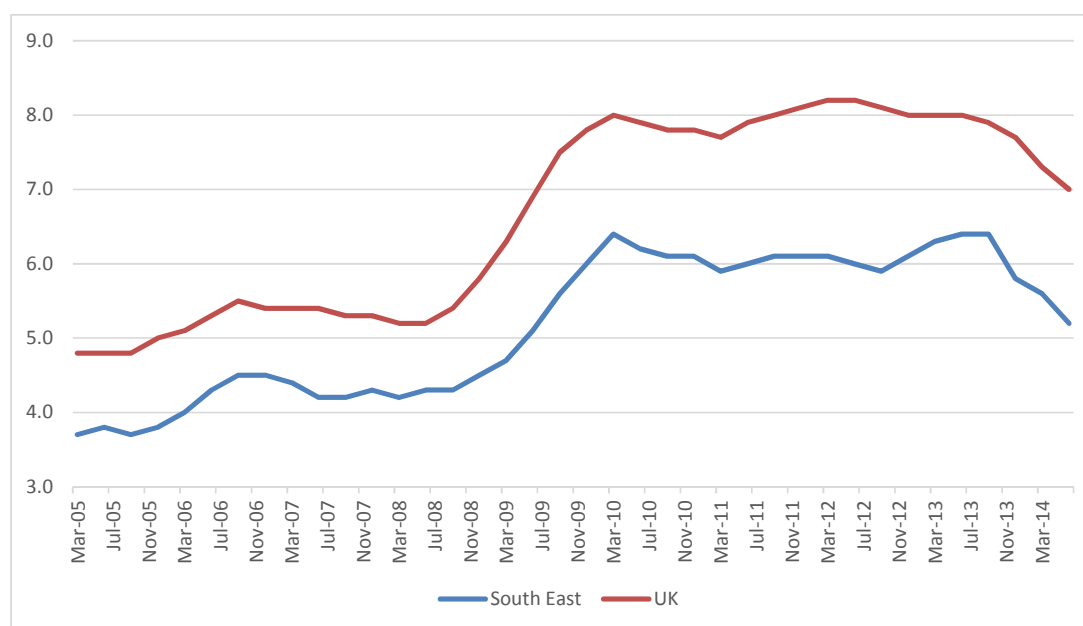
<sup>3</sup> Source: TUC article for Morning Star, April 2013

<sup>4</sup> Data sourced from the Trussell Trust

Economic and social challenges run much deeper than portrayed by the simplistic narrative of the north-south divide. An appreciation of this is needed to devise effective policy solutions.

Figure 1 highlights the levels of unemployment across the South East. The rate increased by around 2 percentage points from the beginning of the recession to its peak, and although unemployment has fallen since 2013, it is still above its pre-recession low, suggesting there is still a slack labour market. The rate of unemployment may still be relatively low compared with other regions, but the actual number is high. 242,000 are unemployed, a figure that is only higher in the North West (267,000) and London (348,000). Therefore, in terms of actual need for increased resources, the South East has a strong case.

**Figure 1: Unemployment rate of the working age population, in the South East<sup>5</sup>**

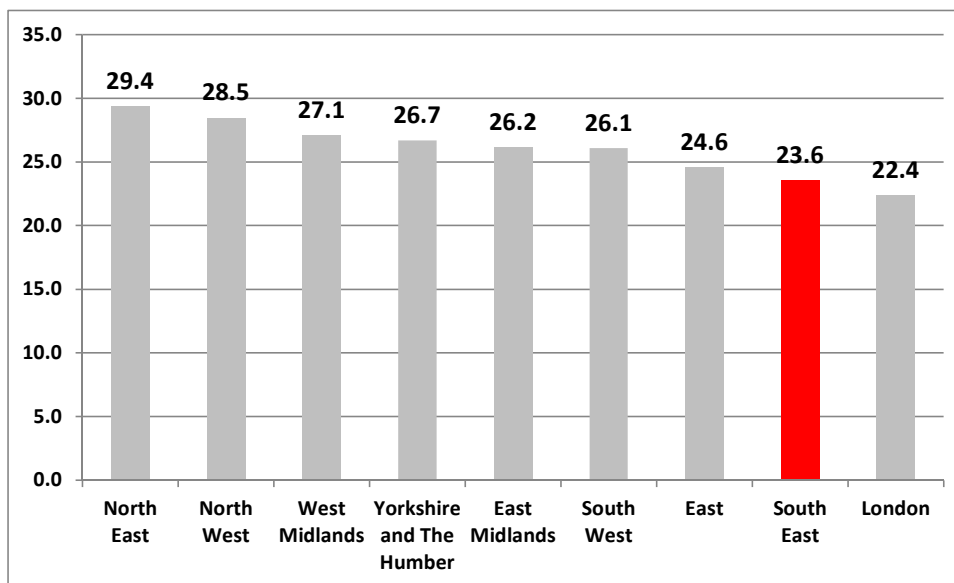


Further, the region also has over 530,000 in and out of work benefit claimants of working age,<sup>6</sup> with those on incapacity or disability related benefits constituting 56% of the total within the region. Again this figure is higher only in the North West and London. The health inequalities that lack of economic opportunity has brought about is reflected in Figure 2, which shows the percentage of households with at least one person of working age who has a long term health problem or disability. Whilst the level is comparatively low at 23.6%, the actual numbers involved are very high – at 839,000, it is higher than any other region. This starkly illustrates the acute social and health issues that many people within the region experience.

<sup>5</sup> Source: ONS, Annual Population Survey, 2014

<sup>6</sup> This is defined by DWP as those claiming: Carers Allowance, Disability Living Allowance, Employment Support Allowance, Income Support, Pension Credit, Job Seekers Allowance, Severe Disablement Allowance, Widows Benefit. Tax credits are not included in this analysis.

**Figure 2: Percentage of households where at least one person has a long term health condition or disability<sup>7</sup>**



When accumulating all of the above factors together, this has made the South East susceptible to the negative impacts of austerity. The actual numbers who are disadvantaged and who therefore have a higher reliance upon public services, is high. In particular inequalities are stark as there are places of significant affluence adjacent to localities which are disadvantaged. There are therefore major difficulties that the region experiences, and will continue to have, in narrowing the gap of inequalities.

As well as this, it is important to note that the great majority of the South East's population are impacted to some degree by austerity. This might be as simple as pot holes not being fixed, but also, for instance, children's centre services being reduced (as highlighted in several other case studies) as universal provision is cut back, increasing charging for leisure facilities, or cutting back library provision. This can impact on all families in all places.

<sup>7</sup> Source: ONS, Census 2011

### 3 THE IMPACTS OF AUSTERITY IN THE SOUTH EAST

The above section outlines the social and economic context for the South East, and how this has made it vulnerable to the effects of austerity measures. This section outlines some of the key impacts.

#### 3.1 The ability to provide services to vulnerable people

The South East faces significant challenges which could be exacerbated by cuts. For instance as detailed by South East England Councils:<sup>8</sup>

- ❑ **Large population:** The South East's large population demands appropriate levels of funding. At 8.8m people, the South East has England's largest population, approximately 400,000 more residents than London and a population greater than both Wales and Scotland combined. The population is projected to grow by 1m over the next 15 years and increase to a total of over 10m by 2032. As has been highlighted in the section above the impact of such a vast population has often been masked by percentage comparisons instead of looking at absolute numbers.
- ❑ **Funding measures that are skewed against the number of deprived residents:** Deprivation measures are also often used in funding formulas without questioning whether they are always appropriate or proportionate. Given the South East's large elderly and ageing population (see below), and the pressure this places on services, there is a compelling case that aspects of funding could also give more sufficient weighting to numbers of residents together with levels of deprivation.
- ❑ **Large ageing population:** the South East has England's largest and fastest growing group of elderly and ageing people. By 2024, those aged 65+ will increase from 1.6m to over 2m and those aged 75 and above will increase from nearly 800,000 to over one million. The scale of the population and number of elderly residents is increasing demand for health and care services, which is placing significant additional pressures on South East councils. This impact is exacerbated both by increasing complexity of health and care needs and advances in medical knowledge and technology, which are enabling more people to live longer, and through deep cuts to local authority funding.
- ❑ **Costly rural services:** The South East comprises both densely populated urban centres alongside sparse rural communities, where it is more costly to deliver public services. Costs incurred includes travel costs and the need for more service delivery hubs. It also impacts on being able to deliver services in a way which achieves economies of scale.
- ❑ **Higher costs in delivering services:** higher property prices and salaries mean that the South East is in some ways one of England's most prosperous regions. But these factors also mean that it costs more to deliver services, which competes with London-based organisations. As the South East England Councils (SEEC) highlight, this 'South East' premium is often not recognised in funding formulas.<sup>9</sup> The higher salaries also mean more people have to self-fund their services. For instance, Kings Fund estimates based on the number of self-funders in residential care settings indicate that the South East has a higher number of self-funders compared to other parts of the country, at 55%.<sup>10</sup>
- ❑ **High number of carers who need support:** the large size of the dependent population translates in higher numbers of carers. According to SEEC there are nearly 921,000 unpaid carers in the South East, 634,500 more than the North East (286,300),<sup>11</sup> creating a significant potential pool of additional residents eligible for local authority assessment and support services.

<sup>8</sup> Source: South East England Councils (2014) <http://www.secouncils.gov.uk/wp-content/uploads/2012/03/SEEC-SESL-submission-to-LG-Finance-commission-Aug2014-FINAL.pdf>

<sup>9</sup> Source: South East England Councils (2014) *ibid*

<sup>10</sup> Source: South East England Councils (2014) *ibid*

<sup>11</sup> Source: South East England Councils (2014) *ibid*



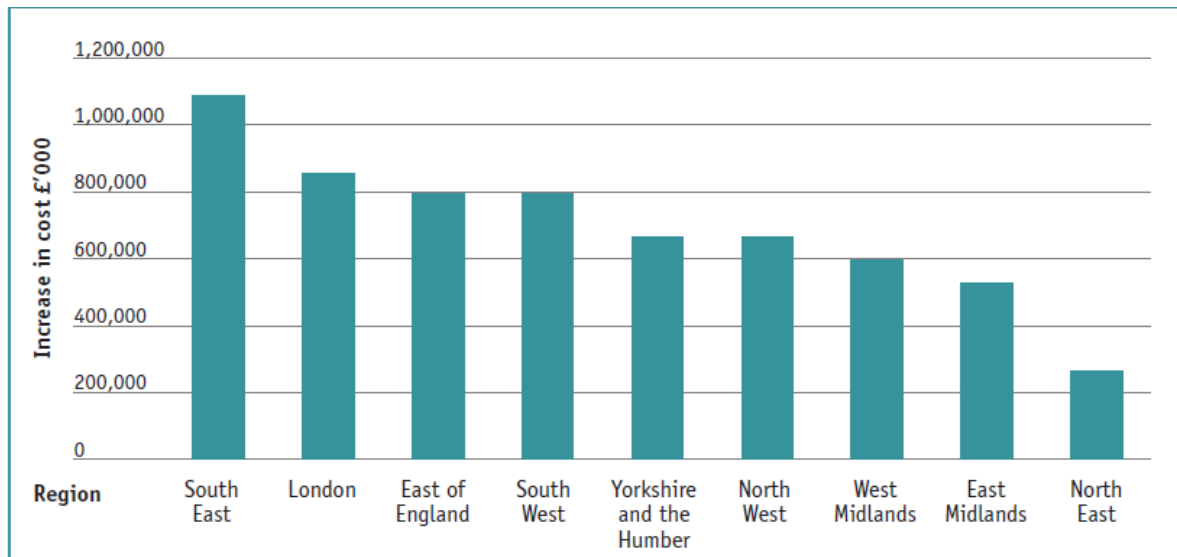
Cumulatively, these characteristics place increasing pressure on council services in the South East. And this at a time when councils are having to reduce their budgets significantly. SEEC estimates that its local authorities have taken £1.3bn out of their budgets since 2010 and estimate that a further £1.4bn savings are needed by 2017/18. The average real terms cut to the Settlement Funding Assessment, between 2013/14 and 2015/16 is close to 23%.<sup>12</sup>

Despite the increasing challenges and smaller budgets available to address these, South East councils have attempted to manage reductions by implementing efficiency measures such as sharing services and driving forward wider system change. As in other areas of the country, SEEC highlights that the integration of health, care and wider public services will be critical moving forward, as will a greater shift towards preventative services, and this will work to drive down higher costs at a later stage. However, in the context of continuing austerity, this is not going to be enough to address the major cost pressures that councils have.

There have been measures put in place by the Government which have the aim of shifting the financial burden away from individuals. From April 2016 a cap will be introduced limiting the amount of money people will have to pay towards their care. This cap will be set at £72,000. The Government will also raise the means testing threshold at which people are eligible for support from local authorities, from the current £23,250 to £118,000.<sup>13</sup> Whilst this is a move in the right direction, there are significant cost implications for local authorities. Figure 1 shows the regional increase in costs of adult social care from the year the reforms from the Care Act are implemented through to 2019/2020, illustrating the disproportionate impact on the South East and London in particular.

Therefore, how local government within the South East is funded to deal with this is an important issue. Importantly, this analysis does not take into account future cuts to local government that could place even more pressure on Adult Social Care budgets.<sup>14</sup> These funding proposals will add significant cost pressures to local authorities. Unless funded properly by Government, these combined pressures will become unsustainable.

**Figure 3: Total Increase in cost pressure by region from 2016/17-2019/20 (£'000) as a result of changes in the Care Act<sup>15</sup>**



<sup>12</sup> Source: London Councils (2014) Local Government Finance Settlement 2014/15: Response by London Councils

<sup>13</sup> Department of Health (2013) The Care Bill: reforming what and how people pay for their care and support [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/268683/Factsheet\\_6\\_update\\_tweak\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268683/Factsheet_6_update_tweak_.pdf)

<sup>14</sup> Source: London Councils (2014) *ibid*

<sup>15</sup> Source: London Councils (2014) *ibid*

### 3.2 The impact upon public sector jobs

One of the main areas of savings made by public sector institutions has been in reducing the workforce. This has both personal impacts and implications for the regional labour market and the local economy. It is more pronounced in places which have both a high proportion of public sector jobs (often places regarded as deprived) – such as Hastings for example - and have experienced some of the highest levels of cuts. On the surface the South East would not appear to be as badly impacted as other regions, with public sector employment in 2013 at 16.3%, lower than the national level of nearly 20%. However Table 1 illustrates changes in public sector employment across the South East, showing that approximately 58,000 jobs were lost between 2010 and 2014, a significant fall. Over the same period the strength of the regional economy and labour market is highlighted in that 250,000 jobs were created in the private sector, meaning net growth in jobs over the three years was nearly 200,000. It is unclear if this net gain partly represents growth in self-employment, if there is still under-employment, or if the jobs created are low paying with poorer terms and conditions. However, research from the TUC<sup>16</sup> suggests this is the case across much of the country, stating that nationally 4 in 5 jobs created since 2010 are in low paying sectors.

In the South East, approximately three fifths of total jobs created between 2010 and 2013 were in what could be classified as lower wage sectors, such as: administration and support, arts, entertainment and recreation, wholesale and retail, construction, other service industries, and accommodation and food services.<sup>17</sup> This is a broad picture and only so much can be made of reviewing sector growth (and all sectors will encompass higher and lower wage activity), but it does provide an indication that a significant number of jobs being created will be characterised by lower wages.

**Table 1: Private sector job growth and falling public sector employment across the - regions, between Quarter 2 2010 and Quarter 2 2014<sup>18,19</sup>**

Region	Change in public sector employment, Q2 2010 - Q2 2014	Change in private sector employment Q2 2010 - Q2 14	Net job growth, Q2 2010 - Q2 2014
East	-42,000	213,000	171,000
London	-77,000	537,000	460,000
North East	-44,000	53,000	9,000
North West	-88,000	132,000	44,000
Yorkshire and The Humber	-73,000	221,000	148,000
<b>South East</b>	<b>-58,000</b>	<b>250,000</b>	<b>192,000</b>
South West	-78,000	165,000	87,000
West Midlands	-54,000	100,000	46,000
East Midlands	-35,000	136,000	101,000
<b>England</b>	<b>-549,000</b>	<b>1,807,000</b>	<b>1,258,000</b>

<sup>16</sup> Source: <http://www.tuc.org.uk/economic-issues/labour-market/four-five-jobs-created-june-2010-have-been-low-paid-industries>

<sup>17</sup> Source: Business Register and Employment Survey, 2013

<sup>18</sup> Source: ONS, Public Sector Employment, Statistical Bulletin, Q2 2014

<sup>19</sup> Note that for analysis purposes, as developed by ONS employment in further education colleges and sixth form college corporations in England are excluded from the public sector estimates, and included in the private sector estimates. Further education colleges and sixth form college corporations in England were classified to public sector from 1993 to 31 March 2012 and to private sector from 1 April 2012.

### 3.3 Impact of welfare reform

Welfare reform is designed to result in significant savings to the state, and impacts are marked across the country. In the South East, the impacts from changes to Housing Benefit are particularly pronounced. Analysis by the LGA<sup>20</sup> suggests that impacts per household are significantly greater in southern England – reflecting the high costs of housing in these areas and high rental costs. The largest impacts by far are in London but the next most affected region in this regard is the South East. In 14 local authorities outside of London - but in the South East of England - the aggregate loss of welfare benefits to recipient families is on average £1,300 or higher per year.

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<sup>20</sup> Source: Local Government Association (2013) The local impacts of welfare reform

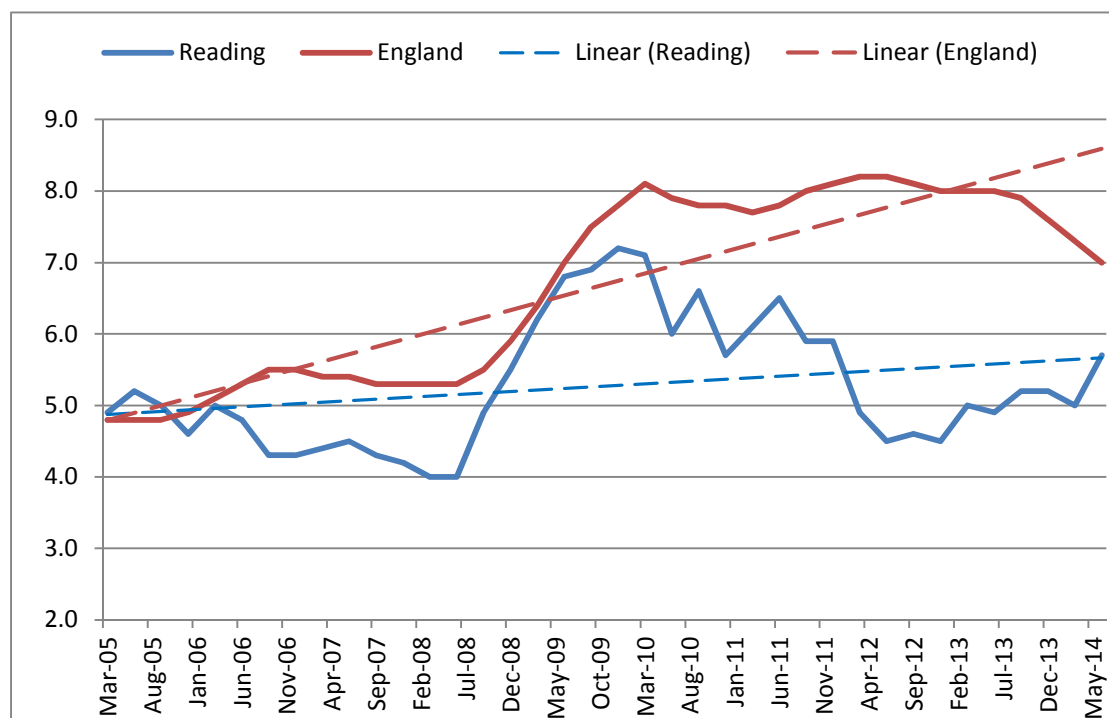
## 4 CASE STUDY: READING BOROUGH COUNCIL

### 4.1 Reading: successful local economy but with significant pockets of disadvantage

Many people perceive Reading (and the wider Berkshire area) as affluent. It has a strong and mature economy, with hi-tech industries and the creative sector contributing significantly to its success. Businesses are drawn to the area by the availability of a highly skilled workforce, access to international transport hubs (including Heathrow Airport), a high quality of life on offer and knowledge intensive business clusters.<sup>21</sup> However, exploring beyond this there are a number of real and sometimes, hidden problems. Within Berkshire disadvantage is most concentrated in the more urban areas, particularly in Reading and Slough. Indeed more than half of Reading's (65.4%) Lower Super Output Areas (LSOA's) are more deprived than the national average, and over half of Reading's (51.6%) LSOAs have more income deprivation than the national average.<sup>22</sup> There are many income-deprived households in Reading because there are large numbers of families who depend on low-wage employment or Income Support benefit. Many of these are lone-parent families. Income deprivation has led to health inequalities across the district.

Figure 2 below shows the unemployment rate for the borough over time. It shows that overall, the labour market has seemingly recovered from recession. However, this masks the issue of significant pockets of deprivation across the locality, as illustrated in Figure 3. Unemployment in these areas is not the main issue – it is long term worklessness, economic inactivity, low skills and access primarily to low paid jobs.<sup>23</sup> Reading Council has made it a priority to address poverty in the area, but the spending cuts, particularly to area based grants, suggest that this will become increasingly difficult. This persistent deprivation results in increased demand for core services, which will be increasingly difficult to deliver at the required scale, leading to increased polarisation across the district.

**Figure 4: Unemployment rate in Reading, 2005 to June 2014<sup>24</sup>**



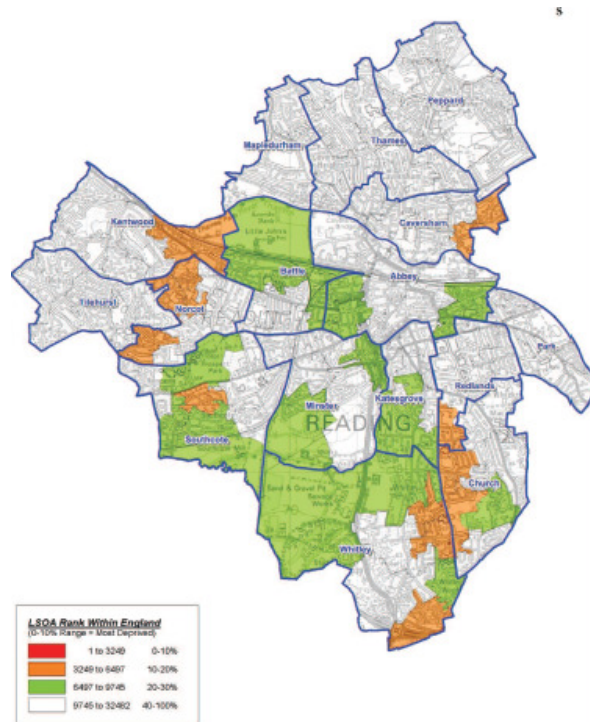
<sup>21</sup> Source: Reading Economic Development Strategy (2013) <http://livingreading.co.uk/index.php?cID=9&cType=document>

<sup>22</sup> Source: Berkshire Community Foundation (2011) The Hidden Need in Berkshire: Overcoming Social Deprivation

<sup>23</sup> Source: Reading Economic Development Strategy (2013) *ibid*

<sup>24</sup> Source: ONS, Annual Population Survey, 2014

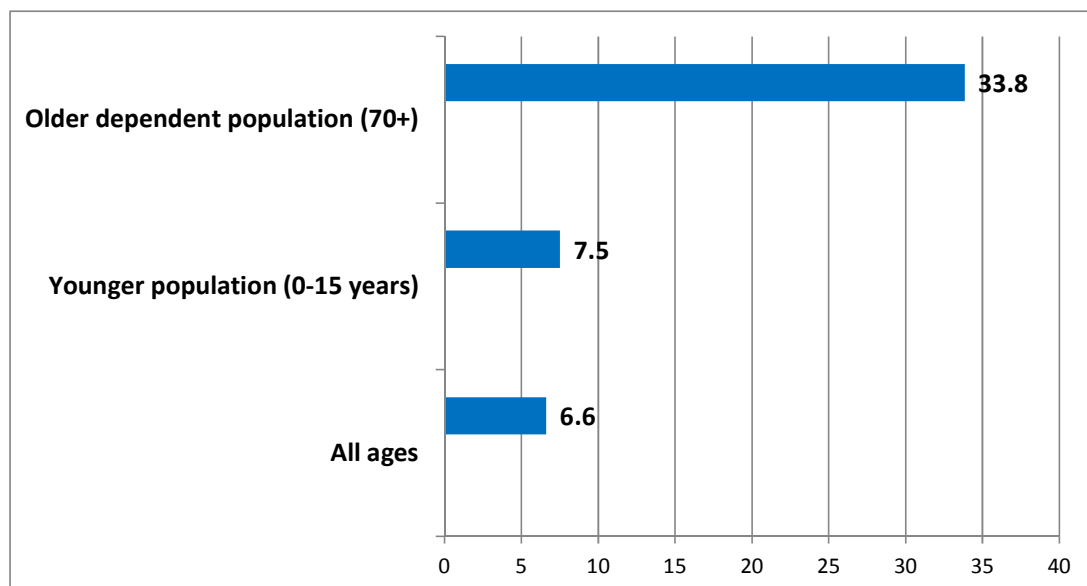
**Figure 5: Map showing the most deprived LSOAs in Reading, from 10-30% of the most deprived in England<sup>25</sup>**



### 4.2 Demographics – a growing population

Reading has a rapidly changing population in common with many areas across the country. The demographic challenges for the future are starkly illustrated in Figure 4, showing that the older, dependent population of 70 years and above is likely to grow by a third in the next decade, up to 2025. With less resource, but statutory requirements staying the same, and increasing demand, there are major challenges ahead for local public agencies in providing quality care, even with the development of policies to reduce the number of elderly adults who depend on care.

**Figure 6: Projections of the percentage increase in Reading’s population, 2014 to 2025<sup>26</sup>**



<sup>25</sup> Source: Reading Borough Council (2010): Local Economic Assessment

<sup>26</sup> Source: ONS, Sub-national Population Projections, 2013

### 4.3 The challenge of ongoing austerity measures

The mitigation of austerity measures in Reading has been helped by a local authority that has worked hard to ensure that impacts on services are being minimised. Importantly the council has not looked to increase the levels of outsourcing, bucking the general trend across much of Berkshire and neighbouring counties. However the next 3 years are expected to be significantly more trying for the council, and there are growing concerns that frontline services may be deeply impacted.

- ❑ Reading has experienced a budget cut of 26% between 2010/11 and 2014/15 (nearly £45m). In addition to this a £40m budget gap is forecast to open up as a result of increasing demand for services and less funding available to provide them over the next three years.<sup>27</sup> The Council has to make additional savings of £26m between 2015 and 2018.
- ❑ Between 2010 and 2015 the average cut in funding per head is estimated at £105.<sup>28</sup> This is relatively high compared with other neighbouring districts. For instance, Wokingham has lost £38 per head. It highlights that it is the urban areas such as Reading that are being impacted the most, with new funding settlements meaning less resource to address socio-economic and inequality issues in particular. The Council Leader has indicated that despite up to now being able to make many savings through efficiencies and protection of front line services, the borough is now at a point where difficult decisions will have to be made which have an effect on services.

*'Again it seems to be the urban authorities which are feeling the worst effects of the cuts. Once again we have been hard hit while Wokingham is hardly affected at all because of the way the settlement formula works... it is time the Government realised you can't keep on cutting funding to urban authorities... there comes a time when efficiencies become real cuts in service'<sup>29</sup>*

- ❑ At present the spending cuts are not perceived to be in the public consciousness to any great extent within Reading, but as services become increasingly reduced in the coming years this may change. As one interview respondent highlighted:

*'More people want the potholes filled and a decent refuse collection. There will come a stage soon where the council isn't able to fund these services as the focus is on core services, and residents have to pay more for them.'*

Interview respondents suggested that the progressive approach by the local authority, basing decisions mainly upon need and developing plans as to how that need can be met, has been important for the borough. Nevertheless the changes will still present major challenges and have impacts for many people across the locality, as explored below. The council is developing proposed savings solutions, based upon further reducing back office support services, procurement and commissioning, reshaping the council and encouraging residents to 'go digital'. The key elements of the savings which will impact on vulnerable residents and services, may be through:

- ❑ **Removing or reducing subsidies for services by introducing or increasing charges.**<sup>30</sup> Where necessary there will be the offering of concessionary rates to those who need a subsidised service. This is expected to save £1.6m. Adult Social Care is being protected as much as possible, with some of the charges being frozen, although the charge for respite increased in line with the increase to the state pension. Other increases in charges are mainly focused around neighbourhood and leisure services.
- ❑ **Targeting those most in need.** Over the next three years the Council will increasingly target resources at those residents most in need. This will be a 'whole council' approach, drawing on public health expertise, using voluntary sector funding to focus on specific needs within the community and developing effective partnerships to protect and support those in most need.

<sup>27</sup> Source: Reading Borough Council (2014) Budget Report 2014/15 <http://www.reading.gov.uk/council/performance-and-spending/CouncilFinances/BudgetReports/budget-report-14-15/>

<sup>28</sup> Source: <http://www.readingchronicle.co.uk/news/reading/articles/2014/01/05/96533-reading-borough-council-grant-slashed/na?mode=print>

<sup>29</sup> Source: Council Leader interview to 'Get Reading' newspaper, 1<sup>st</sup> January 2014

<sup>30</sup> Source: Reading Borough Council (2014) Budget Report 2014/15

But this will result in a less universal approach than previously and mean people who may be vulnerable, although not classed at the highest level of need at a certain time, could be significantly disadvantaged. The savings expected here amount to £4.6m, suggesting more limited services for many.

There will also, over this period, be a continuation of cuts to back office activities, procurement, and 'reshaping' the Council.

#### 4.4 The impacts upon Children's and Adult Social Services

Both of these directorates have been impacted by austerity measures in a number of ways. Although the details of the savings to departments over the next three years are not available (there will be budget reviews and action plans developed across each department), there have been observable impacts across both Adult Social Care and Children's Services. These are explored below.

##### 4.4.1 Children's services

Children's services have, up to now, not been impacted particularly deeply in Reading. Politically, as with other councils, it is a core area that requires safeguarding. There has been a strong focus upon targeted preventative services by the council, with fewer children who are 'looked after' by the council, numbering 200.<sup>31</sup> Interview respondents commented that Reading has built up the standards of its Children's Services in the last three years, prior to which standards had been judged to have slipped and the level of caseloads had become too high for staff to address. The improvements involved structural reforms and making efficiencies in provision, which cumulatively resulted in what is now a very good service.

Importantly, the council views children's centres as being central to helping children get the best start in life. Instead of closing centres, it is saving money through cutting management costs, although how this may impact on the level of service within existing children's centres is unclear. The restructuring has also extended the service offered to families to support children up to 19 years.<sup>32</sup> The centres have now been organised into clusters, with one centre at the hub offering extra support services. Despite Government cuts, the council was still spending £1.3 million on its centres and keeping them all open.

*'This ensures that vulnerable families are provided with bespoke support but crucially that a universal service is still available.'*<sup>33</sup>

It is important that children's centres are being protected. However, the changes into clusters, with shared staff and with one centre offering extra services, suggests a shift towards to more targeted approaches with fewer resources. This is rational when there are significant cuts, however, the inference is that they may become more highly targeted than before, and we begin to erode the importance of universalism. It may mean that more children who require services, to whatever extent, may not receive the attention they need.

In addition to the impact on children's centres, there have been savings to children's play services in the borough. Interview respondents commented that public play facilities have suffered major cuts in the last 3 years in many areas, with around one in three councils making cuts to this area. It illustrates a shift away from the previous government's vision of outdoor play as an essential ingredient of a "good enough" childhood.

Overall, as a result of austerity measures, the concern is that service coverage could be affected and this could impact on some of the gains of the last three years as the directorate has been transformed.

<sup>31</sup> Source: <http://www.reading.gov.uk/residents/children-and-families/children-s-social-services/LookedAfterChildren/>

<sup>32</sup> Source: <http://www.reading.gov.uk/residents/children-and-families/family-support-services/childrenscentres/oxfordroadchildrenscentre/childcareandeducation/family-information-service-fis/>

<sup>33</sup> Quote from interview respondent

#### 4.4.2 Adult and Social Care

As part of the drive to save £25m over the next three years, a key element of this will be the development of a new Adult Social Care Strategy. Although this was not publically available at the time of writing, many of the changes are expected to be similar to other local authorities that have been aiming to make savings: promoting wellbeing and independent living at home while developing neighbourhood based services, which will see a shift away from residential and nursing care unless it is specifically required.

There have also been impacts prior to the development of a new strategy. For instance an interview respondent highlighted one of the last council run residential care homes for the elderly was closed in 2013 amid considerable controversy. The position of the council was that the home no longer met the standards required to keep it open, it required too much investment to bring it up to standard, and the residents were eventually moved into other accommodation. It will be made into extra care housing flats (accommodation aimed older people to enable them to live at home for longer with support). However this will have had significant impacts on people with Dementia in particular, causing stress and anxiety. It also means that moving to another home further away means that it can be difficult for relatives to visit, particularly older people. Anecdotal evidence suggests that some of the ex-residents, with ailments such as Parkinsons, have now become depressed, a year after the home was closed. This has been partly caused by the loss of friends and staff, and the wider social connections that were made. There is now just one care home left, which caters for elderly people with Dementia.

In terms of day care, there is just one remaining local authority run day care centre left within Reading, with all of the others having been outsourced to the private and voluntary and community sectors. The closure of other day centres is having an impact on people who have to travel much further to use it.

*'Users are now having to travel in from both north and south of the River (Kennet). It is taking too long and is too much to ask of people who are particularly vulnerable. It might not seem too big a strain to us or the council, but for older people these impacts are real.'*<sup>34</sup>

An example of one service user shows the pressures being put upon vulnerable people as a result of having to travel further. He was normally picked up at 10.30am and brought home at 4pm when he attended the former day centre which has now closed. But on his first trip to the alternative Day Centre in another area of Reading, he was picked up at 8.50am – almost before his carers had dressed him – and brought home at 5.15pm. This highlights the disruption to people's lives through such changes, and it is questionable whether this can be sustainable for elderly people.

Despite the increasing pressures upon the budget, Reading has always aimed to make its decisions primarily based upon need, with cost the secondary factor. Other neighbouring local authorities such as West Berkshire and Wokingham now apply a 'critical needs' threshold for service provision, unlike in Reading where the 'substantial' criteria is still used, meaning more people are provided with care services. Even this though is a narrower focus from previous approaches, when people with moderate needs would also be eligible. However, cost is increasingly coming to the forefront of decision making, and the changes as part of the updated Adult Social Care Strategy are likely to indicate this. Impacts, similar to those highlighted above, may well continue, and service users may not necessarily receive the support they want or require.

Finally, there is also the impact upon staff. Employees are increasingly being asked to do more with less resource available. It was perceived by one interview respondent that some of the service areas were being stretched to 'breaking point' where caseloads are now too high, with morale being affected. There is also frustration amongst staff that the 'wheel is being reinvented too often' in terms of processes, and it is increasingly difficult to refer service users to other services and organisations as eligibility criteria is now tighter – this leads to further frustrations and impacts negatively on morale.

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<sup>34</sup> Quote from interview respondent



### 4.4.3 The impacts on the community and voluntary sector delivery

On the whole there is a positive relationship between the council and the strong voluntary and community sector that exists within Reading, which are increasingly important in the delivery of core services. The council supports the networks within the sector, increasingly relying on referrals for core services between different organisations, to ensure that service users get the right services at the right time. For instance, an interview respondent commented that Homestart, a charity that helps young and vulnerable families, has a strong network with local organisations that extends to the Food Bank and Citizens Advice Bureau. There is an understanding within the council that the sector works as a network, not just as independent organisations. For example Children's Services have worked well with a number of organisations, some of which have been instrumental in developing local networks.

But interview respondents commented that many providers are now being impacted significantly by cuts to grant funding in a more competitive environment. The concern is that these previously robust networks could now become fettered - pressures mean that there is less capacity for maintaining these, and this could ultimately impact upon service users, as the number of referrals between organisations may fall, combined with less sharing of best practice and learning across networks.

On the whole, voluntary sector groups are struggling with their financial sustainability. One organisation which has taken on ex-NHS staff say they now cannot pay enhancements, only the pension. Other organisations too have experienced major cuts, despite securing contracts. Winning contracts therefore is no longer a means to be financially successful, particularly considering the cost of delivery for the contractor.

## 4.5 Public sector employment

Some places have a major reliance upon public sector employment, so that when local government and other public sector cuts have been implemented, the impact on the economy is significant. Others have a larger private sector. Reading is such a case. By 2013 less than a fifth (18.3%) of employees were working within the public sector, lower than the national average of nearly 20%. A significant number of posts within the Council have been lost since 2010. Interview responses suggest that there are approximately 600 fewer employees working at the council than in 2010. This equates to between 20-25% of the workforce, and the reduction has mainly been achieved by utilising voluntary redundancy and not always filling posts where employees have left. However, this is no longer possible, and staff will now be leaving through compulsory means.

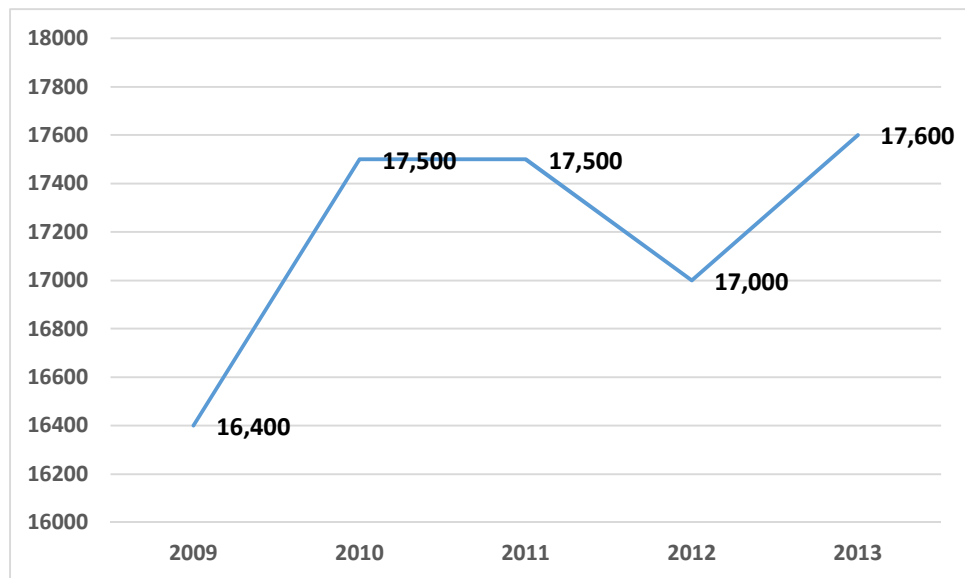
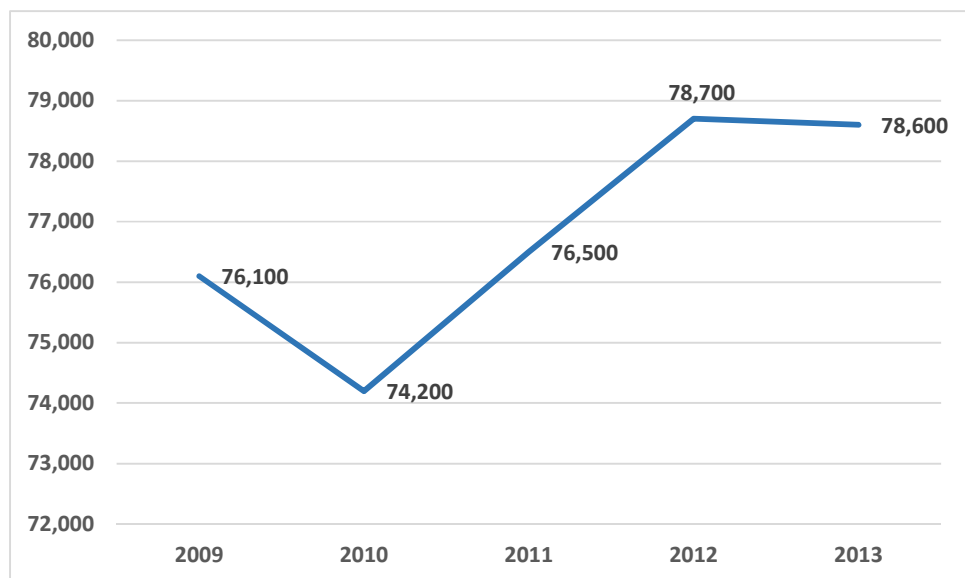
Figures 5 and 6 show the changes in public and private sector employment between 2009 and 2013, highlighting the number of jobs each year during this period.<sup>35</sup> In terms of public sector employment, it shows a mixed picture, with a fall in jobs between 2011 and 2012, but an increase between 2012 and 2013. It is not clear what this is attributed to.

The private sector experienced an increase in employment between 2010 and 2013, (approximately 4,400 jobs). However, the quality of the job growth needs to be considered. Whilst there are residents earning high wages, equally many will struggle in low paid work. Analysis of sector growth between 2010 and 2013 shows that employment in what could be classified as relatively lower paid sectors, (such as accommodation and food services, wholesale and retail, and arts and entertainment), amounted to half of total employment growth (50%).<sup>36</sup> Although this is a broad assumption (as there are high and low paid jobs across all sectors) it does indicate that there is a continuing issue of polarity between higher and lower paid jobs for Reading residents.

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<sup>35</sup> It should be noted that more current data, as used in Table 1, assessing regional employment in the public and private sector, is not available at a geography lower than the regional level. Data for county and district public/private sector employment extends from 2009 to 2013, via the annual Business Register and Employment Survey. It should also be noted that changes in the classification of public and private sector employment came into effect during 2012, with further education and sixth form functions transferred to the private sector. For Table 1, ONS provide this data from the beginning of the time series which aids analysis, but that is not available here. Therefore, although the figures of the changes involved would be lower than at the regional level, this should be kept in consideration during analysis.

<sup>36</sup> Source: ONS, Business Register and Employment Survey, 2013

**Figure 7: Public sector employment change in Reading, 2009 to 2013**<sup>37</sup>**Figure 8: Private sector employment change in Reading, 2009 to 2013**<sup>38</sup>

In addition to jobs being lost at the Council, the existing public sector workforce in Reading has been disproportionately affected through austerity measures – indeed this applies to many working in the public sector across South East England. There have been no pay rises in four years which is, in real terms, a pay cut. This has resulted in the standard of living of many being eroded considerably. TUC research found that the real value of hourly wages across the region as a whole fell by 7.3% between 2007 and 2012, and this in an area where cost of living is so high, which is a 'double whammy' to public sector workers within the area.

<sup>37</sup> Source: ONS, Business Register and Employment Survey, public/private sector data, 2009 to 2013

<sup>38</sup> Source: ONS, Business Register and Employment Survey, public/private sector data, 2009 to 2013

## **5 LOCAL RECOMMENDATIONS**

From the analysis, it is possible to derive some key high level messages/recommendations that could be considered.

### **5.1 Ensure universal provision remains as much as possible**

The Council will increasingly target resources at those residents most in need. However there still needs to be a sufficient universal service provided, from Adult Social Care across to Children's Services and early years' provision in particular. There needs to be sufficient attention paid to those who, although may not be most in need at a particular time, without the appropriate support will fall through the gaps and in the long run cost more in public resource. This means for instance having strong, formalised referral systems in place (beyond just a digital service) for other community based activities and networks, and working with local communities/residents to ensure that older people do not suffer from isolation. This could also involve Councillors taking a lead role to help garner community support for those older people who are at risk of isolation.

### **5.2 Using procurement as a tool for local social and economic benefit**

In times of economic and fiscal stress the Council can be looking to use procurement as a key component of its place leadership. The Council should seek to establish good practice, employing existing models such as UNISON's Ethical Care Charter and the TUC and Children England Declaration of Inter-Dependence, to establish service commissioning that supports quality services, sustainable partnerships with other providers and promotes good employment standards (see national recommendations for further details).

### **5.3 Limiting the extent to which charges are introduced and increased**

The Council has introduced more charges in order to build revenue and mitigate some of the impacts of the cuts. It is also increasing charges across a number of services. Local authorities across the country are doing this. However, the scale of increases and the coverage of charges needs to be limited in order to avoid a system of where only those who are able to pay, can do. It cannot become a 'postcode lottery' and even where concessionary rates are available, services could be unaffordable for many. This often includes the most vulnerable, such as elderly people – it therefore requires careful planning and monitoring.

### **5.4 Further strengthen relationships with the voluntary and community sector**

As the case study highlights, there is a strong relationship between the VCS and the Council. This will now be tested further, however, with concerns that local networks will be adversely impacted by further cuts to local grants. Locally, there is a need to keep relationships between the public and voluntary sector, going. The Council wants to engage with the sector but it is becoming increasingly difficult, due to organisational capacity (on both sides) and due to the financial pressures. There is a need to understand that winning contracts does not necessarily provide sustainability and is not a guarantee for being successful due to the large costs frequently involved in delivery. The sector needs further support to transform within a new environment, with operational, financial and practical support, including the use of grant funding.

## 6 NATIONAL RECOMMENDATIONS

The report outlines some key high level messages which are aimed at both national and local government, based on different approaches and ways of working at all levels, in order to mitigate the impacts of austerity for people and places. Detailed recommendations can be found in the national report.

### 6.1 Develop fair funding mechanisms for those places most in need

There needs to be a fairer settlement for places with higher social and economic need, particularly in terms of local government finance. This is about stepping away from a wholesale uniform approach to public spending cuts and future resource allocation, to one that recognises differentiated needs; and limits, as far as possible, the impact of reductions in spending on the most vulnerable in society and on those places heavily dependent on the public sector, whilst recognising the importance of universal access to services.

- ❑ There should be an alternative, needs based approach to local government funding that shows an appreciation that some localities need more support.
- ❑ There should be a place weighting within formulas applying across the public sector, where the objective is to reduce the gap in outcomes between the most affluent and most deprived areas.
- ❑ Additionally there needs to be an urgent review of local authorities' ability to meet their statutory requirements, at minimum, between now and 2018/19.

### 6.2 Assess the impact of changes in national spending and welfare policies on regional inequalities

Public agencies could make a concerted effort to collect and collate a deeper pool of evidence on the consequences of central government policies, particularly the impact on the most disadvantaged communities. This evidence can then be used to devise ways of ameliorating adverse consequences locally, as well as to inform central government spending choices.

### 6.3 Implement real devolution of resource and policy levers

There needs to be further devolution of resources and decision making powers. This would sit alongside increased democratic accountability and transparency, and structures for effective representation which would include the voices of citizens, service users, and unions.

- ❑ Incrementally increase the proportion of public expenditure that is gathered and spent locally.
- ❑ Alongside this would be agreements with national government to ensure that devolved funds are used to accelerate social gains and address inequalities.
- ❑ Financial freedoms alongside devolving resources. This means providing more effective mechanisms for local government to access finance.

### 6.4 Develop more intelligent procurement and commissioning processes

#### 6.4.1 Promoting progressive procurement

When procurement and economic development teams within local authorities work together, public procurement can be planned effectively in order to develop the capacity of local businesses and the voluntary and community sector, to support local skills and employment, promote quality jobs and drive up employment standards. There are a number of considerations to developing more progressive procurement practice which also provides value for money, developed by CLES' significant body of research in the area, which should become standard practice across public sector agencies, both at the national and local level. These are outlined in the report.

### 6.4.2 Promoting the Living Wage

A key mechanism for promoting the Living Wage, is through commissioning and embedding it within the local supply chain:

- ❑ For service contracts a consideration of social value, preferably linked to an over-arching statement of intent or sustainable procurement strategy, should be carried out in order to identify a clear and transparent commitment to supporting a Living Wage.
- ❑ There is a converse argument that states that having Living Wage compliance as one element of award criteria might be more legally permissible than making it a condition of contracts. This would be an important consideration and something that individual organisations would need to weigh up, whether this would change on a case by case basis.

### 6.4.3 Reducing the use of zero hours contracts through procurement and commissioning

Taking zero hour contracts out of commissioning is critical. 60% of domiciliary care workers are on such contracts. The situation, a symptom of current commissioning arrangements, requires urgent attention and there are steps that commissioners can take to make a difference, as outlined by the Resolution Foundation.<sup>39</sup>

- 1) **Promoting outcomes-based commissioning:** Outcomes based commissioning would mean that providers and care beneficiaries can negotiate their own timetables and then providers will be held to account for supporting greater independence and a better quality of life.
- 2) **Develop the workforce:** Improve the required standards of training in housing and social care, to fund this so it is not left to workers to pay for their own essential training.

## 6.5 Develop a 'rights' based approach for children's welfare

There are a number of high level actions, recently developed by CLES and the University of Liverpool for a review panel on health inequalities,<sup>40</sup> that could be committed to in order to ensure that children are a central facet within both local and national policy making, and so do not become further disadvantaged because of austerity.

- ❑ Embed a 'rights' based approach to children's welfare at the national level: a high level commitment to children's rights with the aim of improving child wellbeing and reducing inequalities.
- ❑ Local authorities across the country should be making a similar high level commitment, for instance through a Charter or signing up to a Declaration, to pledge to put children's welfare as a central component of what they do, and put this into practice. (for instance through the promotion of the TUC and Children England 'Declaration of Inter-dependence' setting out a new framework of service provision based on collaboration, partnership and the promotion of child-centred services and best employment standards).
- ❑ Act on reducing child poverty through the measures advocated by the Child Poverty Commission.
- ❑ A focus upon early intervention: led at the national level and cascading down to local level, there should be dedication to early intervention and to considering how to make this better and bolder.
- ❑ Provide universal support to families through parenting programmes, children's centres and key workers, delivered to meet social needs.

<sup>39</sup> Resolution Foundation (2014) Zeroing In: Balanced protection and flexibility in the reform of zero hours contracts [http://www.resolutionfoundation.org/media/media/downloads/Zeroing\\_In\\_1.pdf](http://www.resolutionfoundation.org/media/media/downloads/Zeroing_In_1.pdf)

<sup>40</sup> See: <http://www.cles.org.uk/news/inquiry-publishes-due-north-report-on-health-equity/>

## 6.6 Develop a long term plan for increasing resource for Adult Social Care

Inadequate social care has a knock on effect and results in further demands on the NHS. The Better Care Fund could, to an extent, be an opportunity to address this, with £3.8 billion being pooled between local government and NHS to support transformation and integration of health and social care services to ensure local people receive better care. However, there are concerns about the impact on NHS services resulting from the transfer of resources to social care in this way and the efficiency and productivity gains are still open to considerable debate.

Arguably this fund needs to be bigger in order to provide better quality of services and avoid future acute financial problems for Adult Social Care. Either a larger or different fund is required to make a real difference, helping the transformation of Adult Social Care in future together with integration with NHS operations. This has been put forward by the Kings Fund, suggesting a 'genuine health and social care transformation fund with new money to meet the running and transition costs of changing how and where care is provided.'<sup>41</sup>

## 6.7 Promote in-sourcing within local government and other public agencies

There are a number of lessons and best practice to take forward which should be applied and further promoted across the country. Having early involvement of staff and trade unions is central in returning services in-house. It provides the opportunity to redevelop capacity and reshape expertise, and can help in new smarter working to reduce levels of waste and develop and design more efficient services

## 6.8 Working with public service unions

Develop partnership working with public service unions to promote engagement and employee voice in the design and delivery of services as well as protecting and promoting the best employment standards through:

- ❑ Supporting the living standards of public service workers, promoting equality and boosting recruitment and retention by lifting the public sector pay cap, promoting collective bargaining and national pay determination and promoting equal pay through the increased use of equality audits and pay reviews.
- ❑ Promoting trade union recognition and partnership through a range of measures including the extension of national and local tri-partite structures such as the NHS Social Partnership Forum, supporting facility time, check off procedures and the use of public procurement to protect against blacklisting and promote adherence to ILO conventions in support of trade union freedoms.
- ❑ Promote mechanisms for the protection of employment standards and collective bargaining through the strengthening of TUPE, the creation of a new Two Tier Code of Practice and the adoption of mechanisms to extend existing sectoral collective agreements to all providers of services.

## 6.9 Develop a new framework of collaborative work with the voluntary and community sector

There needs to a shift in thinking from public sector agencies in how they deal with the voluntary and community sector, with an approach that ensures appropriate community and voluntary sector partners have a voice in the design and commissioning of services, where appropriate.<sup>42</sup> This requires an understanding in both national and local government as to the different types of funding models which allow the sector to operate in the most effective way, which shows an appreciation of the strengths of the sector and its diversity.

<sup>41</sup> Source: The Kings Fund (July 2014) Better Care Fund? Better read the small print <http://www.kingsfund.org.uk/blog/2014/07/better-care-fund-better-read-small-print>

<sup>42</sup> What we do not call for is mass commissioning of services which are better delivered in-house. There needs to be consideration of which services are being tendered and why.