



CLES

Centre for Local
Economic Strategies

December 2014

AUSTERITY UNCOVERED

Final report prepared by

The Centre for Local Economic Strategies

Presented to

TUC

CONTENTS	PAGE NO.
EXECUTIVE SUMMARY	3
1 INTRODUCTION	12
2 POLICY OVERVIEW	13
2.1 Rationale based upon deficit reduction and stimulating business growth	13
2.2 Public sector spending to continue to fall	13
2.3 Changes to the welfare state	14
2.4 A new era for services: localism and a change towards a smaller state	15
3 THE NATURE OF AUSTERITY IN THE UK	17
3.1 Implementation of austerity measures	17
3.2 Austerity: deep consequences for people and places	19
3.3 A disproportionate cut to local government	20
3.3.1 Departmental spending cuts	20
3.3.2 Austerity impacting upon the most disadvantaged places	22
3.3.3 The false economy of austerity measures	25
3.3.4 The continuing fall in public sector employment	25
3.3.5 The range of impacts upon the public sector workforce	28
3.4 Local government: an increasingly difficult outlook	31
3.4.1 Role of leaders of place is being undermined	31
3.4.2 An increasing inability to deliver quality services	32
4 THE CHALLENGE OF DELIVERING QUALITY CORE SERVICES: ADULT SOCIAL CARE AND CHILDREN'S SERVICES	33
4.1 Adult Social Care	33
4.1.1 Falling spending in real terms	34
4.1.2 An ageing population and a long term shortfall in funding	35
4.1.3 A landscape of reduced service provision for older people	37
4.1.4 Cutting back on services is having consequences for informal carers	37
4.1.5 Charging for services	37
4.1.6 The impacts of closures of day care centres	38
4.1.7 The impacts of under-funding on providers in residential and nursing homes	39
4.1.8 The urgent issue of mental health	39
4.1.9 Varying impacts across the country	40
4.2 Children's services	41
4.2.1 Increasingly coming under pressure	42
4.2.2 Austerity threatens the progress made in reducing child poverty	43
4.2.3 Cuts to early years services and children's centres	45
4.2.4 Investment in the offer for two to four year olds	46
4.2.5 Impacts on the services provided to schools	46
4.2.6 Impact upon Child and Adolescent Mental Health Services (CAMHS)	47
4.2.7 Social work services and working with children with Special Educational Needs (SEN)	47
4.2.8 Impacts upon youth services	49
4.2.9 Renewed emphasis on managing demand and early intervention	50
5 IMPACTS OF AUSTERITY ON GROUPS AND PLACES	52
5.1 Damage to civil society	52
5.1.1 The demise of the voluntary sector when demand is greatest	52
5.1.2 Social capital will continue to be eroded	53
5.2 Privatisation will not lead to an uplift in the quality of services	54
5.3 Impacts upon local places and networks	56
5.3.1 Lack of appreciation for the role of local government will have key implications	57
5.3.2 Impacts of the cuts on local networks and providing essential council services	57

6	CASE STUDIES	59
6.1	Impacts upon the regions	59
6.2	Case studies: key trends	61
6.2.1	Moving away from universal services	61
6.2.2	Not always taking into account the needs of the most vulnerable	61
6.2.3	Domiciliary care being cut back	62
6.2.4	Some councils are working particularly hard to avoid frontline services as much as possible	62
6.2.5	Some councils have taken the option of radically cutting back their services	62
6.2.6	Developing different delivery models	63
6.2.7	Increasing demand for the voluntary sector, but resources are being cut	63
6.2.8	Increasing levels of outsourcing	63
6.2.9	Managing job losses	64
7	CONCLUSIONS: AUSTERITY IS DAMAGING THE COUNTRY'S PRESENT AND FUTURE	65
8	RECOMMENDATIONS	67
8.1	Develop fair funding mechanisms for those places most in need	67
8.2	Assess the impact of changes in national spending and welfare policies on regional inequalities	68
8.3	Implement real devolution of resource and policy levers	68
8.4	Develop more intelligent procurement and commissioning processes	69
8.4.1	Promoting progressive procurement	69
8.4.2	Promoting the Living Wage and reducing the use of zero hours contracts through procurement and commissioning	70
8.5	Develop a 'rights' based approach for children's welfare	72
8.6	Develop a long term plan for increasing resources for Adult Social Care	73
8.7	Promote in-sourcing within local government and other public agencies	73
8.8	Working with public service unions	74
8.9	Utilising the qualities of the voluntary and community sector more effectively	74

EXECUTIVE SUMMARY

This report is based on research by the Centre for Local Economic Strategies (CLES), commissioned by the TUC. It is designed to look at the impacts of austerity, focusing upon how changes in publically funded services affect both people and places across the country now and in the years to come.

While spending cuts have affected public services across the board, the research has focussed primarily on the impact on adult social care and children's services, looking at changes in service provision resulting from cuts in nine local case studies across England (covering Bedford, Blackpool, Bradford, Derby, Devon, Dudley, Islington, Reading, and Redcar and Cleveland).

This report asserts that a deep and prolonged period of austerity is damaging the nation's present and future, weakening service provision and undermining many aspects of the universal welfare state that plays an integral part in sustaining communities and social cohesion.

Evidence suggests that as the economy slowly emerges from its crisis, a social recession is being left in its wake. A funding crisis is growing from the NHS to local government that is unsustainable and could fundamentally change the nature of public services if unaddressed. As such, the fact that the government's public spending cuts are planned to extend well beyond 2015 is a matter of grave concern.

It is important to note that the great majority of the 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 case studies) as universal provision is cut back, increasing charging for leisure facilities, or cutting back library provision. It can impact on all families in all places.

Austerity – more public spending cuts to come

Changes to the government's deficit reduction programme since it was first announced in June 2010 mean that we are now only half way through a nine year programme of austerity, when we should have been three quarters of the way through a six year programme. The government's original proposals expected austerity to amount to 6.7 per cent of GDP. This is now expected to reach 10.3 per cent, increasing in cash terms from £120 billion to £210 billion.¹

According to the Office for Budget Responsibility (OBR), real per capita spending on public services will be cut by 23% between 2007/8 - 2018/19. This will reduce spending on public services and administration to its lowest share of GDP since at least 1948.²

Head of the OBR, Robert Chote states, "If you look over the consolidation as a whole – and particularly over that bit which has yet to be delivered – it's this squeeze on day to day public services that is the key to the remainder of the fiscal consolidation programme,"³

The OBR also estimates that between 2014/15 and 2019/20 spending on public services, administration and grants by central government is projected to fall from £5,650 to £3,880 per head in 2014/15 prices. Around 60% of cuts will be delivered in the next parliament, and the OBR note that the "implied squeeze on local authority spending is simply severe".⁴

A growing crisis in local government

Deep spending cuts have been implemented across each of the government departments between 2010/11 to 2015-16. In real terms,⁵ nine Departments are being cut by over 20% and six by a third or more. The Department for Communities and Local Government (DCLG) is being cut by over a half.

¹ Based on March 2014 Economic and Fiscal Outlook Tables: Supplementary Tables http://cdn.budgetresponsibility.org.uk/83723-March_2014_EFO_Fiscal_Supplementary_Tables.xls

² Office of Budget Responsibility (2014) Working paper No.7 Crisis and consolidation in the public finances <http://budgetresponsibility.org.uk/wordpress/docs/WorkingPaper7a.pdf>

³ Public Services Cuts in the UK Set to Bite, Financial Times, 9 September 2014, <http://www.ft.com/cms/s/0/22b63f5a-382e-11e4-a687-00144feabdc0.html?siteedition=uk#axzz3HjUjdCOa>

⁴ Ibid

⁵ Real terms figures are the cash figures adjusted to 2013-14 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics in 2014. Real terms figures are the actual (known as nominal) spend adjusted to exclude the effect of general inflation, as measured by the GDP deflator at market prices.

DCLG's cuts across both communities and local government represent nearly two fifths of all real terms departmental cuts, highlighting the disproportionate share that local authorities across the country have to bear.

The Government will have reduced its funding to local authorities by an estimated 37% by 2015-16⁶. A significant funding gap is emerging within local government as a result of this. Analysis by the Local Government Association (LGA) has shown that the funding gap for councils between March 2014 and the end of 2015/16 will be £5.8 billion.⁷ The gap is the disparity between the total money councils will have next year (£46.3 billion) and the amount of money they would need to maintain 2013/14 levels of service. The total funding gap is forecast to increase at an average rate of £2.1 billion per year until 2019/20 when it will reach £12.4 billion.

Many local authorities are pessimistic about their ability to deliver anything apart from the most basic of statutory services in future. Initiatives such as sharing back-office costs and other efficiency savings are increasingly unlikely to fill the funding gap.⁸

Over a quarter of single tier and county councils have had to make unplanned spending cuts in order to deliver their 2013/14 budgets and over half are reported to be "not well placed to deliver their medium-term financial plans"⁹ The vast majority of Chief Executives and Council Leaders believe that some local authorities will get into serious financial crisis within the next five years and will fail to deliver the essential services that residents require.¹⁰

Core areas of service delivery, including Adult Social Care, Children's Services and Waste Management, will increasingly soak up the majority of resource. Other local services, including leisure and cultural facilities, school support services, road maintenance, building new homes and promoting economic growth will shrink by 46% by 2020.¹¹

Disproportionate impact on the most disadvantaged areas

The reduction, removal and consolidation of specific grant funding to local authorities have led to disproportionate cuts to those authorities in the most deprived areas. For example, 11 out of 12 councils in the North East will have higher than the English average reductions in spending power for 2014/15 and 2015/16. The latest local government settlement for funding shows that government grants to local authorities were reduced by an average of 2.9% in 2014/15, but in the North East councils face, on average, a reduction of 3.9%.¹²

In addition to cuts to local authority budgets, more deprived areas are experiencing financial losses due to welfare reform with the North West, North East and Yorkshire and Humber losing an estimated £5.2 billion in total a year in benefit income.¹³

Impact on adult social care

The largest area of spending for local authorities, adult social care is a service area that is in crisis. Spending is falling within the sector, with a funding gap of £1.9 billion expected by 2015/16. Increasing demand through an ageing population and people with multiple disabilities living longer, together with falling budgets is leading to a crisis of care within our society.

Channelling in NHS resource through £3.8 billion Better Care Fund is a welcome move but is unlikely to be sufficient in scale and is recycling money from the healthcare system, creating additional funding pressures elsewhere.

The total budget put aside for means-tested social care by English councils in 2014/15 stands at £13.68 billion – a real terms cut of 12% since 2010, while demand has risen 14% in the same period.¹⁴

⁶ <http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/>

⁷ LGA (2014) Future funding outlook 2014: Funding outlook for councils to 2019/20
<http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+--+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

⁸ <http://www.theguardian.com/society/2014/nov/24/funding-crisis-newcastle-impossible-cuts-social-unrest>

⁹ <http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/>

¹⁰ <http://www.pwc.co.uk/local-government/publications/the-local-state-we-are-in-2014/index.jhtml>

¹¹ Local Government Association (2013) Future Funding Outlook for Councils from 2010/11 to 2019/20.

¹² Association for North East Councils (ANEC) (2013): Counting the cost of further cuts: the local government finance settlement 2014/15 – Key issues for North East Councils

¹³ Sheffield Hallam University (2013) Hitting the Poorest Places Hardest: The local and regional impact of welfare reform

This has had a major impact on service provision. Fewer people in need will be able to access support. 87% of councils now only provide assistance in cases of substantial or critical need, compared to 47% per cent in 2005/06.¹⁵

In addition, 35% of councils have reduced the number of older people using their services by over 40%.¹⁶ Spending on care services carried out in home or day care centres has fallen by around a fifth while important daily services such as meals on wheels has fallen by more than half.¹⁷

In the absence of viable funding to deal with the long term challenge of providing adult social care, councils are increasingly turning to charging for care. There is more likely to be a menu of services in the future (for instance for meals, transport, attendance at day centres) which means that those with the means will be able to afford more of the services, with very basic provision for others. Age UK show that, on average, service users were paying £588 more in real terms in 2012/13 than they were in 2009/10.¹⁸

This has led to significant falls in the number of older people accessing publicly funded care. There has been a 27% reduction in the number of older people receiving publicly funded social care since 2008/09 and a 17% decrease in the number of younger people.¹⁹ Age UK report that the proportion of over-65s in receipt of local authority social care services fell from 15.3% in 2005/06 to less than 10% in 2012/13, 362,000 fewer people.²⁰

Impact on children's services

As a statutory service, children's services have not been cut as deeply as other areas of local authority provision. Yet there have still been significant reductions to budgets, with funding decreasing in real terms by 4% in around a third of local authorities.²¹

The medium to long term outlook is concerning, with funding unlikely to keep pace with increasing demand, particularly in the area of child protection and social care.²² Many councils have had to significantly cut preventative, early intervention and early years support in order to maintain safeguarding services as a result of this demand.²³

Many local authorities across the country have cut or are considering cutting, early year's services that were previously protected. Between 2010 and 2013, spending on children's centres fell by 28%²⁴ with 580 of the centres having closed as a result of local authority cuts. This is corroborated by an assessment of local government spending between 2009 and 2011 which shows average annual reductions of £28 per person in family support, including early childhood development programmes.²⁵ The universal elements of these services, in particular, appear to have been significantly impacted as councils seek to save money by targeting services at those with additional needs or most at risk of negative outcomes.

The resources dedicated towards schools are also being cut back. This includes a wide range of services, such as school improvement, curriculum support, education welfare, behaviour support, and school transport. Research from the Family and Parenting Institute, suggested that in the first two years of austerity measures (2010-12), out of every pound cut from children's services budgets, 30 pence was taken from services to schools.²⁶

Historic under-funding of Child and Adolescent Mental Health Services (CAMHS) is being exacerbated by the decisions of many local authorities and Clinical Commissioning Groups (CCGs) to cut or freeze spending on this service. Research from Young Minds found that 77% of CCGs froze or cut their CAMHS budgets

¹⁴ http://www.adass.org.uk/uploadedFiles/adass_content/policy_networks/resources/Key_documents/ADASSper_cent20Budgetper_cent20Surveyper_cent20Reportper_cent202014per_cent20Final.pdf

¹⁵ The Guardian, 24th April 2014 <http://www.theguardian.com/society/2014/apr/24/elderly-care-outstrip-relatives-ippr-2030>

¹⁶ Health and Social Care Information Centre (2013)

¹⁷ Quality Watch (2014): Focus On: Social care for older people – reductions in adult social services for older people in England

¹⁸ Source: The Kings Fund (2014) A new settlement for health and social care <http://www.kingsfund.org.uk/publications/new-settlement-health-and-social-care>

¹⁹ A new settlement for health and social care interim report, Kings Fund, 2014

²⁰ Care in Crisis, Age UK, 2014

²¹ <http://www.communitycare.co.uk/2014/04/16/cuts-safeguarding-teams-looked-children-services-council-spending-drops/>

²² http://www.nspcc.org.uk/Inform/research/findings/how-safe/how-safe-2014-report_wdf101938.pdf

²³ http://www.familyandchildcaretrust.org/our_work/Families-in-the-Age-of-Austerity/Families+at+the+frontline

²⁴ Source: Centres of Excellence? The role of Children's Centres in early intervention http://www.policyexchange.org.uk/images/publications/centres_ofexcellence.pdf

²⁵ Centres of Excellence? The role of Children's Centres in early intervention *ibid*

²⁶ Families and Parenting Institute (2012) Families on the Front Line? Local spending on children's services in austerity

between 2013/14 and 2014/15, while two thirds of local authorities in England have frozen or increased budgets at levels below inflation since 2010.²⁷

As a discretionary area of spend, Youth Services have been particularly badly affected. Cuts of around 30% have commonly been reported, with local authorities frequently reporting a shift from universal to targeted services to meet the needs of the most vulnerable young people (for instance a greater focus on youth centres within deprived areas), therefore excluding many from future services. Cuts such as these are exacerbating 'poverty of opportunity' in many places and this in turn leads to future reductions in social mobility.

Despite trying to shield children's safeguarding and social work from the cuts, local authorities are increasingly finding this a difficult task. There are concerns that statutory safeguarding duties could be breached and children who are in care are waiting longer for specialist support. Evidence suggests that local authorities have been coping with cuts through a range of measures including the decommissioning of specialist support, cutbacks on safeguarding, transferring social work case to non-qualified staff and reviewing social workers case loads.²⁸

Cuts to children's services have implications for reducing child poverty. For the first time in more than 17 years, child poverty in the United Kingdom increased in absolute terms in 2011-12.²⁹ The Institute for Fiscal Studies (IFS) state that in the UK, relative child poverty is projected to increase by 6 percentage points between 2010-11 and 2020-21, reversing all of the reductions between 2000/01 and 2010/11.³⁰

The public sector workforce

The public sector workforce has been subject to widespread job losses in addition to pay restraint, significant changes to pensions and a range of other revisions to terms and conditions of employment.

Public spending cuts have led to large scale job losses over the past four years. Between Quarter 2 2010 (when the Coalition entered office) and Quarter 2 2014 nearly 550,000 public sector jobs were lost in England. Although growth in private sector employment led to a net increase in jobs of 1.25m in this period, questions remain over the nature of this new employment. Research published by the TUC identified the key reasons for record low earnings growth were the changing composition of the labour market, with low-paying sectors creating far more jobs than high-paying ones, a shift from full-time work to part-time work and the increasing scale of under-employment.³¹

The public sector workforce stood at 5.7 million in mid-2013, constituting 20% of total employment – this was the lowest share of employment for four decades. The OBR forecasts that further cuts in government employment will reach 1.1 million by 2019/20 compared with 2010/11.³² This means the share of public employment would be just 14.8% of the workforce, dramatically changing the shape of the UK labour market.

Within local government, job cuts have had a disproportionate impact on women. 96,000 males in full time posts have gone (21%), compared with nearly 141,000 (31%) who are women. Importantly, 42% (195,000) of the posts that have now been made redundant have been women in part time employment.

Further, in 2013 16% of women in the private sector were employed in high skill jobs, compared with 42% in the public sector. Furthermore, a higher proportion of women in the private sector were employed in low skill jobs (14%) compared with the public sector (7%).³³ The Women's Budget Group has found that women are not benefitting equally from new employment in the private sector. Instead, 63 of every 100 new (net) jobs created since 2009/10 went to men and just 37 to women. What is more, the new jobs are lower paid, more precarious and more likely to be part-time.³⁴

²⁷ Source: YoungMinds (2014) http://www.youngminds.org.uk/about/our_campaigns/cuts_to_camhs_services

²⁸ <http://www.communitycare.co.uk/2014/04/16/cuts-safeguarding-teams-looked-children-services-council-spending-drops/>

²⁹ Department for Health Annual Report of the Chief Medical Officer 2012: Our Children Deserve Better: Prevention Pays <https://http://www.gov.uk/government/news/chiefmedical-officer-prevention-pays-our-children-deserve-better>

³⁰ Institute for Fiscal Studies (2013) Child and Working Age Poverty in Northern Ireland from 2010 to 2020 <http://www.ifs.org.uk/comms/r78.pdf>

³¹ Earnings and Settlements, IDS, June 2014 http://www.tuc.org.uk/sites/default/files/Earnings_and_Settlements.pdf

³² Institute for Fiscal Studies (2014): The public sector workforce: past, present and future <http://www.ifs.org.uk/billions/billion145.pdf>

³³ Source: ONS, March 2014 http://www.ons.gov.uk/ons/dcp171776_355119.pdf

³⁴ Women's Budget Group (2013) The impact on women of the Coalition Government's spending round 2013 <http://wbg.org.uk/pdfs/WBG-Analysis-June-2013-Spending-Round.pdf>

Public sector pay restraint has formed a key component of the government's strategy. The public sector pay freeze in 2010/11 and 2011/12, followed by a 1% cap between 2013/14 and 2015/16 have led to a significant loss in the value of earnings. Analysis by the TUC indicates that public sector workers are, on average, £2,245 worse off than in 2010.³⁵

Impact on places

In addition to assessing the impacts of austerity on core service areas, this report also assesses the effects upon the voluntary and community sector, local places and networks.

Damage to civil society

Communities are being weakened. The organisations in place which are crucial to community development are being affected severely by the cuts. The combination of reduced public spending and the shift in emphasis to open public services and competitive tendering has left the local voluntary and community sector in an increasingly vulnerable position. Across the UK, the National Council for Voluntary Organisations (NCVO) estimates that by 2018 funding for the sector will be £1.7 billion lower than it was in 2010.³⁶

There is a real concern from those within the voluntary and community sector about the long term harm cuts will bring to the communities they represent. The very organisations the government want to lead the push towards localism are being damaged. The impact on small organisations means there is a risk of losing the connection with communities that councils have often relied upon through small community groups. Community capacity is vital in strengthening places, and deep cuts to the sector will erode vital services. The ongoing trends will precipitate a substantial shift upwards in the scale of organisations that deliver public services, away from those with genuine local connections and grassroots involvement.

Cuts to the voluntary and community sector will also erode social capital. This could have major consequences. Many people's everyday lives may not extend beyond their local community so such community sector services are vital. Implications for society as a result of this damage to communities are considerable – once gone, social capital will take a long time to re-establish.

Impacts on places and networks

Lack of appreciation for the role of local government: Local government has always performed a vital leadership and network role, brokering relationships between key people and organisations within the public, private and social/third sectors. In local authorities where the cuts are deepest, as these networks and partnerships begin to splinter, and privatisation of some of these services becomes more common, the end result is greater fragmentation and weakened leadership, with negative consequences for local citizens.

Harmful effects on the relationships between local authorities and providers: As the cuts impact on activities of councils and their providers, the links between the two will weaken. Several respondents to this research and previous studies by CLES have stated that they wished to build stronger links with councils now more than ever, as they needed to be connected to ensure that information flows were passing through the system. This is becoming increasingly difficult to achieve though as more key council staff are lost, many with several years' expertise in specific fields.

Weak internal networks results in lower quality services: Many local authorities are now experiencing major restructuring; in middle management and frontline delivery areas, weakened networks as a result of the loss of key people means that council operations may not be as effective. In many areas, there has been a significant downsizing of management and this is now leading to pressures on smaller groups of managers following the removal of many service heads, locality managers and service managers. This also results in a lack of understanding and appreciation within some councils about the difficulties and specialisms involved in the work that many frontline workers do. The levels of good practice and shared learning will also be likely to dissipate within and between departments. Further there can be confusion and uncertainty about the chain of responsibilities and therefore of accountability.

³⁵ http://www.tuc.org.uk/industrial-issues/public-sector/pay-fair-campaign/public-sector-workers-lose-out-per_centC2per_centA32245-under

³⁶ Source: new economics foundation (2013) Surviving Austerity: local voices and local action in England's poorest neighbourhoods <http://www.barrowcadbury.org.uk/wp-content/uploads/2013/08/Surviving-Austerity.pdf>

Regional disparities

The most deprived authorities are experiencing significant impacts in terms of loss of spending power for local authorities, whilst also having acute demand for core services.

In the North East, for example, the situation is particularly pressing. Demand for core services is particularly high because of a history of deprivation, unemployment and long-term health conditions that has led to higher numbers of people accessing social care – 29% above the national average use home care, 41% above for day care and 100% above for short term residential care.³⁷

Combined with disproportionate cuts to local government and other public agencies, and the limited ability to leverage their own income and become more self-financing, this means that the impacts upon many places in the North East are disproportionate. The North East is just one example; other regions with high incidences of deprivation face similar pressures.

The data and trends show that the so-called north-south divide is a relatively artificial construct, as deprivation and disadvantage is concentrated across the country and austerity is affecting the great majority of people, in all regions and places.

For example, modelling by London Councils³⁸ suggests that London local authorities face a funding gap of up to £3.4 billion (31%) by 2019/20 and due to the significant areas of deprivation in the city, the share of overall reduction to local government from the 2014/15 Settlement Funding Assessment is higher than elsewhere in the country (26.1% compared to 23.8% for England as a whole). In the South East there are similar pressures. South East England Councils (SEEC) estimates that its local authorities have taken £1.3 billion out of their budgets since 2010 and estimate that a further £1.4 billion savings are needed by 2017/18.

Key trends from the case studies

While the impact of funding reductions and the responses adopted by councils has varied across the country, a number of common themes and trends have emerged through our research.

A move away from universal services: The case studies showed that councils are increasingly targeting services, particularly for the most vulnerable residents, through many elements of Adult Social Care and in Children's Services.

Not always taking into account the needs of the most vulnerable: There are frequent references across many of the case studies to the personalisation of services and enhancing the independence of many vulnerable people, most notably within Adult Social Care. But a number of interviewees commented that many of the changes such as closing/reducing day care centre services, or closing residential homes, may not necessarily reflect what service users actually want or need. For instance many may feel that residential placements would suit their needs better, and also mean that they are less isolated due to the social networks they build up. Further the case studies highlighted that important bespoke support that people have received is being reduced.

Domiciliary care being cut back: Case study evidence highlighted that the work by frontline employees to ensure that people do not become isolated is becoming increasingly limited. For instance, in some of the case study areas, non-essential mileage budgets are being reduced, meaning capacity is in place only to provide a specific, limited range of services.

Some councils have strategies to protect frontline services: All of the case study areas are facing increasingly difficult choices as budgets are cut back further. However, some places have been progressive in the way they have worked to avoid – thus far – impacting upon frontline services. Reading, Redcar and Cleveland and Islington have worked closely with the trade unions in mitigating the impacts as much as possible. Islington Council, in particular, has taken a particularly considered approach. It has not taken a position where it has rushed to make cuts, rather it has considered how services and jobs can be maintained. It is still one of only 19 local authorities in England which is still serving the needs of people classified as 'moderate' in Adult Social Care and this will remain the case.

³⁷ Source: Health and Social Care Information Centre, RAP Data 2012/13 (2013)

³⁸ London Councils (2014) Local Government Finance Settlement 2014/15: Response by London Councils

Some councils have taken the option of radically cutting back their services: Devon County Council is an example of where the authority has decided to significantly reduce their provision, and contrasts sharply with the approaches being taken in other places such as Islington. It includes shutting down many adult residential homes and day care centres across the county. It represents the possibility of moving away from council provision altogether and towards market driven provision.

Increasing levels of outsourcing: a number of the local authorities are increasingly outsourcing services. Evidence from interview respondents suggests that staff working for private providers in Adult Social Care have a poorer level of pay and employment conditions than those previously employed by the local authorities. There are reports of overworked staff working long shifts with poorer training provision than has hitherto been the case. This has implications for the support provided to service users and the quality of the procedures used to manage the service - for example, health and safety and the management of medicines for service users. It also has implications for the quality of life for service users, particularly those who require one-to-one support to enable them to access recreation or shopping.

Managing job losses: Thus far, across several of the case study areas, job losses have been managed through non-compulsory redundancies. However, as further savings are required it is more likely that compulsory redundancies will be used to make the savings required by most local authorities.

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 section 8 of this report.

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.

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.

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, as highlighted in a recent inquiry into health inequalities.³⁹

- ❑ 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.

³⁹ CLES (2014) Due North: Report of the Inquiry into Health Equity for the North <http://www.cles.org.uk/news/inquiry-publishes-due-north-report-on-health-equity/>

- ❑ Financial freedoms alongside devolving resources. This means providing more effective mechanisms for local government to access finance.

Develop more intelligent procurement and commissioning processes

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.

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.

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.⁴⁰

- 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.

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

There are a number of high level actions (recently developed by CLES, the University of Liverpool, and a review panel for an inquiry on health inequalities in the north),⁴¹ 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.

⁴⁰ 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

⁴¹ CLES (2014) Due North: Report of the Inquiry into Health Equity for the North <http://www.cles.org.uk/news/inquiry-publishes-due-north-report-on-health-equity/>

- ❑ Provide universal support to families through parenting programmes, children's centres and key workers, delivered to meet social needs.

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'.⁴²

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.

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.

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

There needs to be 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.⁴³ 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.

⁴² 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>

⁴³ 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.

1 INTRODUCTION

It is evident that the social and economic landscape of the country is changing. Since the election of the Coalition Government in May 2010 a number of strategic decisions have been made which have affected the vitality of local public services. Cuts in public expenditure have led to reductions in service, undermining the robustness of social provision.

This paper is designed to look at the impacts of austerity, focusing upon how changes in publicly funded services affects both people and places across the country now and in the years to come. At present the implications of the cuts to local public services are not necessarily collectively at the forefront of the public consciousness – this paper aims to provide evidence to help change this, stating the case that the UK is damaging its present and future through austerity. In particular we focus upon the changes within the core statutory areas of Adult Social Care and Children's Services.

This paper is structured through a number of sections as follows:

- ❑ **Policy review:** this reviews contemporary policy under the Coalition Government, and the implications of this policy for economy and society.
- ❑ **The nature of austerity in the UK:** this section provides an overview as to how austerity has been implemented up to now. It also assesses how regional divides are being reinforced through austerity measures, together with commentary on the overarching impact upon local government in particular;
- ❑ **The impact of austerity on Adult Social Care and Children's Services:** this section drills down into the detail of how two key statutory service areas within local government are being, and will continue to be, affected through spending cuts, and the implications that changes are having for service users, some of the most vulnerable people in society.
- ❑ **The impacts of austerity upon other groups and places:** the impacts upon Adult Social Care and Children's Services is our primary focus, however there are also a range of other impacts on civil society and on places as council services are cut back. These are explored within this section.
- ❑ **Summary of case studies:** this section provides a summary of the key messages that have emerged from the case studies of nine locations across England, that accompany this report. It outlines key commonalities and differences that will resonate with local authorities nationally. The case studies also illustrate different policy approaches local authorities are using to respond to the cuts.
- ❑ **Conclusions and recommendations:** This final section focuses upon the cumulative effects of austerity, before outlining a number of high level recommendations for both national government and local public sector agencies⁴⁴ across England to address and mitigate the impacts of austerity.

⁴⁴ The public sector is the part of the economy concerned with providing various government services. The ONS definition of the public sector, which this report commonly refers to, is comprised of the following sub-sectors:

- Central Government (CG): includes Government Departments and their Executive Agencies, Non-Departmental Public Bodies, and any other non-market bodies controlled and mainly financed by them;
- Local Government (LG): those types of public administration that only cover a specific locality and any non-market bodies controlled and mainly financed by them;
- Public Corporations (PC): market bodies controlled by either Central Government or Local Government. These can include government-owned companies and trading funds.

2 POLICY OVERVIEW

This section provides a brief review of the Coalition Government's policy since it came into office in 2010. This highlights the stated rationale for austerity, future plans for further savings, changes to the welfare state and the focus upon localism and open public services.

2.1 Rationale based upon deficit reduction and stimulating business growth

The Coalition Government's fiscal policy since 2010 has primarily focussed on deficit reduction. The key ambitions of the Government's economic policy are to reduce the amount of national debt and to stimulate and support private sector growth. This has translated into a number of different policy changes, such as reducing welfare support and heavy cuts in spending by local authorities and other public sector bodies. The Government's supposed focus on 'fairness' has become a contested issue. The evidence accumulated across many sources, some of which are cited in this report, show that there has been a disproportionately negative impact on lower income groups, including those in work, and communities that are more reliant on public services, pointing to a disconnect between Government policy and fairness for communities across the country.

Following the Coalition Government taking office in 2010, objectives were set out through the emergency budget in June 2010 and the subsequent Comprehensive Spending Review to 'rebalance the economy' and implement austerity measures. In economics, 'austerity' refers to reducing budget deficits in economic downturns by decreasing public expenditure and/or increasing taxes. In the UK, since 2010, this has been characterised by the former with large scale cuts to central and local government budgets and associated cuts in welfare benefits.

The Government has made a clear choice that in order to stimulate business growth there needs to be consolidation of public finances primarily through cuts to public spending. This is at the expense of tax rises which are the other key lever to invest in the economy. Around 20 per cent of the Treasury's plan for rebuilding public finances rests on tax rises, significantly through VAT, while 80 per cent comes from reductions in spending. Whilst on the one hand cuts have been made to Corporation Tax and Income Tax, the Government has cut unprecedented amounts of money from public services. It is the perception of a number of commentators that behind this continuing austerity drive is a political ideology of a moving towards a much smaller state, with lower taxes, conforming to core elements of neoliberalism and more limited intervention within the economy – alongside the cuts to public services we have witnessed increasing deregulation and privatisation.

2.2 Public sector spending to continue to fall

*'The greatest contribution to the Government's fiscal consolidation will come from public spending reductions, rather than tax increases.'*⁴⁵

Public sector spending cuts, the key action being utilised to cut the budget deficit, have been significant and will continue until at least 2018. According to the Office for Budget Responsibility (OBR), real per capita spending on public services will be cut by 23% between 2007/8-2018/19. This will reduce spending on public services and administration to its lowest share of GDP since at least 1948.⁴⁶ Changes to the programme since it was first announced in June 2010 mean we are only half way through a nine year programme of austerity, rather than three quarters of the way through a six year programme.⁴⁷ Originally the Coalition expected austerity to amount to 6.7% of GDP - £120 billion in real cash terms, but it is now estimated at 10.3% of GDP, equivalent to £210 billion in real cash terms.⁴⁸

⁴⁵ HM Government (2010) Budget 2010. London: The Stationery Office, pp. 15.

⁴⁶ Office of Budget Responsibility (2014) Working paper No.7 Crisis and consolidation in the public finances <http://budgetresponsibility.org.uk/wordpress/docs/WorkingPaper7a.pdf>

⁴⁷ Based on Crisis and consolidation in the public finances, Working Paper no. 7 (September 2014), Jon Riley and Robert Chote, Office for Budget Responsibility <http://budgetresponsibility.org.uk/wordpress/docs/WorkingPaper7a.pdf>

⁴⁸ Based on March 2014 Economic and Fiscal Outlook Tables: Supplementary Tables http://cdn.budgetresponsibility.org.uk/83723-March_2014_EFO_Fiscal_Supplementary_Tables.xls

Head of the OBR, Robert Chote states,

*'If you look over the consolidation as a whole – and particularly over that bit which has yet to be delivered – it's this squeeze on day to day public services that is the key to the remainder of the fiscal consolidation programme.'*⁴⁹

The Institute for Fiscal Studies states that the public sector workforce will be cut by 1.1 million between 2010/11 and 2018/19, as government saves 9.1% in public borrowing from 2008 up to this point.⁵⁰ These changes have been established under the Government's stated intention to promote a 'fair' tax and benefit system. There are two key elements to this - specific departmental cuts and welfare reform. In terms of the latter, significant changes to benefits and tax credits are being introduced through Universal Credit (announced in the 2010 budget) and the Welfare Reform Act 2012.

Public sector services and workers have been a central target of cost cutting initiatives. Public sector pay freezes have effectively lowered the remuneration of public sector workers and cuts across public sector have meant many departments have had to lose staff in large numbers. The Treasury has recently announced that a further £25 billion of cuts will need to be implemented following the election next year – around half of this (£12 billion) would come from the welfare budget. This £25 billion is in addition to the £81 billion up to 2014/15 that was announced in the 2010 Comprehensive Spending Review.⁵¹ Therefore the squeeze on public sector services, the workforce and for those also relying on these services and on welfare benefits will, at the present trajectory, continue for years to come.

2.3 Changes to the welfare state

A key target for reducing public expenditure has been to reduce the level of financial support to individuals and families through tax credits and benefits. The Welfare Reform Act 2012⁵² has made substantial changes to a number of benefits, including changes to housing benefit which came into effect in 2013. Key changes include:

- ❑ **The welfare cap:** The government is capping welfare spending in 2015, despite forecasts that millions of people face much higher rent charges and low wage rises. This cap will go on until 2018-19.
- ❑ **The introduction of Universal Credit** is likely to have significant impacts on individuals, families and communities. This is a single means-tested benefit which is replacing most previous separately means-tested benefits, including Job-Seekers Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit. Potential impacts, as detailed by Joseph Rowntree Foundation (JRF), include families with children hitting a ceiling where, despite working more hours, the steep withdrawal of Universal Credit (UC) means their disposable income after childcare costs fails to increase, or even falls. In some cases, families will be worse off working full-time than part-time. This means that many families with children receiving UC will fall short of an adequate standard of living.⁵³
- ❑ **Housing Benefit:** the most widely reported change to housing benefit, and the most impactful change for many, is the removal of the spare bedroom subsidy, also referred to as the under-occupancy penalty or bedroom tax. In many local areas, there is a shortage of available smaller units of one or two bedrooms which households can be transferred into. This lack of alternative housing stock reduces the opportunities for households to move to smaller properties, keeping tenants in properties which they are now being charged additional fees for. This increases a precarious financial situation for many.

⁴⁹ Public Services Cuts in the UK Set to Bite, Financial Times, 9 September 2014, <http://www.ft.com/cms/s/0/22b63f5a-382e-11e4-a687-00144feabdc0.html?siteedition=uk#axzz3HjUjdCOa>

⁵⁰ Institute for Fiscal Studies (2014) The public sector workforce: past, present and future <http://www.ifs.org.uk/publications/7113>

⁵¹ HM Government (2010) Spending Review 2010

http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191696.pdf

⁵² HM Government (2012) Welfare Reform Act. London: The Stationery Office.

⁵³ Joseph Rowntree Foundation (2013) Does Universal Credit enable households to reach a minimum income standard?

When present welfare reforms have come into full effect they will take nearly £19 billion a year out of the national economy, according to research from Sheffield Hallam University.⁵⁴ This is equivalent to around £470 a year for every adult of working age in the country. The research illustrates that Britain's older industrial areas, a number of seaside towns, and some London boroughs are hit hardest. For instance, Blackpool is impacted worst of all – an estimated loss of more than £900 a year for every adult of working age in the town. Sheffield Hallam's research suggests that the three regions of northern England alone can expect to lose around £5.2 billion a year in benefit income; therefore one of the key effects of the welfare reforms will be to widen the gaps between the most and least prosperous local economies across Britain.

2.4 A new era for services: localism and a change towards a smaller state

The changes and cuts that were announced in the Comprehensive Spending Review in 2010 were very much aligned with the Coalition's policy objectives around Localism and Open Public Services. This is through the rationale that a smaller state means more power and responsibility to deliver services being devolved to local communities or outsourced to alternative providers. With fewer people employed within the public sector the twin aims of localism and cutting the budget deficit can become entwined. Although localism reflects the traditional Conservative ideals of less state intervention, it can also act as a means to an end (i.e. cutting costs, shifting responsibilities to communities, residents and businesses, and indeed outsourcing and privatising a range of services).

On its own the word localism does not mean much, rather it is defined by the context and intention of its use. Therefore it is important to understand the definition of localism that the Coalition Government has chosen,⁵⁵ which itself is open to interpretation.

- ❑ To lift the burden of bureaucracy — by removing the cost and control of unnecessary red tape and regulation, whose effect is to restrict local action;
- ❑ To empower communities to do things their way — by creating rights for people to get involved with, and direct the development of, their communities;
- ❑ To increase local control of public finance — so that more of the decisions over how public money is spent and raised can be taken within communities;
- ❑ To diversify the supply of public services — by ending public sector monopolies, ensuring a level playing field for all suppliers, giving people more choice and a better standard of service;
- ❑ To open up government to public scrutiny — by releasing government information into the public domain, so that people can know how their money is spent, how it is used and to what effect; and
- ❑ To strengthen accountability to local people — by giving every citizen the power to change the services provided to them through participation, choice or the ballot box.

Some of these aims can clearly be identified with localism, such as increasing local control of public finances and empowering communities. Others less so, in particular diversifying public service providers. This is not what could be described as having localism at its heart, rather using it as a vehicle to break up public services and increase privatisation/outsourcing of functions that hold important public value. This is explored further below.

The severe budgetary pressures faced by local authorities in particular, have been encouraging councils to fundamentally alter their service delivery. The decisions have varied across the country, depending on the strategic direction authorities have taken and the analysis of needs based assessments. Some authorities are outsourcing and externalising their services as much as possible, whilst others are bringing some services back in-house to gain maximum value; other services are being cut considerably.⁵⁶

⁵⁴ Sheffield Hallam University (2013) Hitting the Poorest Places Hardest: The local and regional impact of welfare reform

⁵⁵ See: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/547/54705.htm>

⁵⁶ Association for Public Services Excellence (2012) Insourcing: a guide to bringing local authority services back in house

There is a raft of policy around localism and open public services. One example being Community Right to Challenge within the Localism Act which gives community groups and local authority employees in England the right to express an interest in taking over the running of a local authority service. The stated rationale for this is to make it easier for local groups with good ideas to put them forward and drive improvement in local services. However, critics maintain that this may lead to volunteers taking over the roles of trained professionals, the capture of services by unrepresentative groups, with greater access to information and resources, and the exclusion of marginalised voices within the community, further widening inequalities. Furthermore, the practical effect of a community challenge is to trigger a competitive tendering process which may end with the service being run by a private contractor – leaving the community group 'high and dry'. The stated policy intentions are perhaps somewhat at odds with other policy which promotes increased levels of competition in other public services, most clearly outlined in the Open Public Services White Paper 2011.⁵⁷ The White Paper was based on five key planks:

- ❑ Increased choice;
- ❑ Decentralisation to the lowest appropriate level;
- ❑ Using a range of providers to stimulate innovation;
- ❑ Fair access to services across all communities;
- ❑ Increased levels of accountability.

This highlights the major change in services as part of public sector reform which councils and the wider public sector will need to respond to. A 2012 update report on the White Paper outlined the Localism Act⁵⁸ as being important in empowering communities, but there is a notable tension with other elements of the language being used around competition. This language represents a fundamental shift in how the Government wants services to be delivered:

'Open networks in which diverse and innovative providers compete to provide the best and most efficient services for the public...Government at all levels become increasingly funders, regulators and commissioners...whose task it is to secure quality and guarantee fair access to all, instead of attempting to run the public services from a desk in city or county hall'

'Introduce competition, choice and accountability so that public services can display the same innovation and entrepreneurial drive that characterise the best of the UK's economy and society.'

'Opening centrally commissioned services to diverse providers, paid in accordance with the services they provide and the results they achieve.'

⁵⁷ Cabinet Office (2011) http://files.openpublicservices.cabinetoffice.gov.uk/HMG_OpenPublicServices_web.pdf

⁵⁸ Source: http://files.openpublicservices.cabinetoffice.gov.uk/HMG_OpenPublicServices_web.pdf

3 THE NATURE OF AUSTERITY IN THE UK

This section of the report analyses where austerity cuts are being implemented, and how in particular this is impacting upon local government and its services.

3.1 Implementation of austerity measures

Key messages:

Austerity measures began to be implemented following the Comprehensive Spending Review of 2010. Austerity can be a mix of selling assets, tax rises and public spending cuts. Under the current programme it has been disproportionately focused upon spending cuts – most notably through the welfare bill and Departmental Expenditure Limits (DEL).

The OBR estimates that between 2014/15 and 2019/20 spending on public services, administration and grants by central government is projected to fall from £5,650 to £3,880 per head in 2014/15 prices. With around 60% of cuts to be delivered in the next parliament, local authority spending is likely to be severely affected.

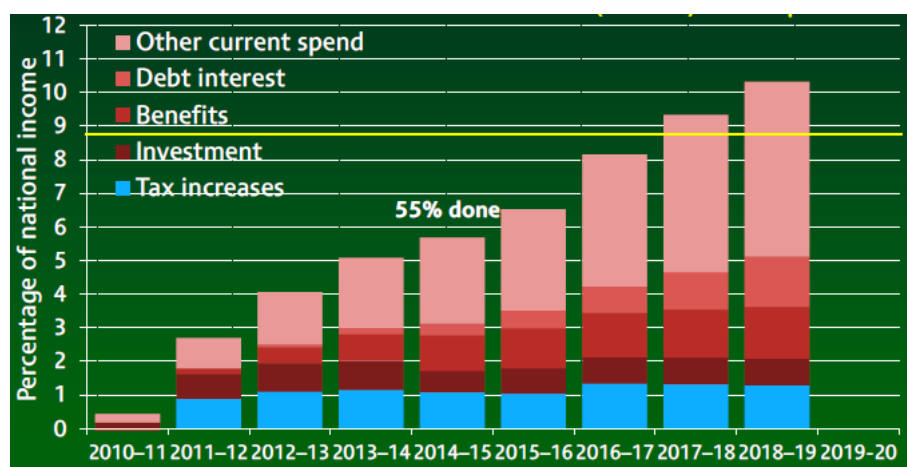
It was originally anticipated that the programme of austerity would last until 2015, however, it will now continue until at least 2019/20. Figure 1 shows that fiscal consolidation is at 55% of where the Government aimed to be in 2014/15. This has considerable implications for public services. According to the OBR:

*"Between 2014/15 and 2019/20... around 80 per cent of the remaining change in the budget balance (4.7 per cent of GDP or £86 billion in today's terms) comes from the cuts in day-to-day spending on public services and administration implied by the Government's firm 2015-16 plans, its assumption for total spending thereafter and our forecast for AME spending."*⁵⁹

The OBR also estimates that between 2014/15 and 2019/20 spending on public services, administration and grants by central government is projected to fall from £5,650 to £3,880 per head in 2014/15 prices. Around 60% of cuts will be delivered in the next parliament, and the OBR note that the "implied squeeze on local authority spending is simply severe".⁶⁰

One contributing factor to the Government missing its deficit reduction target is the shortfall in predicted tax receipts. Analysis by the Institute of Public Policy Research for the TUC shows that had earnings growth been in line with the OBR's forecast in 2010, income tax receipts in 2014/15 would be £176 billion. But the Treasury is now expected to collect just £159 billion - £17 billion less than forecast.

Figure 1: Planned consolidation up to 2019/20⁶¹



⁵⁹ Economic and Fiscal Outlook, December 2014, Office for Budget Responsibility

⁶⁰ Ibid

⁶¹ Source: Institute for Fiscal Studies (2014) Budget 2014 Briefing

To date, the programme of fiscal consolidation has been approached in four ways.

- ❑ **Firstly through reducing the welfare bill.** The national understanding of benefits, the welfare state and people who receive benefits has been significantly re-assessed over the course of this Government, and plans are for this to continue.
- ❑ **Secondly, through cuts to Central Government Departmental Expenditure Limits (DEL).**
 - This has fallen heavily on the Department for Communities and Local Government and consequently on local government and localities.
 - While funding for NHS, International Aid and schools have been ring-fenced, this does not protect budgets from the effects of inflation. In the NHS, which purchases new technology, medicines, and is particularly susceptible to demographic changes (for instance the impact of an ageing population), health inflation has historically run at around twice the rate of inflation so that even with the ring fencing, there are significant cuts in funding. NHS England estimates that the shortfall, based on the continuation of current spending levels, increasing demand and no substantial gains in productivity, will be £30billion by 2020/21⁶².
 - The changes to DEL have been characterised by unprecedented job cuts across the public sector. The public sector workforce stood at 5.7 million in mid-2013, constituting 20% of total employment – this was the lowest share of employment for four decades. Using OBR forecasts, the IFS note that further cuts in government employment will reach 1.1 million by 2019/20 compared with 2010/11.⁶³ This means the share of public employment would be just 14.8% of the workforce, dramatically changing the shape of the UK labour market. Cuts to public sector employment have of course been made before, but not to this scale. In the 1980s this was driven by privatisations of public sector organisations, which itself represented a substantial change in the shape of the public sector workforce. The only sustained fall in public sector employment in the last 50 years took place in the 1990s when employment fell by 350,000, though some of that is explained by the 'contracting out' of some service jobs in the public sector to private sector contractors.⁶⁴ Both of these instances will be dwarfed by the fall of more than 1 million in public sector employment currently projected by the OBR.
- ❑ **Thirdly, taxation: while not directly increasing, there are inbuilt increases predicated on growth and increasing efficiency in gathering taxes.** The 2013 Autumn Statement identified a target of an additional £6.8 billion in taxes through tackling avoidance and evasion by 2018/19⁶⁵ - although this is relatively limited in itself considering that HMRC calculates that up to £10 billion per annum is lost in tax avoidance and illegal evasion, although there is uncertainty in these figures. Indeed analysis by Tax Research for TUC⁶⁶ suggests that £25 billion annually is lost in tax avoidance (£13 billion per annum from individuals and £12 billion from the 700 largest corporations). The main contribution, however, as estimated by OBR⁶⁷ is through an additional £170 billion in tax receipts in 2018/19 as compared to 2013/14. This represents a 28% increase in income but with a heavy reliance on Income tax, National Insurance Contributions (NIC) and VAT.

⁶² Five Year Forward View, NHS England, October 2014 <http://www.england.nhs.uk/ourwork/futurehns/5yfv-exec-sum/>

⁶³ Institute for Fiscal Studies (2014): The public sector workforce: past, present and future <http://www.ifs.org.uk/billions/billion145.pdf>

⁶⁴ Institute for Fiscal Studies (2014): *ibid*

⁶⁵ This additional figure has been criticised by the Select Committee for DCLG as based on a misleading underestimation of previous success in a gathering taxes.

⁶⁶ TUC (2013) The Missing Billions: The UK Tax Gap <http://www.tuc.org.uk/sites/default/files/documents/completedownload.pdf>

⁶⁷ Office for Budget Responsibility (2014) Economic and Fiscal Outlook (EFO) Charts and Tables, Table 4.5: http://budgetresponsibility.org.uk/pubs/March_2014_EFO_Charts_and_Tables.xls

- ❑ **Fourthly, through selling off Government Assets.** Some big ticket items so far have been the 4th Generation (4G) Spectrum proceeds (£2.34 billion) and Royal Mail (£1.98 billion)⁶⁸. Future sales may include stakes in Eurostar (estimated UK share of approximately £300m) and Urenco⁶⁹ (UK share approximately £3 billion). Added to this has been the budgeted return of £63.5 billion financial sector intervention (bailout) monies (2010/13)⁷⁰, alongside the £70 billion devaluation of the public sector pension pot. The government aims to sell off £20 billion worth of public assets by 2020.⁷¹

3.2 Austerity: deep consequences for people and places

The above highlights in broad terms how austerity is being played out in the UK. Its impacts are very real, as highlighted in the subsequent sections and in the accompanying case studies. There are a number of other studies that have highlighted the nature of the overarching changes and impacts that austerity is having on society and in the economy. For instance the New Economics Foundation (NEF) highlight how austerity now means that the welfare state no longer provides an adequate safety net for the most vulnerable people in society, meaning more people are struggling to meet basic needs. The study,⁷² based on in-depth analysis across a number of locations, highlights the growing risks of food and fuel poverty, homelessness, and indebtedness. Services which could help meet these needs, such as social care, child care, youth services, housing services, and legal advice, are all being restructured and reduced. People's lives are made increasingly insecure by the rising cost of living, unemployment and/or precarious, part-time and poorly paid employment and increasing levels of debt. In addition the cuts have weakened the social economy - unpaid time, caring, support, friendship, expertise, giving, and learning that underpin society and the formal economy. This is what the government's vision of the 'Big Society' relied upon, and as such it has been pushed back from political mainstream discussion and policy.

It is also important to note that the great majority of the population are impacted to some degree by austerity. This might be as simple as pot holes not being fixed, but also, for instance, child centre services being reduced (as highlighted in several case studies) as universal provision is cut back, increasing charging for leisure facilities, or cutting back library provision. It can impact on all families in all places. For instance, the following quote summarises the impact of cuts on libraries:

*'Libraries are about more than just books. They play a key role but the service has never been under more pressure. Our council has cut mobile libraries and reduced hours in most libraries. When so many people are struggling financially, it's just wrong to make it harder to access libraries where they can get books, entertainment, education, information and use of computers and the internet.'*⁷³

The narrative around austerity has been skilfully put together by the government, in that it has convinced many of the need for continuing cuts to public spending. NEF argue that alternatives to austerity played out by opponents do not have the same coherence or popular appeal, and that the prevailing narrative to austerity can be challenged more effectively.⁷⁴ This means developing arguments that are more coordinated and responsive to public opinion, including economic reform, ensuring key sectors such as banking and finance, energy and transport work for the many, demonstrating the value of public investment for economic growth and social cohesion, addressing the cost of living crisis and exposing the Government's broader political agenda around a shrunken state. NEF cites the TUC's 'Future that Works', as being the best opponent to austerity in many respects.

⁶⁸ House of Commons Library, 2013. Privatisation of Royal Mail plc, 22 November 2013. <http://www.parliament.uk/briefing-papers/sn06668.pdf>

⁶⁹ Urenco is a uranium enrichment plant owned by three governments, including the UK Government.

⁷⁰ HM Treasury, 2013. PESA.

⁷¹ UK's Eurostar stake up for sale as George Osborne looks to raise £300m, City AM, 13 October 2014 <http://www.cityam.com/1413178987/eurostar-sale-george-osborne-looks-raise-300m>

⁷² New Economics Foundation (2013) Surviving Austerity: Local voices and local action in England's poorest neighbourhoods http://b3cdn.net/nefoundation/630d61e59ee7ff259a_jbm6bujah.pdf

⁷³ UNISON Scotland (2014) The cuts don't work: The impact of austerity cuts on Scotland's public services http://www.unison-scotland.org.uk/publicworks/TheCutsDontWork_UNISONScotlandReport_June2014.pdf

⁷⁴ New Economics Foundation (2013) Framing the economy: the austerity story http://b3cdn.net/nefoundation/a12416779f2dd4153c_2hm6ixryj.pdf

3.3 A disproportionate cut to local government

3.3.1 Departmental spending cuts

Key messages:

There are savings being made across nearly all of the Government's departments as part of its austerity drive. However there is a highly disproportionate impact upon the Department for Communities and Local Government, with Departmental Expenditure Levels (DEL) taking much larger cuts over the period 2010/11 to 2015/16. A significant proportion of this directly translates into local authority spending cuts.

Between 2010 and 2012 local authorities received some of the largest cuts to their budgets with an average reduction of around 33%, compared to a 12% reduction in other government departments.⁷⁵ Analysis from London Councils on the Settlement Funding Assessment (SFA) between 2013/14 and 2015/16, shows the average real terms cut to SFA is 23.8% for England as a whole over this period.⁷⁶

The targeting of local government activity is resulting in a significant funding gap, which could reach over £12 billion by 2019/20. This will mean that many local government services may not be sustainable and this will change the face of the sector over the coming years.

Table 1 illustrates the deep spending cuts planned across each of the government departments between 2010/11 to 2015/16. Nine Departments are being cut by over 20% and six by a third or more. The Department for Communities and Local Government (DCLG) is being cut by over a half (57% for local government, equating to £14.6 billion). DCLG's cuts across both communities and local government represent 39.0% of all departmental cuts, highlighting the disproportionate share that local authorities across the country have to bear.

This means that cuts will impact more heavily on areas with large councils that previously benefitted from larger levels of formula grant funding to tackle issues of concentrated need and poverty; typically, larger urban authorities, mainly concentrated across London and the North of England. Particularly hard hit are those urban areas where the private sector is relatively weak and offers less employment and opportunity.

Figure 2 shows how local government expenditure as a proportion of total public expenditure has been declining for a number of years (actually beginning under the previous administration) and how recent austerity measures are exacerbating this. It is difficult to comprehensively understand what is really happening to local government funding especially as it is a composite of funding from 8 different departments. However, what we do know is that between 2010 and 2012 local authorities received some of the largest cuts to their budgets with an average reduction of around 33%, compared to a 12% reduction in other government departments; and analysis from London Councils on the Settlement Funding Assessment (SFA) between 2013/14 and 2015/16, showed the average real terms cut to SFA is 23.8% for England as a whole.⁷⁷ It is suggested by the National Audit Office that the Government will have reduced its funding to local authorities by an estimated 37% between 2010 and 2015-16.⁷⁸

This all leads to a significant funding gap for local government. Analysis by the Local Government Association (LGA) has shown that the funding gap for councils between March 2014 and the end of 2015/16 will be £5.8 billion.⁷⁹ The gap is the disparity between the total money councils have next year (£46.3 billion) and the amount of money they would need to maintain 2013/14 levels of service. The total funding gap is forecast to increase at an average rate of £2.1 billion per year until 2019/20 when it will reach £12.4 billion. Critics believe that this will not be sustainable and will completely change the face of local government and locally delivered public services in the next half decade.

⁷⁵ Source: LGA (2014) Future funding outlook 2014: Funding outlook for councils to 2019/20 <http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+---+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

⁷⁶ Source: Local Government Finance Settlement 2014/15: Response by London Councils

⁷⁷ Source: Local Government Finance Settlement 2014/15: Response by London Councils

⁷⁸ Source: National Audit Office (November 2014) The Impact of funding reductions on local authorities

⁷⁹ Source: LGA (2014) *ibid*

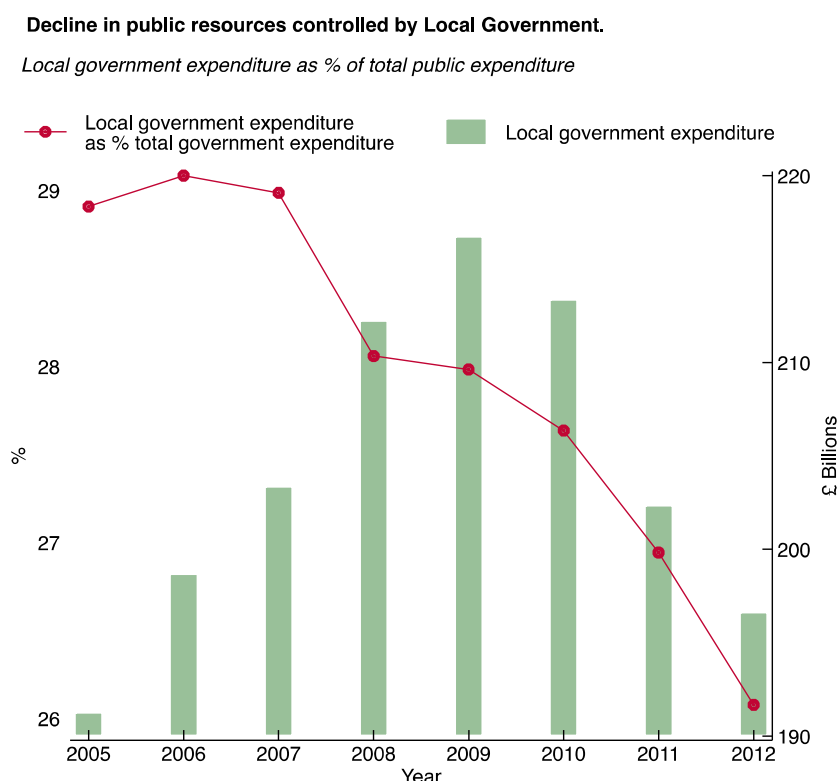
Table 1: Percentage spending changes in real terms by department, 2010/11 to 2015/16^{80,81}

2010/11 to 2015/16	Percentage change in Departmental budget (2010/11 to 2015/16)	Departmental cut in budget (£ billion) (2010/11 to 2015/16)	Proportion of overall reduction by Department (%)
Education	-7.5%	4.5	8.5%
NHS (Health)	5%	-5.3	Increase of 9.9%
Transport	-6.5%	0.8	1.6%
CLG Communities	-57%	6.1	11.5%
CLG Local Government	-57%	14.6	27.4%
Business, Innovation and Skills	-17.7%	3.4	6.7%
Home Office	-24.9%	3.4	6.4%
Justice	-34.3%	3.3	6.3%
Law Officers' Departments	-28.6%	0.2	0.4%
Defence	-19.3%	7.6	14.2%
Foreign and Commonwealth Office	-51.8%	1.2	2.3%
International Development	35.2%	-2.7	Increase of 5.2%
Energy and Climate Change	9.5%	-0.3	Increase of 0.6%
Environment, Food and Rural Affairs	-30.9%	0.9	1.7%
Culture, Media and Sport	-34.9%	0.8	1.4%
Work and Pensions	-58.4%	8.7	16.3%
Scotland	-7.3%	2.2	4.1%
Wales	-8.1%	1.3	2.4%
Northern Ireland	-8.5%	1.0	1.8%
Chancellor's Departments	-19.6%	0.8	1.5%
Cabinet Office	-11.2%	0.3	0.5%
Small and independent bodies	-15.9	0.3	0.5%
Total DEL	-13.2%	53	n/a

⁸⁰ Source: Public Expenditure Statistical Analysis, 2014 <https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2014>

⁸¹ Real terms figures are the cash figures adjusted to 2013-14 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics in 2014. Real terms figures are the actual (known as nominal) spend adjusted to exclude the effect of general inflation, as measured by the GDP deflator at market prices.

Figure 2: Local government expenditure from 2005 to 2012, and local government expenditure as % of total government expenditure⁸²



Source: OECD Fiscal decentralisation database, adjusted to 2012 prices using GDP deflator

3.3.2 Austerity impacting upon the most disadvantaged places

Key messages:

The austerity measures are impacting most on those local authorities in the poorest parts of the country, which are characterised by weak economic bases, have high levels of social need and experience the worst health outcomes. This is likely to even further widen inequalities in what is already one of the most unequal countries in Europe.⁸³ Welfare reform will also impact disproportionately – it will result in £5.2 billion lost in income in the north of England for example (North West, North East and Yorkshire and The Humber).

Other recent changes in local government financial arrangements, such as the New Homes Bonus, compound the impact of funding cuts, exacerbating regional inequalities, with authorities in higher growth areas benefiting disproportionately.

The spending cuts have inevitably led to significant job losses, with local government bearing the largest burden. The largest relative public sector job losses have occurred in the North West, South West, and the East of England, but in particular there is a disproportionate impact in the North East.

There is also a disproportionate impact upon women. 96,000 males in full time posts in local government have lost their jobs, compared with nearly 141,000 full time women.

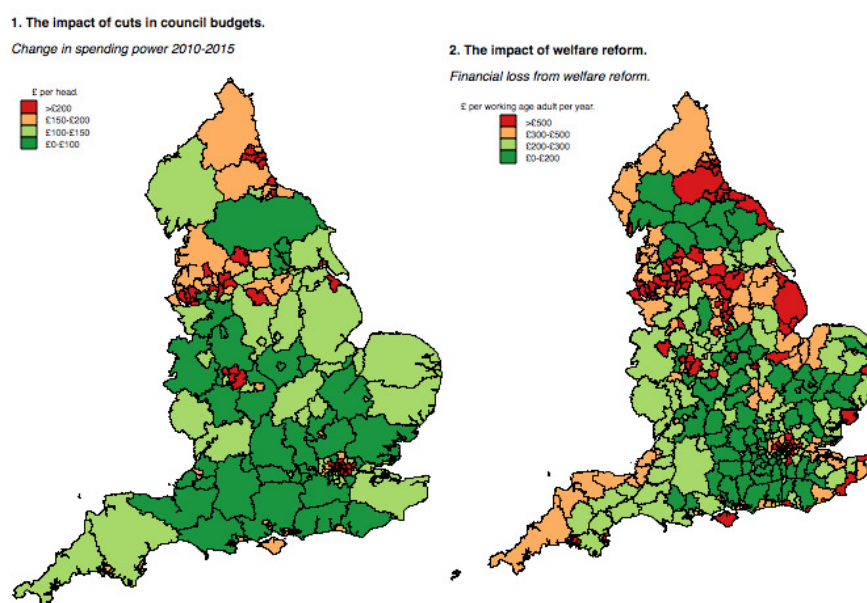
⁸² CLES (2014) Due North: Report of the Inquiry on Health Equity for North <http://www.cles.org.uk/publications/due-north-report-of-the-inquiry-on-health-equity-for-the-north/>

⁸³ <http://www.poverty.org.uk/e14/index.shtml>

The programme of austerity is hitting councils hardest in some of the poorest parts of the country, (see Figure 3). These cuts will make inequalities worse because they are disproportionately hitting the poorest areas with the worst health outcomes hardest, places such as Liverpool, Manchester and Blackpool (see Figure 4). On top of these cuts to local authority budgets, more deprived areas are experiencing large financial losses due to welfare reform (Figure 3) with the three regions of northern England (North West, North East and Yorkshire and The Humber) losing an estimated £5.2 billion in total a year in benefit income.⁸⁴ Additionally, research from the Joseph Rowntree Foundation⁸⁵ illustrates how cuts in spending power and budgeted spend are systematically greater in more deprived local authorities than in more affluent ones – a difference of around £100 per head in both England and Scotland. The reductions in spending are only part of the story as authorities also have to cope with rising costs and demands.

Other recent changes in local government financial arrangements, such as the New Homes Bonus, compound the impact of funding cuts. The New Homes Bonus redistributes money to English councils that have granted permission for new housing and bought vacant residences back into use; £2.2 billion has been spent on the scheme so far. Analysis from the Association of North East Councils shows there is a distributional impact created by this policy (as shown in Figure 5).⁸⁶ This highlights that the anticipated net loss is again likely to be much more orientated towards the North East, North West and Yorkshire and The Humber, and parts of the Midlands, also with pockets across the South and East. Recent analysis has suggested that while local authorities in London, the South East and East Anglia have benefited from £177m more than they would have done without the house building scheme, those in the north and Midlands have comparatively lost out.⁸⁷ The 50 most deprived councils have lost out on £111m, while the 50 least deprived have gained £96m.

Figure 3: Map showing change in local authority spending power and financial losses from welfare reform for each council in England⁸⁸



⁸⁴ Sheffield Hallam University (2013) Hitting the Poorest Places Hardest: The local and regional impact of welfare reform

⁸⁵ Joseph Rowntree Foundation (2013) Coping with the cuts? Local government and poorer communities

<http://www.jrf.org.uk/sites/files/jrf/local-government-communities-full.pdf>

⁸⁶ Association of North East Councils Key Resource Issues for North East Local Government:

<http://www.northeastcouncils.gov.uk/downloadaddoc.asp?id=519>

⁸⁷ Local Gov (28th July 2014) <http://www.localgov.co.uk/New-Homes-Bonus-leaves-North-worse-off-research-suggests/36856>

⁸⁸ Sourced from CLES (2014) Due North: Report of the Inquiry on Health Equity for the North <http://www.cles.org.uk/publications/due-north-report-of-the-inquiry-on-health-equity-for-the-north/>

Figure 4: Cuts in council budgets are greatest in areas with the worst health outcomes: Council cuts per head (2010-2013) correlated against premature mortality rates⁸⁹

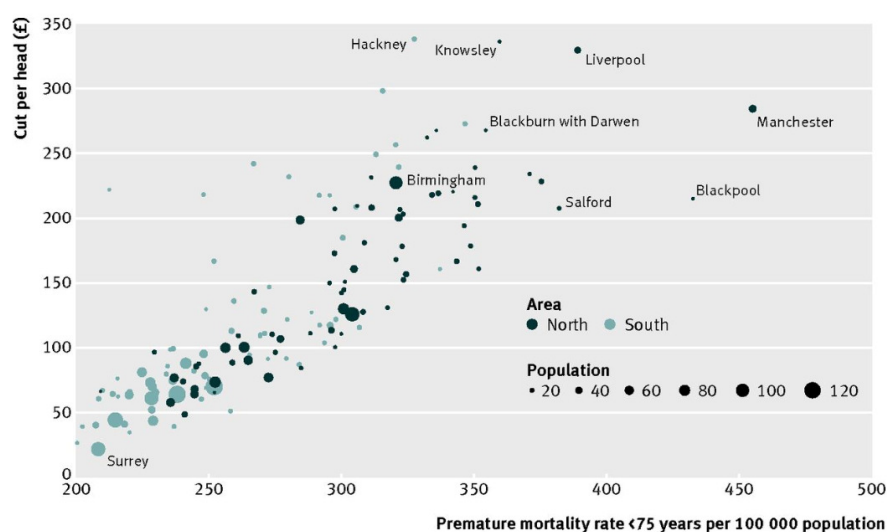
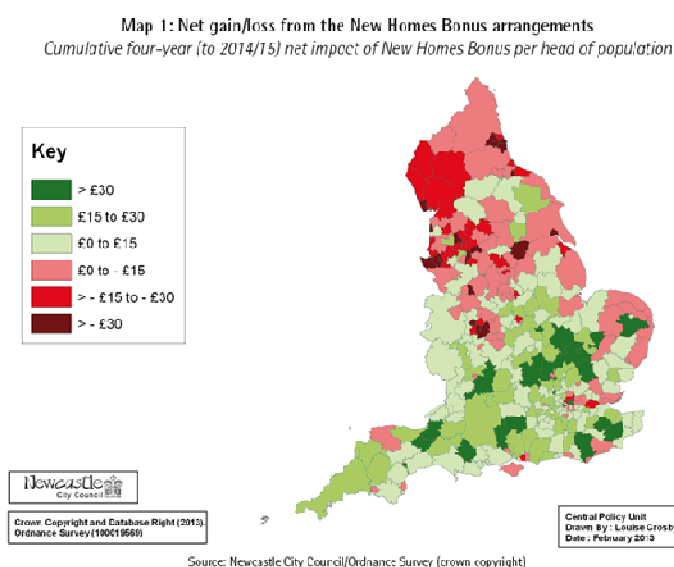


Figure 5: Net gain/loss from the New Homes Bonus Arrangements⁹⁰



Public sector funding therefore is currently aligning with successful economies rather than addressing need across England. Disparities in infrastructure investment,⁹¹ as shown above, inevitably compound structural social and economic inequality. Whilst the effects of these policies may not be felt immediately the international evidence from previous periods of austerity and welfare expansion and contraction indicate that inequalities in both mortality and morbidity increase when public services and welfare are cut.⁹²

There is a pressing need for alternatives to austerity, and where a reduction in government spending is unavoidable it needs to be carried out in a way that does not exacerbate existing inequalities. However, the current policy of austerity and the further cuts planned for the coming years are likely to significantly widen income and health inequalities within the country as a whole and notably between areas of high and low deprivation.

⁸⁹ Sourced from Taylor Robinson, D and Barr, B (2010) A Fairer Start for Children in the North of England A discussion paper submitted to the Inquiry into Health equity in the North of England

⁹⁰ Source: Association of North East Councils (2014)

⁹¹ Cox, E. & Davies, B (IPPR: 2013) Still on the wrong track: an updated analysis of transport infrastructure spending: <http://www.ippr.org/publications/still-on-the-wrong-track-an-updated-analysis-of-transport-infrastructure-spending>

⁹² Taylor Robinson, D and Barr, B (2010) A Fairer Start for Children in the North of England A discussion paper submitted to the Inquiry into Health equity in the North of England

3.3.3 The false economy of austerity measures

One of the most revealing elements of the austerity programme is that, to an extent, it presents a false economy. The cuts to welfare benefits and local government, for instance, are driving demand and displacing need to other public service areas which have to intervene to address social costs.

This highlights a lack of forward thinking when assessing what the impacts of cuts may be and the implications for other public service areas. For instance, the House of Commons Public Accounts Committee, when undertaking a review of the financial sustainability of local authorities, stated that there were serious shortcomings when planning changes to local government and the way that the Department for Communities and Local Government functions:

*'The Department does not properly understand the overall impact on local services that will result from the funding reductions... For key local service areas the Department did not do enough work with other government departments to model how funding changes may adversely affect other areas of the public sector, for example cuts in local authority adult social care could lead to bed blocking in hospitals.'*⁹³

The committee also highlighted the impacts on local authorities on being able to deliver statutory services:

*'Local authorities' funding continues to be cut yet the number of statutory duties they have has stayed the same, and in some areas, such as adult social care, the demand for services is increasing. If these trends continue there is a risk that the worst-affected councils will be unable to meet their statutory obligations, and that serious questions will arise about the viability of some councils.'*⁹⁴

3.3.4 The continuing fall in public sector employment

Inevitably, funding cuts have led to significant local job losses since the Coalition Government began. Between Quarter 2 2010 (when the Coalition entered office) and Quarter 2 2014 nearly 550,000 public sector jobs were lost in England, as shown in Table 2, although in net terms over 1.25 million new jobs were created due to private sector job growth. Nevertheless it illustrates how losses in public sector jobs have had a significant impact upon the labour market.

The table serves to highlight some of the disparities across the country. For instance it shows stronger private sector job growth in London, the South East and East – reflecting the concentration in economic activity across the Greater South East. There is a disproportionate impact in post-industrial regions such as the North West and West Midlands, which have traditionally relied upon a high proportion of public sector employment. The impacts are most markedly felt, however, in the North East, where net job growth was depressed due to large numbers of public sector jobs being lost and a relatively small private sector. It is a strong example of an area still trying to cope with the effects of industrial restructuring where public sector employment has filled an important gap. Austerity is therefore impacting on some regions particularly deeply in terms of jobs, and this has knock on effects for already struggling local economies in terms of falling spend.

Table 3 highlights the relative loss of jobs in the public sector and those created in the private sector over the same time period. It illustrates the limited job creation within the North East, North West and West Midlands, and also that these regions have suffered considerably in the proportion of public sector jobs lost. In addition, Yorkshire and The Humber, another region that has relied on relatively high levels of public sector employment, has experienced significant decline in jobs, although private sector job growth has been stronger.

What these tables do not show, is the quality of jobs being created. This is an important distinction, as many jobs being created are now in the service sector, and poor terms and conditions are resulting in more people falling into in-work poverty. Research published by the TUC identified the key reasons for record low earnings growth were the changing composition of the labour market,

⁹³ House of Commons Committee of Public Accounts: Department for Communities and Local Government: Financial sustainability of local authorities: Third report of session 2013/14 <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/134/134.pdf>

⁹⁴ Public Accounts Committee, *Department for Communities and Local Government: Financial sustainability of local authorities* (2013), House of Commons: www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/134/134.pdf

with low-paying sectors creating far more jobs than high-paying ones and a shift from full-time work to part-time work and the increasing scale of under-employment.⁹⁵

An example is London, where approximately a third of total jobs created between 2010 and 2013 were in what could be classified as lower wage sectors, such as: administration and support, other services, arts, entertainment and recreation, wholesale and retail, construction, and accommodation and food services.⁹⁶ This is a broad assumption 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 characteristic of lower wages. Therefore the statistics only tell some of the story – the quality of private sector job creation may not always offset the falls in public sector employment to the levels they hint at on the surface.

Table 2: Private sector job growth and falling public sector employment across the – regions, between Quarter 2 2010 and Quarter 2 2014^{97,98}

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
South East	-58,000	250,000	192,000
South West	-78,000	165,000	87,000
West Midlands	-54,000	100,000	46,000
East Midlands	-35,000	136,000	101,000
England	-549,000	1,807,000	1,258,000

The figures in this table, were developed by ONS for analysis, to avoid discontinuities in data in recent years due to major reclassifications of what is in the public sector and what is not. Most importantly 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. Therefore 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.

⁹⁵ Earnings and Settlements, IDS, June 2014 http://www.tuc.org.uk/sites/default/files/Earnings_and_Settlements.pdf

⁹⁶ Source: Business Register and Employment Survey, 2013

⁹⁷ Source: ONS, Public Sector Employment, Statistical Bulletin, Q2 2014

⁹⁸ 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.

Table 3: Percentage change in private and public sector employment across the regions, between Quarter 2 2010 and Quarter 2 2014⁹⁹

Region	Change in public sector employment, Q2 2010 - Q2 2014	Change in private sector employment Q2 2010 - Q2 14
East	-9%	+10%
London	-10%	+16%
North East	-16%	+6%
North West	-13%	+5%
Yorkshire and The Humber	-14%	+12%
South East	-9%	+8%
South West	-15%	+8%
West Midlands	-11%	+5%
East Midlands	-9%	+9%
England	-11%	+9%

A further point which deserves analysis is how the breakdown of jobs lost within the public sector impacts upon gender and whether this has been mainly felt in part time or full time employment. Figure 6 shows that within local government, there has been a disproportionate impact on women as austerity measures have been implemented. 96,000 males in full time posts in local government have gone (21%), compared with nearly 141,000 (31%) who are women. Importantly, 42% (195,000) of the posts that have now been made redundant have been women in part time employment.

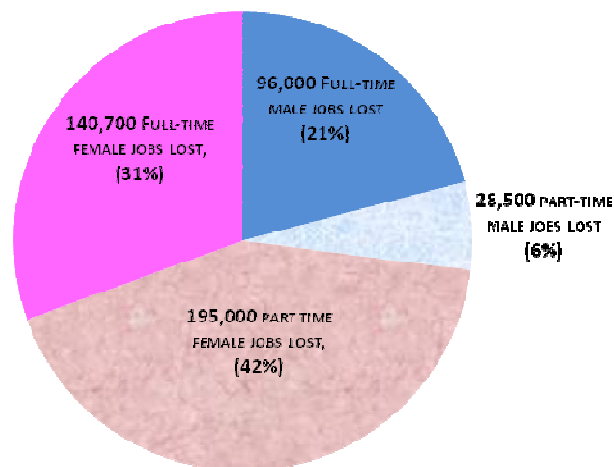
Further, in 2013 16% of women in the private sector were employed in high skilled jobs, compared with 42% in the public sector. Furthermore, a higher proportion of women in the private sector were employed in low skill jobs (14%) compared with the public sector (7%).¹⁰⁰ The Women's Budget Group has found that women are not benefitting equally from new employment in the private sector. Instead 63 of every 100 new (net) jobs created since 2009-10 went to men and just 37 to women. What is more, the new jobs are lower paid, more precarious and more likely to be part-time.¹⁰¹

⁹⁹ Source: ONS, Public Sector Employment, Statistical Bulletin, Q2 2014

¹⁰⁰ Source: ONS http://www.ons.gov.uk/ons/dcp171776_355119.pdf

¹⁰¹ Women's Budget Group (2013) The impact on women of the Coalition Government's spending round 2013 <http://wbg.org.uk/pdfs/WBG-Analysis-June-2013-Spending-Round.pdf>

Figure 6: Local government job losses by gender and whether they are part time or full time¹⁰²



3.3.5 The range of impacts upon the public sector workforce

The public spending cuts are having a major impact on the workforce, both on those who are being made redundant, and those who remain and are covering vacant posts, experiencing pay freezes and further cuts to working conditions. The impacts upon pay and conditions are also having a detrimental effect upon the living standards of public sector employees.

The impacts of redundancy

Being made redundant can have a significant impact on an individual's future experience in the labour market; however this impact is likely to be influenced by the individual's circumstances, such as their skills set, work experience and health. As such, it is likely that being made redundant affects individuals' future labour market experiences differently.

It may also be the case that the emotional strain of being made redundant and the potential impact on physical and mental health results in individuals withdrawing from the labour market entirely, particularly if they are close to retirement age.

A particular implication for local public sector workers may be a number of barriers to employment in the private sector. The effect of these workforce cuts on individuals' welfare and on the labour market will depend on the ease with which former public sector workers can move to the private sector, both in the country as a whole and within individual regions, as well as the extent to which reductions in the size of the workforce are driven by job losses. The scale of the cuts and the fact that the characteristics of the two workforces are markedly different at present makes this shift look challenging. Some specific challenges are outlined below:¹⁰³

- ❑ **The public sector workforce is older** – 6% are under 25 compared with 16% in the private sector; 30% are aged over 50 compared to 26% in the private sector. Age discrimination towards former public sector workers, particularly to those aged 50 and above, may also be an issue. CLES has undertaken research into barriers into employment for people aged 50 and above, highlighting multiple issues¹⁰⁴;
- ❑ **Part time employment in the public sector** – in local government more than 50% of workers are part time; this will restrict certain job opportunities for ex-public sector workers, mainly women;
- ❑ **Many of the jobs in the public sector hardly exist in the commercial sector** – for example trading standards officers;

¹⁰² ONS, Local Government Employment statistics, Q4 2013

¹⁰³ The Work Foundation (2012) Public Loss, Private Gain?

¹⁰⁴ <http://www.cles.org.uk/wp-content/uploads/2011/03/Final-Report-Feb11.pdf>

- ❑ Some evidence suggests private sector employers have reservations about employing ex-public sector workers – the Coalition Government had expected that the private sector will create employment opportunities for redundant public sector workers but it is not so clear cut. A report by the British Chambers of Commerce¹⁰⁵ found that over 80% of businesses were not confident in employing public sector workers due to a fear of not having the appropriate skill sets. Further to this, the report stated that only 19.8% of employers were confident in recruiting ex-public sector staff, and smaller companies were least confident in recruiting from the public sector. The findings of the report are supported by a survey by the Chartered Institute of Management Accountants¹⁰⁶ which found that 74% of mid-sized businesses had no plans to hire ex-public sector workers in the coming year.¹⁰⁷ Some of these views are likely to be largely unfounded in reality, however, the perceptions of some employers could make it more difficult for redundant public sector workers to gain employment in the private sector.

These issues may mean that many of the people facing redundancy will be at a particular disadvantage due to one or multiple barriers, also meaning the monetary costs remain high for those claiming benefits.

The impact of job insecurity and redundancy on health

Being made redundant, or the threat of being made redundant, can have a significant impact on an individual's health and wellbeing. Job insecurity and the threat of redundancy can have marked effects upon individuals, such as adverse effects on self-reported physical and psychological morbidity, high rates of sickness absence, increased health service use, and other impacts.¹⁰⁸

Individuals' mental health can also be severely affected by being made redundant, including the effects of depression, feelings of negativity and even betrayal.¹⁰⁹ Such effects are bound to have impacts on the future labour market experiences of individuals, meaning increases in benefit levels such as incapacity benefit. If people become disillusioned and depressed, they are likely to lack the motivation to look for new jobs, and because of their poor mental health and emotional state, they may be deemed less employable.

Being made redundant can be as much of an emotional blow as a financial one. Losing a job can have a significant impact on an individual's self-esteem and sense of worth. Those who are made redundant may feel a sense of failure and may lose confidence in their own capabilities, making it more challenging to move on into another job.¹¹⁰

Lower paid workers faces a fall in living standards

As part of the austerity drive, public sector workers have experienced ongoing pay freezes. Although there has long been a perception that public sector workers in many sectors earn more than private sector counterparts, much of the job creation in the public sector has actually been within lower paid jobs. In local government in particular, whilst there was undoubtedly an increase in employment before the austerity measures took hold, this was in the main in part time posts in lower paid jobs (the propensity of part time employment is highlighted above in Figure 6).

In local government, a third of all jobs are in 'personal service' occupations, with 'administrative and secretarial' and 'elementary occupations' accounting for another third of jobs. These manual and clerical jobs account for only one third of all posts within the rest of the public sector compared with two thirds in local government. A predominance of part-time work, combined with lower paid jobs within local government (where nearly 500,000 are paid less than the Living Wage and half of workers earn less than £15,000 per year)¹¹¹, mean the cuts in pay are having a particularly severe impact on many lower paid workers within the sector, many of whom are women. A number of these are low paid care workers, and evidence points towards a sizeable minority of local authorities cutting back on unsocial hour payments, impacting care workers in particular (33% of UNISON members reported experiencing cuts to weekend enhancement payments for instance, with cuts of 50% to the essential car users' allowance¹¹²).

¹⁰⁵ British Chambers of Commerce Skills for Business: More to Learn? 2011

¹⁰⁶ Chartered Institute of Management Accountant Mid-sized business confidence monitor survey 2010

¹⁰⁷ New Economy Manchester (2012): Making the transition beyond the public sector

¹⁰⁸ Report by CLES for UNISON (2010) Understanding the local economic impact of public sector redundancies

¹⁰⁹ De Vries, M. K. & Balazs, K. (1996) 'The Human Side of Downsizing', European Management Journal, Vol.14, No.2, pp.111-120

¹¹⁰ De Vries, M. K. & Balazs, K. (1996) *ibid*

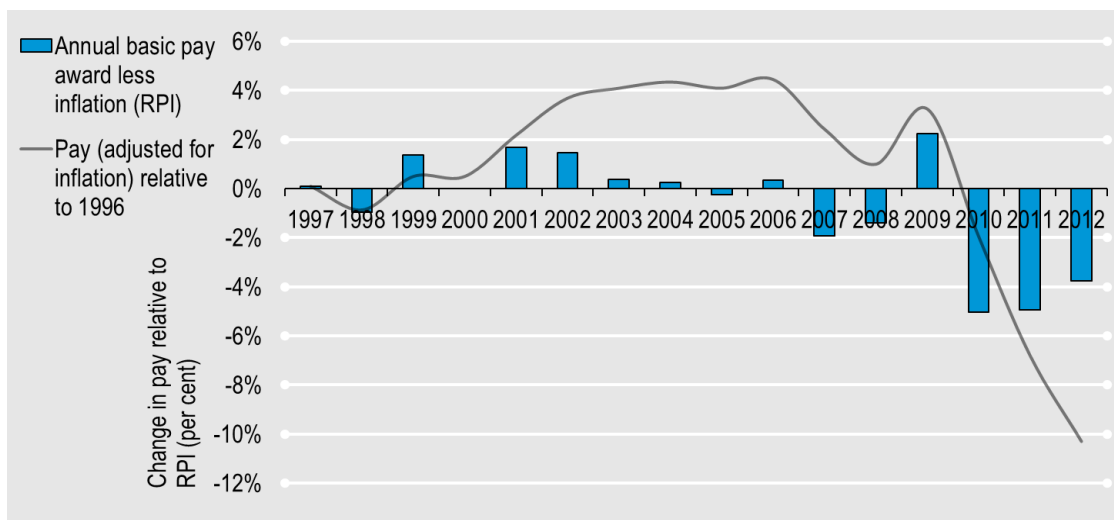
¹¹¹ UNITE (2014) NJC Pay Claim 2014/15 <http://www.unitetheunion.org/uploaded/documents/LANJC%20Pay%20Claim%202014-15%20FINAL11-14462.pdf>

¹¹² UNISON (2012) Local Government Survey Report

Pay and inflation straining household finances

The public sector pay freeze, implemented by the Coalition Government, took hold from 2010/11 up to 2011/12; pay increases between 2013/14 and 2015/16 are capped at 1%. The lowest paid workers also did not get the £250 minimum increase promised in the June 2010 Emergency Budget. Together this represents a cut in real terms when accounting for inflation. The true extent of the impact of pay freezing in the public sector can be seen in Figure 7, taken from the report developed by the New Policy Institute, focusing on local government.¹¹³ The bars show the annual pay increases after deducting the effect of inflation, with the line highlighting the cumulative effect of the pay awards. Pay matched inflation from 1997 to 2001, before rising at levels above inflation relative to 1996, up to around 2006. Inflation then began to rise in 2008 and the effect of pay freezes from 2010 to 2012, coupled with high inflation, meant that 'real' pay fell by 4-5% up to 2012.

Figure 7: Cumulative value of local government pay awards after inflation, 1997-2012¹¹⁴



In short, the impact of the Government's pay freezes over the past few years has meant that pay fell by 16% in real terms since 2009 and in 2012 was 14% lower than it was in 1996. The 1% increases in the two years since will have only had minimal effect with pay in real terms continuing to fall. Local government workers face the prospect of pay increases below the cost of living until at least 2018.¹¹⁵

It should be noted that, alongside public sector pay, wage increases within the private sector continue to be low, highlighting a difficult situation for people across the country where unemployment continues to fall but the recovery is failing to lift wages by more than a fraction. For instance in June 2014 the unemployment rate fell to 6.5%, with the number of people in work at over 30 million. The employment rate of 73.1% in the three months to May 2014 was higher than at any time since 2004/05. But the wage increase of just 0.7% (this includes both public and private sector jobs), was less than half of the 1.7% May inflation rate. It suggests that many new jobs being created in the economy are low quality and contributing to the contradictory trend of a strengthening labour market but resulting in poor levels of productivity within the wider economy. Therefore both public and private wage levels are a concerning trend which means increasing hardships amongst low paid workers and their families in the future, and an erosion of quality of life standards.

¹¹³ New Policy Institute (2012) Living on the edge: pay in local government
http://npi.org.uk/files/9113/7536/7280/Living_on_the_edge_FINAL.pdf

¹¹⁴ New Policy Institute (2012) ibid

¹¹⁵ TUC <http://www.tuc.org.uk/industrial-issues/public-sector/pay-fair-campaign/public-sector-workers-lose-out-%C2%A32245-under>

3.4 Local government: an increasingly difficult outlook

Key messages:

As a result of the deep cuts to local government, the outlook for the sector is particularly bleak. Local government helps bind places together through its local leadership and place stewardship. The array of economic, cultural, environmental and social inputs it provides is being fettered – once gone this is difficult to bring back. Increasingly local government has to ‘run just to stand still’ and the most vulnerable communities and people in society are being impacted the most.

The inability to deliver more than just statutory services at a minimum standard may be a key feature of local government in future. Analysis from the LGA, Audit Commission and other survey evidence highlights the huge problems in local government finances. There is serious concern spreading throughout the sector and analysis shows that a number of councils are heading towards financial crisis.

3.4.1 Role of leaders of place is being undermined

The above sections show the increasingly difficult financial circumstances that local government is faced with. This will have a major impact upon places and people across the country. Local government is central to the life of local places. Councils are a key element in a network of local relationships and collaborations which support people, communities and business. Services such as education, roads, parks and social services all create a context in which public, social and commercial life can take place. Local authorities play a key role in enhancing social cohesion and promoting equality through the mediation of competing local interests and targeted interventions in support of disadvantaged and deprived communities. They are of the upmost importance towards the success of a local economy, being ideally placed as ‘place stewards’.¹¹⁶ The oversight they have over a range of local economic inputs including labour and capital through local public spend is central to creating strong and prosperous places.

However the important and central economic and social roles of local government are being continually eroded by austerity measures, as shown in the evidence. Cuts to local government have resulted in a situation where many local authorities are finding it increasingly difficult to resource statutory services, as highlighted later in this report. A cut in formula and targeted grant funding, a low tax base (council tax and business rates), set against greater social and demographic pressures, together with deprivation across many places, particularly within the North West, North East, Yorkshire and The Humber, Midlands, and parts of London, creates a situation in which local government is even further restricted in providing support to the most vulnerable communities. Core areas of service delivery, including Adult Social Care, Children’s Services and Waste Management, will increasingly soak up the majority of resource. The LGA’s funding model shows that the money available to deliver all other local services, including leisure and cultural facilities, school support services, fixing the roads, building new homes and promoting economic growth will shrink by 46% by 2020, down from £26.6 billion in 2010/11 to £14.3 billion by the end of the decade.¹¹⁷ The model also indicates that if councils use their financial reserves to cover the cuts, this safety net will be exhausted within three years and no money will be left to cushion the impact of future cuts.

¹¹⁶ By place stewards, we mean local authorities using their influence, powers, creativity and abilities, to create strong and prosperous places where people want to work, live and do business. Local authorities are key strategic leaders in place shaping, responding to the ambitions of communities and working with partners to deliver quality services.

¹¹⁷ Local Government Association (2013) Future Funding Outlook for Councils from 2010/11 to 2019/20.

3.4.2 An increasing inability to deliver quality services

The continued squeeze upon local government has meant that many local authorities are pessimistic about their ability to deliver anything apart from the most basic of statutory services in future. Despite central government edicts towards making savings through initiatives such as sharing back-office costs and other efficiency savings, this is increasingly unlikely to fill the funding gap. With the majority of cuts so far being through staff reductions and outsourcing, the situation is now reaching a critical point. Increasingly across the North West for instance, statutory services such as Adult and Social Care are being affected, with care packages across a number of local authorities becoming more basic. There is now no choice but for hard pressed councils to pass the cuts onto the quality of service delivery. Indeed the Local Government Association has stated that councils could soon be on the 'brink of collapse', with two thirds believing that efficiencies will run out by next year, with a total funding gap of £12.4 billion by 2020.¹¹⁸ Further, the Public Accounts Committee has now questioned the financial sustainability and viability of some councils, particularly due to the increasing demand for Adult Social Care.¹¹⁹

A survey for the Management Journal¹²⁰ for local authority business highlights the sense of concern now spreading across the sector. This indicates that half of local authorities still have no idea how to plug their deficit next year even though 95% of them anticipate cuts. The survey highlighted that after four years of implementing cuts, mainly through reductions in staffing, outsourcing, and reducing services, there is now a sense of paralysis within local government circles. 90% of the respondents to the survey highlighted that staff cuts have been the main source of savings, however even this option is now nearly at its limit, as further staff cuts would seriously threaten statutory services. According to PriceWaterhouseCoopers¹²¹ in another survey, two thirds of council leaders now feel that councils will face a financial crisis within the next two years. It is concerning that eight out ten leaders believe that councils will fail to deliver essential services in future. Such surveys are reinforced by analysis from the Audit Commission,¹²² which states that more than a quarter of local authorities are at high risk of financial trouble. Of further concern is that it is likely to be the large metropolitan authorities that are among the group of councils which could be at most risk – these are often major urban areas which are already experiencing significant levels of deprivation.

This has direct and indirect effects. For instance many of the local authorities have cut back on non-statutory services, as highlighted in the case studies and later in this report. A common example is youth services. Although they do not have a 'visible' outcome, there are a range of indirect consequences such as impacts upon education, anti-social behaviour and crime levels which could increase the burden upon other areas of an already stretched public sector, such as the police. Additionally, in Adult Social Care many councils now only treat people with critical or substantial care needs.¹²³ Many of those with moderate needs, if left untreated, may go on to become critical cases and therefore in future will actually cost more for both local government and the NHS.

¹¹⁸ Local Government Association (September 2014)

http://www.kingsfund.org.uk/sites/files/kf/media/BevisIngramthefinancialimperative_1.pdf

¹¹⁹ Public Accounts Committee (2013) Third Report: Financial Sustainability of local authorities

<http://www.publications.parliament.uk/pa/cm201314/cmselect/cmpubacc/134/13402.htm>

¹²⁰ The Management Journal for local authority business (3rd July 2014)

¹²¹ PwC (2014) The local state we're in: annual local government survey

¹²² The Management Journal for local authority business (28th November 2013)

¹²³ Age UK (2013) Social Care Eligibility Thresholds Briefing http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Eligibility_thresholds_briefing.pdf?dtrk=true

4 THE CHALLENGE OF DELIVERING QUALITY CORE SERVICES: ADULT SOCIAL CARE AND CHILDREN'S SERVICES

Public services are increasingly in demand, particularly, Children's and Adult Social Services. The challenges are becoming more pronounced and they are likely to take up significantly more resources over time. If budgets were only increasing at relatively low levels, it would become more difficult to provide these services in addition to the other key services local government is required to offer. In the context of deep cuts however, and with more to come, it would mean that nearly all future spend is in these two directorates, with little left in other services. This section assesses the nature of the cuts to Adult Social Care and Children's Services, and explores some of the key implications of this.

4.1 Adult Social Care

Key messages:

The largest area of spending for local authorities, adult social care is a service area that is in crisis. Spending is falling within the sector, with a funding gap of £1.9 billion expected by 2015/16. Increasing demand through an ageing population and people with multiple disabilities living longer, together with falling budgets is leading to a crisis of care within our society.

Channelling in NHS resource through the £3.8 billion Better Care Fund is a welcome move but is unlikely to be sufficient in scale and is recycling money from the healthcare system, creating additional funding pressures elsewhere.

The consequences for vulnerable people are severe. These include for example:

- **Reduced service provision for older people:** a large number of older people have been left without state care over recent years. 245,000 fewer older adults received services in 2012/13 compared with 2009/10, down by 26%.
- **Consequences for informal carers:** there are a growing numbers of carers' in the UK and a rise in the number of people who are reducing their hours of paid work or leaving employment altogether to care for relatives. This has an impact on their own health and wellbeing and crucially impacts on the quality of care as people become more strained.
- **Charging for services:** more councils are now charging for services, for instance for meals, transport and attendance at day centres.
- **Closure of day care centres:** the elderly and disabled are increasingly seeing centres close or merge. This leads to isolation with many centres closing or reducing services, while others are seeing the merging together of people with different needs as specialist care is eroded.
- **Pressures for residential and nursing homes:** funding reductions could affect quality of care within residential and nursing homes, particularly as these homes are often reliant on local authority funded clients.
- **Mental illness pressures:** cases of depression and other mental illness are becoming increasingly common, partly as a result of economic pressures, cost of living and welfare reform. In many parts of the country, crisis care teams are under-resourced, understaffed and overstretched.
- **There are pressures in adult social care across the country but in some places these are more acute than others.** Local social, economic and demographic factors lead to variations in the levels of need in each local authority, meaning those places which are characterised by high levels of deprivation are most acutely affected.

4.1.1 Falling spending in real terms

Adult social care is the largest area of spending for local authorities. Expenditure on adult social care in 2013/14 in the UK was £17.2 billion, virtually unchanged from 2012/13, but representing a 1% decrease in real terms. Over the five year period from 2008/09, when the figure was £16.1 billion, expenditure has increased by 7% in cash terms; a decrease of 3% in real terms. In an era of increasing demand, this is clearly a concern.¹²⁴ The ever growing demographic challenge of an older population, together with the high levels of need for people with learning and physical disabilities, is reflected in the figures for 2013/14 below:¹²⁵

- ❑ 51% (£8.8 billion) of expenditure was on older people (those aged 65 and over).
- ❑ Expenditure on people aged 18-64 with learning disabilities accounted for 31% (£5.3 billion) of gross current expenditure;
- ❑ People aged 18-64 with physical disabilities for 9% (£1.6 billion), and
- ❑ People aged 18-64 with mental health needs for 7% (£1.1 billion).
- ❑ Other adult services accounted for 2% (£270 million) and less than 1% was spent on asylum seekers (£10 million) and service strategy (£50 million) combined.

So how are councils, supposed to meet spiralling costs and increased demand? Increasingly it does not look like they will be able to. A recent survey of 144 social care departments by the Association of Directors of Adult Social Services¹²⁶ found that:

- ❑ Savings of more than a quarter had to be made since 2010, with directors reporting that funding cuts and rising demand are key problems. The problem is highlighted in Figure 8, which shows how the number of adults in England receiving social care services, has fallen year on year since 2009/10.
- ❑ The total budget put aside for means-tested social care by English councils in 2014/15 stands at £13.68 billion – this represents a drop in cash terms of £266m (1.9%) from last year and a real terms cut of 12% since 2010 once inflation is taken into account.
- ❑ Despite attempts to channel NHS resource (£3.8 billion through the Better Care Fund) into the problem, the perception is that it will only get worse as it will not address rising demand and is not new money being delivered into the system.
- ❑ The survey also showed that demand for Adult Social Care has risen by 14% since 2010, at the same time that councils have had to make savings of 26%. The increasing demand is reflected in that the proportion of the entire local government budget spent on services has increased from 30% to 35% in the past four years.

The above all means that even less people in need will be able to access support. This is highlighted by the fact that 87% of councils now only provide assistance in cases of substantial or critical need, compared to 47% per cent in 2005/06.¹²⁷

There is significant unmet need therefore where large numbers of vulnerable people are failing to receive, or are not be able to afford, the social care services they require – this has been happening consistently since the recession in 2008, as shown in Figure 8. The Kings Fund's estimates are even more downbeat - out of 2 million older people in England with care-related needs, 800,000 receive no formal support. Even before the spending cuts, the King's Fund predicted that in 2016 one million older people, out of the 2.3 million who will have care needs, will receive no funded support.¹²⁸

¹²⁴ Source: Health and Social Care Information Centre (2014): Personal Social Services Expenditure and Unit Costs, England, 2013-14, Final Release <http://www.hscic.gov.uk/catalogue/PUB14909>

¹²⁵ Source: Health and Social Care Information Centre (2013) *ibid*

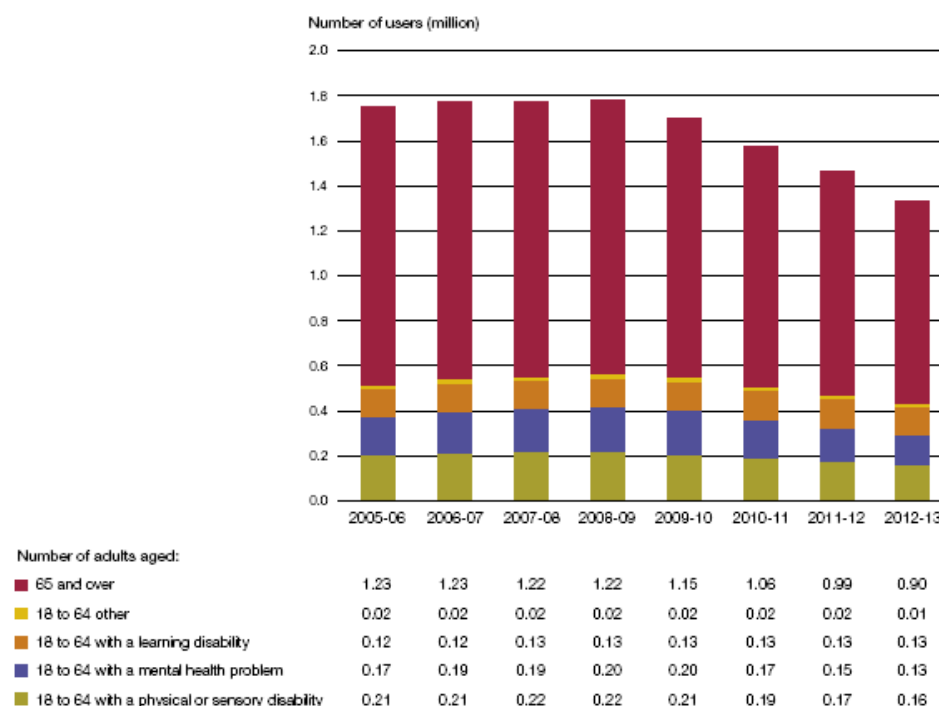
¹²⁶ Source: Association of Adult and Social Services (2014) ADASS Budget Survey Report 2014 http://www.adass.org.uk/uploadedFiles/adass_content/policy_networks/resources/Key_documents/ADASS%20Budget%20Survey%20Report%202014%20Final.pdf

¹²⁷ The Guardian, 24th April 2014 <http://www.theguardian.com/society/2014/apr/24/elderly-care-outstrip-relatives-ippr-2030>

¹²⁸ Source: ¹²⁸ Source: The Kings Fund (2014) A new settlement for health and social care <http://www.kingsfund.org.uk/publications/new-settlement-health-and-social-care>

The knock-on impact will also be felt within other public agencies. Around half of the directors surveyed suggested that the NHS, in particular, will be, and already is being, affected – for instance one of theories for the rise in demand at A&E units has been the lack of support in the community.

Figure 8: Adults receiving local authority social care services, 2005-06 to 2012-13¹²⁹

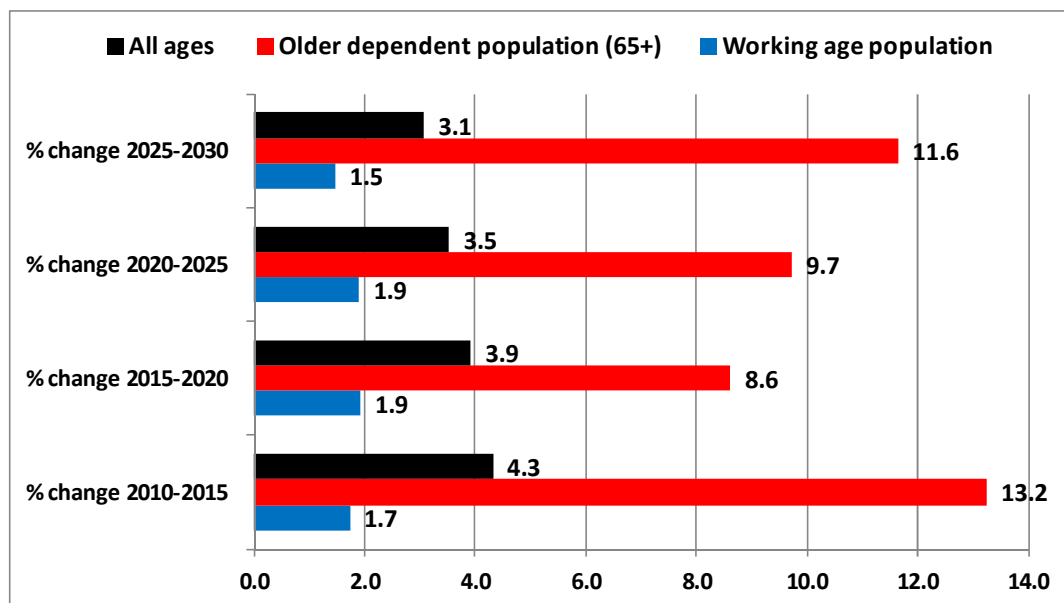


4.1.2 An ageing population and a long term shortfall in funding

Figure 9 illustrates that the over 65 population is projected to increase at levels which are markedly higher than that for the total population – 43% increase up to 2033 compared with just 14.8% when considering the total population. Adults with long term and multiple health conditions are living longer. We are only expecting to experience between 1.5% and 1.9% growth in the working age population over the next twenty years. This means disproportionate growth in the number of older people compared to the working age population, in addition to a lower growth and low wage economy which provides less money to the Treasury. In short, less revenue in tax means less money for Adult Social Care and other discretionary services that local government provides. Being able to provide anything on top of what is required statutorily is going to be very difficult for many local authorities.

However there is a further point to make in setting the importance of demographic change in context. It is clearly an important change, but changes in lifestyles and medical advances have meant that increasing numbers of older people are fitter and economically active, with many working past the state pension age which is likely to increase in years to come. Old age dependency ratios need to factor in the changes in working population, where simplistic notions of those under 65 looking after and paying for those over 65 may no longer apply. Healthcare cost inflation will continue but this is not necessarily just due to simple demographics, but has more to do with the availability of more and expensive sophisticated treatments and the rise in complex co-morbidity in age related conditions. This means that although pressing, the demographic 'time-bomb' should really be manageable and that quality social care should not be beyond our means.

¹²⁹ Source: National Audit Office (2014) Adult social care in England: overview

Figure 9: Projections of the UK's older population (65 years of age and above), 2010-2033¹³⁰

In 2012 the Local Government Association (LGA) estimated that the cost of looking after the elderly will increase by £12 billion by 2030, increasing the current cost from £14.5 billion (in 2012) to £26.7 billion, an increase of 84%.¹³¹ They note that on average every local authority providing Adult Services will face an additional £79 million of costs per year, at a time when they have to adapt to a £1 billion cut in social care budgets and potentially more to come.

In 2013 the Government announced that there will be a £72,000 lifetime cap on care costs (i.e. elderly people will not have to pay more than this). This cap may help older people at risk of losing their homes to pay for care but the cap alone will not solve the issues. The actual lifetime costs of care can be much higher than the cap of £72,000. The system is still underfunded and requires sustainable funding models alongside this which are yet to be fully agreed.

All of the above, even without the severe spending cuts, would put massive pressures on council budgets. So what do these current trends point to in terms of future services? As a statutory service Adult Social Care continues to be given priority in budget setting but the ongoing funding crisis means the quality of care could become basic and a large swathe of other services, such as libraries, leisure facilities and parks, are under further threat as more spending is directed towards social care. Indeed such services have been and are being affected now, and this is set to continue (one estimate predicts that 350 libraries had closed between from 2010 up to mid-2013).¹³² The LGA suggests that:

*'Without urgent reform, we are going to see the cost of providing care for the elderly soaking up every last penny of council budgets. In just one generation, we are going to get to the point where councils are unable to provide any services at all which are not statutory, and offer little more than care services for the vulnerable.'*¹³³

The LGA estimates that unless reform is introduced then the money available to fund council services such as road maintenance, libraries and leisure centres will have shrunk by 90% in cash terms by 2020.¹³⁴ The rising cost of Adult Social Care will be attributable for most of council spending, together with other statutory responsibilities.

¹³⁰ Source: ONS (2012) sub-national population projections

¹³¹ Source: Local Government Association (2012) The financial context of adult social care reform:

http://www.local.gov.uk/c/document_library/get_file?uuid=4dc2fbf1-7a9a-45ae-9d33-336b698ad4d1&groupId=10171

¹³² Source: Chartered Institute of Public Finance and Accountancy <http://www.cipfa.org/About-CIPFA/Press-Office/latest-press-releases/National-survey-shows-that-library-cuts-have-begun-to-bite>

¹³³ LGA (2012) http://www.local.gov.uk/media-releases/-/journal_content/56/10180/3584848/NEWS

¹³⁴ Source: LGA (2012) http://www.local.gov.uk/web/guest/publications/-/journal_content/56/10171/3626323/PUBLICATION-TEMPLATE

It would increasingly appear that local government cannot deal with huge challenges on its own and, as things stand, the cuts are exacerbating an already difficult situation and cost savings through efficiencies will not be adequate. Unless sustained efforts are made to find new ways of funding Adult Social Care, innovation and efficiencies combined cannot plug the huge funding gap.

An urgent change of policy is therefore required in the near future but this message is currently having little impact in Government. The perception is that there are a range of measures in place, such as those in the Social Care White Paper for England, The Care Act (to be implemented in 2015), localising business rates, the New Homes Bonus, integration and shared services and merging and sharing resources, which should allow councils to overcome local problems. However, in reality, this will not be sufficient. This is forcing adoption of new ways of working in local government to make the most of limited resources. One of the biggest problems facing our society today requires far reaching and strategic reform.

4.1.3 A landscape of reduced service provision for older people

The evidence shows that as a result of austerity measures, there has been a significant fall in older people receiving state funded care. One of the most recent estimates by the Nuffield Trust and Health Foundation suggests that 245,000 fewer older adults received services in 2012/13 compared with 2009/10, down by 26%.¹³⁵ Age UK report that the proportion of over-65s in receipt of local authority social care services fell from 15.3% in 2005/06 to less than 10% in 2012/13, 362,000 fewer people. In addition, 35% of councils have reduced the number of older people using their services by over 40%.¹³⁶

However, the Nuffield Trust and Health Foundation report highlights that there is no actual way of assessing the true impact that social care cuts are having on vulnerable older people and this results in problems in planning policy for future provision. It details how care services carried out in home or day care centres has fallen by around a fifth and has experienced the largest fall (£539m), while important daily services such as meals on wheels has fallen by more than half. The estimate is that although a third of women and a fifth of men over the age of 65 needed social care help with a range of basic daily living activities such as bathing, climbing the stairs, taking medicine or using the toilet, they were unable to get it, and this puts further unsustainable pressures on family and friends (see 4.1.4 below) and increases pressure upon the NHS through unnecessary hospital admissions.¹³⁷ Although there is a lack of direct evidence, the Nuffield Trust and Health Foundation report suggests that hospital admissions will increase as a result of cuts to social care budgets and lack of district nurses.¹³⁸

4.1.4 Cutting back on services is having consequences for informal carers

As services for elderly, young, and disabled people are cut back, family and friends are taking on increased caring roles. This is clear in the growing numbers of 'sandwiched carers' in the UK and the rise in people who are reducing their hours of paid work or leaving employment altogether to care for relatives.¹³⁹ There is an impact here upon families coming under increased pressure and becoming stretched with responsibilities, having to cope with market and public policy failures. It is women who are most likely to be affected by this, often juggling part time paid work with looking after elderly relatives and children. This has both a financial impact and has implications for their wellbeing.¹⁴⁰

4.1.5 Charging for services

In the absence of viable funding to deal with the long term challenge of providing Adult Social Care, what will councils do to raise revenues? There are a range of possibilities but the most obvious of these for some may be to charge for services.

There is more likely to be a menu of services in the future (for instance for meals, transport, attendance at day centres) which means that those with the means will be able to afford more of

¹³⁵ Quality Watch (2014): Focus On: Social care for older people – reductions in adult social services for older people in England

¹³⁶ Source: Source: Health and Social Care Information Centre (2013) *ibid*

¹³⁷ Source: House of Lords (2014)

¹³⁸ NHS England: <http://www.england.nhs.uk/wp-content/uploads/2013/06/urg-emerg-care-ev-bse.pdf>

¹³⁹ Source: new economics foundation (2013) *Surviving austerity: local voices and local action in England's poorest neighbourhoods* <http://www.barrowcadbury.org.uk/wp-content/uploads/2013/08/Surviving-Austerity.pdf>

¹⁴⁰ Source: new economics foundation (2013) *ibid*

the services, with very basic provision for others. Age UK show that, on average, service users were paying £588 more in real terms in 2012/13 than they were in 2009/10.¹⁴¹

This point is illustrated in Table 4. Freedom of Information requests to 120 councils in 2012 showed that home care services to the older and vulnerable population were already becoming increasingly expensive and inaccessible for many but with wide variation across local authorities.¹⁴² This could threaten people's independence and ability to remain in their own homes. The split amongst local authorities is illustrated below, which further shows the lottery of funding depending on where people happen to live.

Table 4: Highest and lowest hourly charges for home care by local authority, 2012/13¹⁴³

Local authority ¹⁴⁴	Charge for home care in 2012/13
Brighton and Hove Council	£21.50
Worcestershire County Council	£20.60
West Berkshire Council	£20.00
Royal Borough of Kingston upon Thames	£18.22
Buckinghamshire County Council	£18.00
Calderdale Metropolitan Borough Council	£9.90
Liverpool City Council	£9.70
Trafford Metropolitan Borough Council	£8.92
Sandwell Metropolitan Borough Council	£7.00

4.1.6 The impacts of closures of day care centres

Both the disabled and elderly are seeing their day care centres close as a result of austerity measures. This is a pattern that is visible across the country, with a 'hollowing out' of those being left behind. This leads to isolation for many who will experience loneliness at home without these resources. Research showed that it is older people's day care that has been impacted the most, followed by those with physical and learning disabilities.¹⁴⁵ Shared spaces such as these are important for some of the most vulnerable people in society, and it strongly highlights how short term funding decisions are having long term implications for the adult care system. People have complex needs and require specialist support, but increasingly people with differing needs are being referred to the same centres – people with learning difficulties, physical disabilities, and older people with dementia – so the foundation for bespoke support is therefore being pulled away. Some of the evidence from the case study consultation highlighted that many people are paying for services through their personal budgets, but the service levels are being eroded and some are no longer able to access day care as these budgets are set so low.

¹⁴¹ Source: The Kings Fund (2014) A new settlement for health and social care <http://www.kingsfund.org.uk/publications/new-settlement-health-and-social-care>

¹⁴² Source: Guardian, May 2013: <http://www.guardian.co.uk/news/datablog/2012/may/16/home-care-elderly-local-authorities?newsfeed=true>

¹⁴³ Source: Source: Guardian, May 2013:: ibid

¹⁴⁴ Red denotes 5 highest charges, blue the 5 lowest

¹⁴⁵ University of Birmingham, Health Services Management Centre (2012) What is happening to day centre services? <http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/HSMC/publications/2012/what-is-happening-to-day-centre-services-Unison-report.pdf>

A consequence of this is that people with low needs, who pay to use day centres, are likely to see their access reduced and may move more quickly to a higher level of need, putting greater pressure on statutory services. Social capital may be weakened if people lose collective spaces and spend more time at home. People from closed day centres may find their only alternative to more time at home is to spend hours on a minibus travelling to a large centre far from their home, weakening links to local networks and communities.

4.1.7 The impacts of under-funding on providers in residential and nursing homes

Funding reductions could affect quality of care within residential and nursing homes, particularly as these homes are often reliant on local authority funded clients. Councils have reduced spending on care home placements by providing fewer places and driving down the fees paid to homes. It is difficult to accurately capture the impact on the quality of care within residential and nursing homes as there has been little detailed analysis on this. However, various studies have highlighted that the under-funding of social care is having adverse impacts on the health and social care workforce resulting in pressures on service quality.

The Equality and Human Rights Commission (EHRC) has raised concerns that insufficient local authority funding is feeding through the market and resulting in poor quality care:

"...the rates some local authorities pay care providers do not always appear to cover the actual costs of delivering care, a significant proportion of which are workers' wages which should include travel time..."¹⁴⁶

Home care leaders have noted that the underfunding of the sector lies at the root of workforce exploitation, including the widespread use of zero-hours contracts and flouting of national minimum wage legislation. In February 2014 the UK Homecare Association revealed their recommendation for the total minimum price councils should pay for their homecare services in order to ensure providers pay the National Minimum Wage: £15.19 per hour.¹⁴⁷ An investigation by the BBC at the same time found that just four of 101 councils were meeting this rate (the actual average minimum rate was just £12.26 an hour).¹⁴⁸

Analysis from the Nuffield Trust and Health Foundation showed that high staff turnover was positively correlated to higher death notifications.¹⁴⁹ This could be an indicator that cuts to local authority funding are translating into poor pay and employment conditions for staff making recruitment and retention increasingly difficult, with knock-on effects for residents within the homes.

4.1.8 The urgent issue of mental health

Mental illness is considered in some quarters as the most urgent health problem in the country but it receives relatively little coverage, despite the major social and economic costs that come with it. This is often down to lack of awareness and continued prejudice against those suffering from mental health conditions. In Britain one in six adults suffers from depression or crippling anxiety disorders, and their impact on people's ability to function in society is on average 50% more disabling than that of angina, asthma, arthritis or diabetes.¹⁵⁰ According to the World Health Organisation it accounts for 38% of all ill health in high income countries such as the UK, affecting both adults and children to a lesser extent.¹⁵¹ The focus however within Adult Social Care (and the wider health profession) is mainly on the elderly and the physically disabled, despite the consequences of mental illnesses contributing towards physical medical issues. This could cause challenges for Adult Social Care, due in part to austerity measures. Anecdotal evidence from some of the case studies which were developed alongside this report, suggested that there have been greater incidences of mental health issues as a result of austerity measures which have come at the same time as greater economic uncertainty.

¹⁴⁶ Care Bill 2013 Second Reading, House of Commons: Briefing, EHRC 2013

¹⁴⁷ Home care leaders reveal 'minimum price' councils should pay for care, Community Care, March 2014,

¹⁴⁸ Councils in England 'pay too little for home care', BBC, February 2014

¹⁴⁹ Quality Watch (2014): Focus On: Social care for older people – reductions in adult social services for older people in England

¹⁴⁹ Source: new economics foundation (2013) Surviving austerity: local voices and local action in England's poorest neighbourhoods <http://www.barrowcadbury.org.uk/wp-content/uploads/2013/08/Surviving-Austerity.pdf>

¹⁵⁰ Centre for Economic Performance (2012) How Mental Illness Loses Out in the NHS

<http://cep.lse.ac.uk/pubs/download/special/cepsp26.pdf>

¹⁵¹ World Health Organisation (2003) Investing in Mental Health http://www.who.int/mental_health/media/investing_mnh.pdf

In 2012 The Mental Health Foundation reported that 77% of the GPs believed they had seen an increase in patients with mental health illnesses in the previous four years.¹⁵² The problems could be further compounded by cuts to the welfare system and wider economic conditions. For instance Manchester University produced research which shows that the number of suicides among mental health patients rose from 1,175 in 2010 to 1,333 in 2011, during a period of considerable economic stress.¹⁵³ CLES has undertaken a number of pieces of primary and secondary research in the last few years which have illustrated the impacts of welfare reform and low wages for public sector workers upon their mental health.¹⁵⁴ For instance social tenants were interviewed across Greater Manchester to determine their perceptions of the changes in welfare reform, particularly to housing benefit. Many of the respondents commented that their wellbeing was being negatively impacted and a number with mental health issues stated that welfare reform was making their conditions worse.¹⁵⁵

The current economic climate, unemployment and benefits cuts are having an impact but charities that work closely with people in a mental health crisis, such as Mind, suggest that they are not always getting the help and support they need from the services there to support them. Mind's research has shown that, in many parts of the country, crisis care teams are under-resourced, understaffed and overstretched.¹⁵⁶

4.1.9 Varying impacts across the country

There are pressures in Adult Social Care across the country but in some places these are more acute. Local social, economic and demographic factors lead to variation in the level of need in each local authority. Some of these factors are outside a local authority's control or can only be influenced long term. Analysis by the National Audit Office showed that these factors explained most variation in how much local authorities spend on care for older adults and some of the variation for younger adults.¹⁵⁷ Need for care is also linked to other indicators such as the quality of housing and the effectiveness of other support and services in preventing needs from escalating. This is illustrated in Figure 10 below, with the proportion of adults with major limitations on day to day activities being highest within the North West and North East, and high concentrations also in other pockets across the country. In the North East, the history of deprivation, unemployment and long-term conditions has led to higher numbers of people accessing social care than in other regions. For instance, in terms of services provided per 100,000 of the population, the North East is well above the national average – it is 29% above the national average for home care, 41% above for day care and 100% above for short-term residential care.¹⁵⁸

In sum, those places with the highest health inequalities will be impacted the most by greater demand and have less resource to address it.

¹⁵² Mental Health Foundation (2012) The Cost of Austerity <http://www.mentalhealth.org.uk/our-news/blog/120828/>

¹⁵³ University of Manchester (2013) The National Confidential Inquiry into Suicide and Homicide by People with Mental Illness

¹⁵⁴ This includes work on providing evidence for the Greater Manchester Poverty Commission, and research on the impacts of welfare reform on social housing tenants in Greater Manchester.

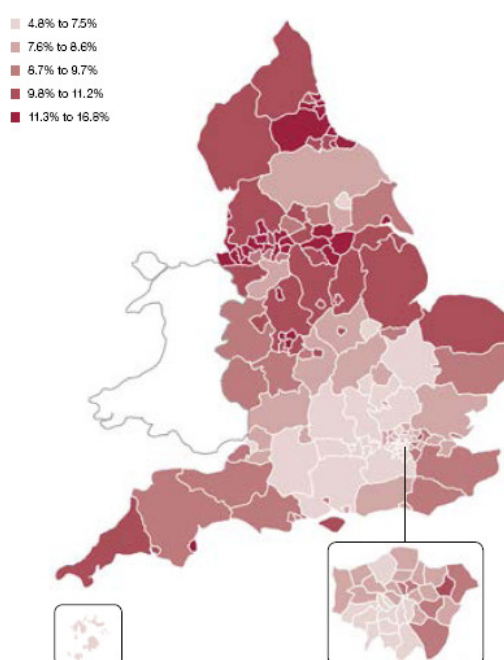
¹⁵⁵ CLES (2013) The impacts of welfare reform across Greater Manchester (study for the Greater Manchester Housing Providers Group)

¹⁵⁶ MIND (2013) <http://www.mind.org.uk/news-campaigns/news/dramatic-increase-in-suicides-shows-the-urgent-need-to-improve-mental-health-crisis-care/#.VEYfkvdXg0>

¹⁵⁷ Source: National Audit Office (2014) Adult social care in England: overview

¹⁵⁸ Association for North East Councils. 2013. *Counting the Cost of Further Cuts: the Provisional Local Government Finance Settlement 2014/15*. Annex A. Key Issues for North East Councils.

Figure 10: The proportion of adults with major limitations on their day to day activities¹⁵⁹



4.2 Children's services

Key messages:

The outlook for Children's Services is particularly challenging, with issues ranging from, cuts to children's centres, changes in social work, cost cutting to residential placements, and major cutbacks within youth services. Such cuts are happening at a time of increasing demand, as council's across the country have had to significantly cut preventative, early intervention and early year's support in order to address rising demand for children's social care. There are a number of key impacts outlined in this section:

- **Progress made in reducing child poverty is threatened:** Although relative poverty rates have actually fallen slightly as a result of top level incomes dropping during the recession for the first time in more than 17 years, child poverty in the United Kingdom increased in absolute terms in 2011/12.
- **Early year's services are facing significant cuts which could have lasting consequences on young people:** Many local authorities across the country are now cutting, or considering cutting, early year's services that were previously protected. There are clearly implications for how the cuts to these budgets are affecting both the coverage and the quality of the services that can be delivered. The latter is of particular concern, since academic evidence suggests that poor quality services can be harmful in the long term for young children.¹⁶⁰
- **Impacts on services provided to schools:** Resources dedicated toward schools are being impacted by austerity. This affects a range of services, such as school improvement, curriculum support, education welfare, behaviour support, and school transport.

¹⁵⁹ Source: National Audit Office (2014) Adult social care in England: overview

¹⁶⁰ Source: Taylor Robinson, David (2014) A Fairer Start for Children in the North of England: A discussion paper submitted to the Inquiry of Health Equity in the North of England

- **Impacts on Child and Adolescent Mental Health Services (CAMHS):** The service area is being impacted more through the decisions by many local authorities and Clinical Commissioning Groups (CCGs) to cut or freeze spending on CAMHS. Like elsewhere, making deep cuts to CAMHS will have significant implications. It can bring short term savings but in the long term will result in increased use of acute services and more time spent in secondary services.
- **Impacts on social work services:** This has been the most protected area of local government budgets, but it is experiencing increased demand and there are concerns statutory safeguarding duties could be breached, and children who are in care having to wait longer for specialist support. The British Association of Social Workers has said that there is concern around the impact these types of changes have on the quality of safeguarding and the dilution of the social work role. This produces significant risks for the future of children's social work. Linked directly to this are children's care placements. This is an area which is likely to see some of the largest cash savings from local authorities, despite it being a necessary resource for a significant proportion of vulnerable children.
- **Youth Services being impacted disproportionately:** The other main area of activity, which is relatively overlooked by many commentators, is youth services. This can consist of a range of services and activities, such as youth centres and out of school activities that help children become rounded and develop socially. Cuts of around 30% have commonly been reported, with local authorities frequently reporting a shift from universal to targeted services to meet the needs of the most vulnerable young people (for instance a greater focus on youth centres within deprived areas), therefore excluding many from future services.
- **Early intervention:** There has been specific support available but this has fallen away. On coming to power the Coalition Government combined a number of early intervention funding streams to create the early intervention grant. However, this was worth significantly less than the grants that preceded it and was not ring fenced; this has now been removed altogether, merging into the general local government funding settlement.

4.2.1 Increasingly coming under pressure

Alongside Adult Social Care, Children's Services are also now under increasing threat from cuts, despite local authorities attempting to prioritise and protect spending in this area. Overall, cuts to Children's Services in isolation, although being affected through cuts to local authority budgets, have not been as deep up to now as some other service areas. However, the medium to long term outlook is concerning, with a raft of issues emerging, such as impending closure of children's centres, changes in social work for children and cost cutting for residential placements. The dwindling resource comes at a time when demand is increasing. According to the NSPCC^{161,162}, between 2006/7 and 2012/13 there was a:

- ☐ 9% increase in referrals accepted by children's social care in England;
- ☐ 58% increase in children on a protection plan/register;
- ☐ 20% increase in the number of looked after children;
- ☐ 49% increase in calls to the NSPCC helpline.¹⁶³

¹⁶¹ Jütte, S., Bentley, H., Miller, P. & Jetha, N. (NSPCC: 2014), How Safe Are Our Children:

http://www.nspcc.org.uk/Inform/research/findings/how-safe/how-safe-2014-report_wdf101938.pdf

¹⁶² Data: NSPCC using England: Child protection statistics DfE and Children in Need census for 2010–2013.

¹⁶³ Data: NSPCC Helpline Data (on file with the NSPCC)

Similarly, 4Children identified an increase in the use of Children's Centres from 980,000 families in 2012 to 1,090,000 families in 2013.¹⁶⁴ And this is corroborated by SOLACE's Survey of Children's Services 2013,¹⁶⁵ which identified increases in demand combined with lack of capacity within the workforce as the current biggest barriers to change for the future. This demand was primarily based around social care. Many councils have had to significantly cut preventative, early intervention and early years support in order to maintain safeguarding services in the face of rising demand for social care. This erosion of preventative services is highlighted in a study by the Family and Parenting Institute (FPI).¹⁶⁶ This may well prove to be a false economy because without help more vulnerable families may end up needing expensive acute services such as child protection. The study found that demand for social work crisis services spiralled during two years of austerity (between 2011 and 2013), and that councils were struggling to manage. Cuts mean Children's Services will in future cease to be universal but instead be increasingly tightly targeted at 'troubled families' and children in the criminal justice system. The study from FPI adds that managing those cuts will become harder.

Geographical variations in the proportion of children in the local population will also play a significant role in the pressures on some local authority's Children's Services - particularly when the public health funding formula (which makes up approximately half of local public funding for early years work) is focused more towards supporting older people.

4.2.2 Austerity threatens the progress made in reducing child poverty

Although relative poverty rates have actually fallen slightly as a result of top level incomes dropping during the recession, for the first time in more than 17 years, child poverty in the United Kingdom increased in absolute terms in 2011-12.¹⁶⁷ This follows a long-term reduction in child poverty in the last decade. Now through austerity there are increasingly signs that these long term gains are being undone. Although not uniform across the country, there are indications that Children's Services are being impacted by current austerity measures. Indeed analysis by Community Care suggests that budgets for children's services for 2014/15 across 55 of 152 local authorities in England were falling by 2% (or 4% in real terms once inflation is factored in).¹⁶⁸

Further, linked to this, the Government's Child Poverty Strategy has been criticised by the Child Poverty and Social Mobility Commission.¹⁶⁹ It concludes that there have been improvements in the Government's strategic approach, but overall the strategy falls far short of what is needed. The numbers of children in both absolute and relative poverty are set to increase significantly over the next few years, with the 2020 targets being missed by a considerable distance. It is the view of the Commission that the strategy, as it stands, will not improve this. The focus upon getting parents into work does not address the issue of people becoming stuck in low wage poverty, insecure employment with limited prospects. This will have a major impact on children. As the Commission states, "lower absolute income levels for large numbers of children are not just a statistical change but one that means more children will suffer real hardship that is likely to damage their wellbeing and their future life chances. Equally, if the living standards of children and young people at the bottom do not keep in touch with those in the middle, they suffer harm as they are increasingly less able to take part in society." A combination of austerity cuts and the lack of an effective strategy, means that progress in addressing child poverty will be severely negated.

¹⁶⁴ Nursery World article accessed on 22 July 2014: <http://www.nurseryworld.co.uk/nursery-world/news/1140172/childrens-centres-closing-despite-demand>

¹⁶⁵ SOLACE: 2014, Reclaiming Children's Services: <http://solace.org.uk/press/reclaiming-childrens-services-launch/>

¹⁶⁶ Family and Parenting Institute (2012) <http://www.familyandchildcaretrust.org/our-work/Families-in-the-Age-of-Austerity/Families+at+the+frontline>

¹⁶⁷ Department for Health Annual Report of the Chief Medical Officer 2012: Our Children Deserve Better: Prevention Pays <https://http://www.gov.uk/government/news/chiefmedical-officer-prevention-pays-our-children-deserve-better>

¹⁶⁸ Community Care (April 2014) <http://www.communitycare.co.uk/2014/04/16/cuts-safeguarding-teams-looked-children-services-council-spending-drops/>

¹⁶⁹ Social Mobility and Child Poverty Commission (May 2014) Response to consultation on the Child Poverty Strategy, 2014 to 2017 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318062/2b_Poverty_Response_-_Final.pdf

The evidence shows that children are a disproportionately disadvantaged group, with 26.9% of children and young people under 20 years of age living in or at risk of poverty or social exclusion, compared with the overall population rate of 22.6%. Recent analyses of current austerity policies in the UK suggest that children are amongst the groups being hit hardest.¹⁷⁰ For instance, as mentioned above, family incomes have fallen considerably during the downturn and have continued to decline as other economic indicators improve. In August 2014 average weekly earnings growth (excluding bonuses) fell to 0.6% – its lowest level since records began in 2000 – despite employment rising by 167,000 over the same period. Median pay settlements are currently around 2.5% – below their pre-recession level of between 3% and 3.5%.¹⁷¹ With the recovery in the labour market largely characterised by increases in low paying sectors and under-employment, in-work poverty is increasing – more than half of poor children now live in households where at least one parent works,¹⁷² undermining the Government's view of work being the best way out of poverty.

The Institute for Fiscal Studies (IFS) indicate that average living standards have fallen dramatically since the beginning of the recession, with real median household income in 2013-14 more than 6% below the pre-crisis peak.¹⁷³ This has occurred alongside a rise in the cost of living, and in parallel to this, reliance on emergency food aid has increased rapidly. Nationally, 913,138 people received three days' emergency food from Trussell Trust food-banks in 2013-14 compared to 346,992 in 2012-13.¹⁷⁴

The IFS¹⁷⁵ estimate that the inflation rate for low income households was, on average, 1 percentage point higher per year for that of high income households between 2008/09 and 2013/14. As a result of this the average price level for the bottom quintile of households rose by 7.1 percentage points more than for those households in the top quintile between 2009/09 and 2013/14. The impacts therefore of a low wage economic recovery, wage decreases and freezes, combined with the effects of welfare reform upon families, are having huge consequences for many children across the country. Indeed IFS¹⁷⁶ state that in the UK, relative child poverty is projected to increase by 6 percentage points between 2010–11 and 2020–21, reversing all of the reductions between 2000–01 and 2010/11. They state that:

"In 2020/21, child poverty is projected to be 23.5% and 27.2% using the relative and absolute low-income measures respectively, compared to targets of 10% and 5%. This translates to increases across the decade of 1.1 million in the number of children in poverty according to the relative low-income measure, and 1.4 million in the number of children in poverty according to the absolute low-income measure."

There is a large body of evidence demonstrating that early disadvantage tracks forward, to influence health and development trajectories in later life, and that children who start behind tend to stay behind.¹⁷⁷ For example, children living in poverty and experiencing disadvantage in the UK are more likely to: die in the first year of life; have a lower birth weight; be bottle fed; breathe second-hand smoke; become overweight; perform poorly at school; die in an accident; become a young parent; and as adults they are more likely to die earlier, be out of work, live in poor housing, to receive inadequate wages, and report poor health.¹⁷⁸

¹⁷⁰ Barr B, Taylor-Robinson D (2014) Poor areas lose out most in new NHS budget allocation. British Medical Journal 2014; 348:g160

¹⁷¹ TUC (2014) <http://www.tuc.org.uk/economic-issues/labour-market-and-economic-reports/low-paid-job-creation-has-pushed-earnings-growth>

¹⁷² Source: Greater Manchester Poverty Commission (2012) Research Report <http://www.manchester.anglican.org/upload/userfiles/file/pdf/Church%20&%20Society/GMPC%20Evidence%20Report.pdf>

¹⁷³ The Institute for Fiscal Studies (2014) Briefing Note: The squeeze on incomes http://www.ifs.org.uk/budgets/gb2014/gb2014_ch6.pdf

¹⁷⁴ The Trussell Trust <http://www.trusselltrust.org/foodbank-figures-top-900000>

¹⁷⁵ The Institute for Fiscal Studies (2014) *ibid*

¹⁷⁶ Institute for Fiscal Studies (2013) Child and Working Age Poverty in Northern Ireland from 2010 to 2020 <http://www.ifs.org.uk/comms/r78.pdf>

¹⁷⁷ Marmot MG, Allen J, Goldblatt P, et al. (2010) Fair society, healthy lives: Strategic review of health inequalities in England post-2010. The Marmot Review: London

¹⁷⁸ Marmot MG, Allen J, Goldblatt P, et al. (2010) *ibid*

4.2.3 Cuts to early years services and children's centres

The threat that austerity poses to early child development services is illustrated by the threat to children's centres. Over time it has taken a concerted effort and investment to increase coverage. For instance, the number of children's centres increased from only 350 centres in 2005 to 3,631 in 2010, representing just over one in every community across England.¹⁷⁹ Children's centres offer a location to provide a more holistic approach, offering a range of services delivered by trained early year's professionals who understand the needs of families living in their area.

Many local authorities across the country have cut or are considering cutting, early year's services that were previously protected. Between 2010 and 2013, spending on children's centres fell by 28%¹⁸⁰ with 580 of the centres having closed as a result of local authority cuts. This is corroborated by an assessment of local government spending between 2009 and 2011 which shows average annual reductions of £28 per person in family support, including early childhood development programmes.¹⁸¹ The universal elements of these services, in particular, appear to have been significantly impacted as councils seek to save money by targeting services at those with additional needs or most at risk of negative outcomes.

The 2013 Children's Centre Census¹⁸² further illustrates a trend of increasing demand for services, against a backdrop of increasing funding cuts. By 2014/15 the total budget from which local authorities provide children's centre services will have fallen by more than a third (down 36%, or £0.9 billion) since 2010.¹⁸³ Two-thirds of centres reported they would be operating with a decreased budget in the forthcoming year. Despite this, the census shows that demand is consistently high, stating that the centres are currently reaching almost a million families, including at least two-thirds of all disadvantaged families.¹⁸⁴ However, at the same time they are working to make efficiency savings which has often involved reduction in staff numbers, therefore putting a strain on services.

Many local authorities predict significant reductions to children's centres in 2015.¹⁸⁵ The greatest pressure is likely to be on local authorities in areas of most need. Recent proposals from large northern cities such as Sheffield and Liverpool have outlined cuts that will see drastic reductions in the numbers of children's centres. For instance, current proposed cuts over the next three years in Liverpool will see a 70% reduction in the children's centre budget and a reduction in the number of centres from 26 down to 4, which will be located in the most deprived areas. Sheffield's 36 Sure Start centres have been re-organised into 17 hub centres. Rotherham Council has proposed to close 13 of its 22 Children's Centres. Within Newcastle, in the short term, centres will be retained across the city but services within them targeted on the neediest groups. By 2015/16 the proposal is to close all but the five centres operating in the areas of highest need in Newcastle. The proposal recognises that this would leave approximately 5,000 children living in 'the 30 per cent most disadvantaged super output areas' without access to the service.

There are clearly therefore implications as to how the cuts to these budgets are affecting both the coverage and the quality of the services that can be delivered. The effect of budget cuts on the quality of services provided is of particular concern, since academic evidence suggests that poor quality services can be harmful in the long term for young children; significant variations in the quality of early care and education programmes have the potential to produce lasting implications for both children and society as a whole. There is a significant body of evidence which points to the large beneficial impacts at the highest end of the quality spectrum and to detrimental impacts at the lowest end.¹⁸⁶ Detrimental impacts can be wide ranging and include stunting language and cognitive development, behavioural issues, and falling behind in the learning curve at an early stage, whereas

¹⁷⁹ GOV.UK. Numbers of Sure Start children's centres: April 2010.

¹⁸⁰ <https://http://www.gov.uk/government/publications/numbers-of-sure-startchildrens-centres-april-2010>

¹⁸¹ Centres of Excellence? The role of Children's Centres in early intervention http://www.policyexchange.org.uk/images/publications/centres_ofexcellence.pdf

¹⁸² Centres of Excellence? The role of Children's Centres in early intervention *ibid*

¹⁸³ 4 Children Children's Centres Census 2013 http://www.4children.org.uk/Files/8dd559e9-acc8-4030-a787-a28800f72e3d/Children_Centre_Census_2013_FINAL_AM.pdf

¹⁸⁴ 4 Children Children's Centres Census 2013 *ibid*

¹⁸⁵ 4Children. Children's Centre Census 2013. <http://www.4children.org.uk/Resources/Detail/Children-Centre-Census-2013>

¹⁸⁶ 4Children. Children's Centre Census 2013. <http://www.4children.org.uk/Resources/Detail/Children-Centre-Census-2013>

¹⁸⁶ Taylor Robinson, David (2014) A Fairer Start for Children in the North of England: A discussion paper submitted to the Inquiry of Health Equity in the North of England

the beneficial impacts can include developing social skills, being better prepared for school, and importantly, can have an important role in reducing inequality if more children from across the social spectrum have access to quality care.¹⁸⁷ Indeed, in a letter to The Guardian newspaper in February 2014, more than 30 professors and other authorities on early education, including former government advisers, said the closure or paring back of hundreds of children's centres and high quality council-run nurseries for two and three year-olds risked causing long-term damage, and "risks severely harming the prospects of a generation of children from the most vulnerable families."¹⁸⁸

4.2.4 Investment in the offer for two to four year olds

Children's centres, as described above, are a major part of the early year's offer and are clearly a contentious area with regards to cutting back provision. But it should be noted that the Government has invested in the extension of the provision for 2-4 year olds. Most notably the Government has provided £755m to councils to provide 15 hours a week of free childcare for the most disadvantaged two year-olds which will reach 40% of this cohort. The pupil premium is also being extended to the early years, targeting disadvantaged three and four year olds from 2015. This will include £50m invested to give early years providers delivering the early education places more support to help children from the most disadvantaged backgrounds. This is a positive step forward, but there are questions over the quality of the provision, whether the amount provided by the Government to providers is sufficient, and the general cost of childcare to parents, particularly concerning during a period of austerity and dampened wage growth. It does also represent a shift towards targeted interventions in support of the most deprived and moves away from the more universalist approach adopted in the expansion of children's centres. It is therefore a step which in the long term, reduces the coverage of children's centres across all communities.

In terms of overall cost, the Family and Childcare Trust state that over half of all families with children – over four million – use formal childcare every year, and that:

*'Even part-time childcare costs outstrip the average mortgage. For a family of two children, the cost for one child in part-time nursery care and one in an after school club is £7,549 a year compared to the average UK mortgage of £7,207.'*¹⁸⁹

In addition to this there are major gaps in provision across the country for working parents, school aged children, disabled children, those living in rural areas, and for those two year olds who qualify for free early education. Therefore the current childcare system is not working for all. The priority therefore needs to be in addressing the costs for working parents and making work pay for those families facing prohibitive childcare costs. There are important issues around quality too, in that some councils fund providers without a good Ofsted rating, and there have been cutbacks to training courses and to teams of early year's advisers.¹⁹⁰ Without training and ongoing support, quality cannot be sustained.

4.2.5 Impacts on the services provided to schools

The resources dedicated towards schools are being impacted by austerity measures. This includes a wide range of services, such as school improvement, curriculum support, education welfare, behaviour support, and school transport. One piece of research from the Family and Parenting Institute, suggested that in the first two years of austerity measures (2010-12), out of every pound cut from children's services budgets, 30 pence was taken from services to schools.¹⁹¹ This is also partly reflective of a broader national policy, however, towards the Academies programme. Academies have a generous funding model, with criticisms that it is draining resource from maintained schools through the Local Authority Central Spend Equivalent Grant (LACSEG).¹⁹² The overall reduction in resource means a changing relationship with schools is being developed by local authorities. There is also the fact that local authorities are struggling to make economies of scale

¹⁸⁷ Taylor Robinson, David (2014) *ibid*

¹⁸⁸ The Guardian, 21st February 2014: <http://www.theguardian.com/education/2014/feb/21/early-years-education-cuts-nurseries-experts-warn>

¹⁸⁹ Family and Childcare Trust (2014) Childcare Costs Survey 2014

[file:///C:/Users/adriannolan/Downloads/Childcare Costs Survey 2014 FINAL for website amended 12.3.14.pdf](file:///C:/Users/adriannolan/Downloads/Childcare%20Costs%20Survey%202014%20FINAL%20for%20website%20amended%2012.3.14.pdf)

¹⁹⁰ The Guardian (21st February 2014) <http://www.theguardian.com/education/2014/feb/21/early-years-provision-protected-children>

¹⁹¹ Families and Parenting Institute (2012) Families on the Front Line? Local spending on children's services in austerity

¹⁹² Families and Parenting Institute (2012) *ibid*

work for school support now that so many secondary schools have converted to academies. A number of local authorities are now beginning to sell services back to schools to achieve cost recovery. For instance this was highlighted in some of the case study examples, such as Islington, where consultation suggested that this is now becoming an increasingly wider practice across the country.

Overall school funding has been relatively flat despite the growth in student numbers. In many areas of the country demand for school places is intensifying with a growing younger population, and this will lead to significant problems with the number of school places. The pressures are leading to some schools having to convert non-classroom space, such as music rooms and libraries, into classrooms. Others have been forced to reduce playground space or are having to expand classes beyond the statutory 30 children per class.¹⁹³ This issue is likely to be most acute within London. London Councils suggest that the shortfall in primary and secondary school places is set to rise sharply to more than 118,000 by 2016/17.¹⁹⁴ This is most acute within primary schools but as children get older there will be increasing pressures on secondary school places.

4.2.6 Impact upon Child and Adolescent Mental Health Services (CAMHS)

CAMHS services have experienced significant reductions in service provision. Tackling mental health issues early on is important. More than half of all adults with mental health problems were diagnosed in childhood, yet more than half of those did not receive appropriate support at the time.¹⁹⁵ This is because historically CAMHS has been underfunded, meaning that many young people are not receiving the help they need when they need it, which will only exacerbate and prolong their problems. The service area is being impacted more through the decisions by many local authorities and Clinical Commissioning Groups (CCGs) to cut or freeze spending on CAMHS. Research from Young Minds found that 77% of CCGs froze or cut their CAMHS budgets between 2013/14 and 2014/15, while two thirds of local authorities in England have frozen or increased budgets at levels below inflation since 2010.¹⁹⁶

Like elsewhere, making deep cuts to CAMHS will have significant implications. It can bring short term savings but in the long term will result in increased use of acute services and more time spent in secondary services. It also means that schools increasingly have to cope with pupils' health conditions and fill the gap as children's wellbeing slips down the agenda. Where there are no professional counsellors on site, teachers, who are not qualified, are increasingly being put under undue stress.¹⁹⁷ This could be prevented through early intervention and appropriate funding of CAMHS services. Then there is the impact on society in the longer term as the cuts impact upon young people, prolonging mental health problems and affecting their life chances.

4.2.7 Social work services and working with children with Special Educational Needs (SEN)

Local authorities have appeared to protect this frontline service from the worst of the cuts where it can. This is unsurprising, given that social work services with children in particular is a highly sensitive policy area, and when considering some of the high profile cases in recent years which have reflected particularly poorly on the local authorities concerned. The weight of statutory duties is on intensive social care services meaning more protection for this area. However, social services and SEN services are experiencing increased demand, suggesting increasing levels of need.

The evidence is now suggesting that despite trying to shield children's social services from the cuts, local authorities are increasingly finding this a difficult task. There are concerns that statutory safeguarding duties could be breached and children who are in care are waiting longer for specialist support. Local authorities have been trying to make the cuts in back office restructuring and through reductions in cost of care placements, but the pressures are now beginning to affect service delivery. Some examples are outlined from Community Care:¹⁹⁸

¹⁹³ Local Government Association Press Release (2013) http://www.local.gov.uk/media-releases/-/journal_content/56/10180/5416718/NEWS

¹⁹⁴ London Councils (2013) Do the Maths: tackling the shortage of school places in London [file:///C:/Users/adriannolan/Downloads/1524LCDtheMath5%20\(1\).pdf](file:///C:/Users/adriannolan/Downloads/1524LCDtheMath5%20(1).pdf)

¹⁹⁵ Mental Health Today (July 2014) <http://www.mentalhealthtoday.co.uk/cuts-to-camhs-creating-problems-now-and-in-the-future.aspx>

¹⁹⁶ YoungMinds (2014) http://www.youngminds.org.uk/about/our_campaigns/cuts_to_camhs_services

¹⁹⁷ Teacher Support (2014) <https://www.teachersupport.info/node/509#.U0bMCF7mOGI>

¹⁹⁸ Community Care (April 2014) <http://www.communitycare.co.uk/children/#.U84va-NdV2A>

- ❑ **Decommissioning of specialist support for children in care:** an example is Brent Council, which is planning over £400,000 savings by replacing a mental health service that provides specialist care for children with a reduced, cheaper offer, although there is limited information on the changes. This could mean children waiting longer for access to the care they need.
- ❑ **Cutbacks on safeguarding:** a number of councils are planning to cut safeguarding in their budgets. This could mean caseloads for social workers exceeding recommended limits and could impact on quality of service.
- ❑ **Transferring social work cases to non-qualified staff:** this would involve transferring from social care workers to key workers, which could increase risks being managed by non-qualified staff.
- ❑ **Savings from social worker caseloads:** councils are to save money through reviewing caseloads and management arrangements in social work teams.

Such changes are likely to have major effects upon social work with children; the British Association of Social Workers has said that there is 'concern around the impact these types of changes have on the quality of safeguarding and the dilution of the social work role'.¹⁹⁹ This produces significant risks for the future of children's social work.

Linked directly to this are children's care placements. This is an area which is likely to see some of the largest cash savings from local authorities, despite it being a necessary resource for a significant proportion of vulnerable children. Residential care, as within Adult Social Care, is a major area of concern, with local authorities increasingly looking to lower fees with providers. This could affect the quality of care provided to children and the specialisms on offer, and many providers are being squeezed to the point that they will find it difficult to operate. Providers increasingly have to deal with constantly changing demands and changing fees from local authorities and this is demoralising skilled and experienced staff who are leaving the sector.²⁰⁰ Cumulatively this could result in poor outcomes and collapse of parts of the sector, with more children passing through a series of short, inappropriate and damaging foster placements. Those children with high or complex needs are now, more than ever, going to be difficult to place as they need highly experienced staff and carers and therefore care will be particularly expensive for local authorities. Consequently, the risk is that another cohort of some of the most vulnerable people in society is being marginalised, with long term consequences for those individuals, their families and for wider society.

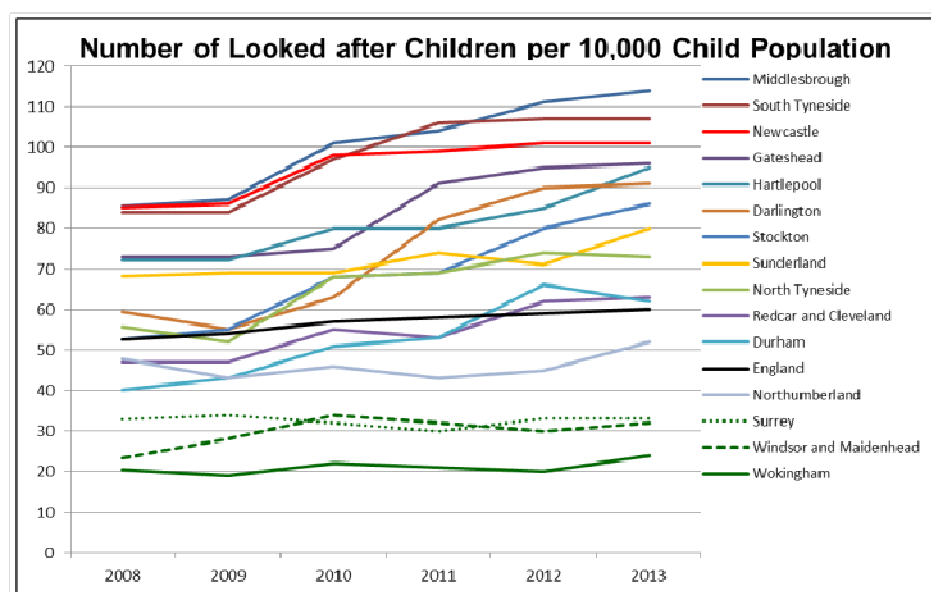
There is also a geographical dimension to this, as with Adult Social Care. It is the most disadvantaged local authorities which are being put under most pressure in delivering Children's Services. For instance, Figure 11 shows the number of children looked after per 10,000 child population for 2008-2013. It illustrates the high levels of increasing demand in deprived places with many districts proportionally looking after more children than at the national level. The North East's councils have relatively higher numbers of 'Looked After Children'. The region has the second highest regional proportion of Looked After Children in the country.²⁰¹ The pressures are particularly concentrated in larger urban areas such as Middlesbrough, South Tyneside and Newcastle. Despite this, grant funding for Children's Services will have been cut significantly by 2015/16 in a number of North East councils.²⁰²

¹⁹⁹ Community Care (April 2014) <http://www.communitycare.co.uk/2014/04/16/cuts-safeguarding-teams-looked-children-services-council-spending-drops/>

²⁰⁰ Source: Independent Children's Homes Association (2014) The State of Independent Residential Child Care 2014 http://www.icha.org.uk/uploads/files/icha_report_final_v3_1.pdf

²⁰¹ Source: Durham University Policy Research Group (2014) *ibid*

²⁰² Source: Durham University Policy Research Group (2014) *ibid*

Figure 11: Number of looked after children per 10,000 population, 2008-2013²⁰³

4.2.8 Impacts upon youth services

The other main area of activity, which is relatively overlooked by many commentators, is youth services. This can consist of a range of services and activities, such as youth centres and out of school activities that help children become rounded and develop socially. As children and young people grow up, the physical and social environments they live in have a major effect upon their development. So young people who are living within a strong and nurturing school environment, and within a neighbourhood where there are other learning and development opportunities, might have a greater chance of better life outcomes than those who spend their formative years within the opposite type of environment.²⁰⁴ For those young people who need help to access opportunities, there are increasingly limited options. This is partly because, particularly within urban areas, youth services have been cut deeply as they are not a statutory service.

At the national scale, the BBC reported in 2014 that the amount of money spent on youth services such as youth clubs, out of school activities, together with teenage pregnancy and drug and alcohol support for young people, has fallen by 36% in the past two years, equating to £438m.²⁰⁵ This is corroborated by evidence from the National Youth Agency, indicating that cuts of around 30% have commonly been reported, with local authorities frequently reporting a shift from universal services to targeted services to meet the needs of the most vulnerable young people (for instance a greater focus on youth centres within deprived areas), therefore excluding many from future services.²⁰⁶ Table 5 below shows the local authority areas which have experienced the highest cuts to this service area, where the majority of the budget has gone leaving a much smaller service.

²⁰³ Association for North East Councils, 2013

²⁰⁴ National Youth Agency (2014) Youth Services in England: The State of the Nation <http://www.nya.org.uk/wp-content/uploads/2014/06/Youth-Services-in-England-The-State-of-the-Nation.pdf>

²⁰⁵ BBC 25th March 2014 <http://www.bbc.co.uk/news/uk-26714184>

²⁰⁶ Source: National Youth Agency (2014) Youth Services in England: The State of the Nation <http://www.nya.org.uk/wp-content/uploads/2014/06/Youth-Services-in-England-The-State-of-the-Nation.pdf>

Table 5: Largest cuts to youth service spending by local authority²⁰⁷

Local authority	Cut to youth spending
Kensington and Chelsea	78% (£5.1m)
Waltham Forest	77% (£5.9m)
Westminster	74% (4.5m)
Tameside	74% (4.7m)
Stoke-on-Trent	71% (£5.3m)
Warrington	71% (£3m)

Cuts such as these are exacerbating 'poverty of opportunity' in many places and this in turn leads to future reductions in social mobility. Youth services may not involve the critical interventions seen in children's social work, for example, but the services are of huge importance within local communities, given that they help develop long term resilience in young people, through improving life chances and addressing the impacts of poverty. The National Youth Agency comments that:

*'We're going to see more young people in the criminal justice system, more young people who perhaps aren't engaging in education. The cost of that to taxpayers is enormous compared to the very small investment in youth services.'*²⁰⁸

On balance however and despite the national trend of cuts to youth services, there are local authorities that have been increasing spend - over the same period, Oldham doubled its resource allocation, Hertfordshire and Buckinghamshire by nearly a third, Cornwall by a fifth and Hammersmith and Fulham by 10%.²⁰⁹

4.2.9 Renewed emphasis on managing demand and early intervention

In terms of early intervention, there has been specific support available but this has fallen away. On coming to power the Coalition Government combined a number of early intervention funding streams to create the early intervention grant. However, this was worth significantly less than the grants that preceded it and was not ring fenced; this has now been removed altogether, merging into the general local government funding settlement. This combined with other funding cuts has necessitated the need for public agencies to do things differently.

Therefore an important shift is beginning to take place within public service delivery, in response to austerity and rising demand, which will have an important impact on children's services in particular. Smaller budgets means that councils are joining-up and integrating different services more closely than ever before. Councils are increasingly switching to models of the early family support, where support is drawn from a range of different professionals across different public agencies, and coordinated by a single, lead practitioner. This is very much about working with 'tomorrow's parents of today, before they become the troubled families of tomorrow'.²¹⁰ This could, in the long term, help avoid acute and costly interventions at a later stage. The hope is that this approach could help families build up their resilience, and over time, will help break the cycle of poor life chances that are frequently passed onto generation to generation. This is therefore about bringing together the combined expertise, capacity and resource from across local authorities, the police, NHS, schools and other services around families. The aim is for such holistic approaches and multi-agency approaches to manage demand and in the long term, potentially cut the costs for spending on acute interventions later in children's lives.

²⁰⁷ Source: Department for Education, 2014 (using 2012/13 figures)

²⁰⁸ National Youth Agency (2014) *ibid*

²⁰⁹ Source: Department for Education, 2014 (using 2012/13 figures)

²¹⁰ Source: The Management Journal for local authority business (July 2014)

Despite new approaches based upon managing demand and early intervention, it is important not to assume that austerity has been beneficial in leading to new, innovative practices which are shaping better ways of providing services. Such approaches can only go so far in managing demand and cutting costs, and cannot be viewed as a replacement for important resources that have been lost from local government and other public agencies. Indeed commentators and professionals have perceived austerity as a threat to effective early interventions activity. Rising pressures on local services are perceived to be undermining efforts to provide multi-agency early intervention for families, and it again moves away from the approach of universal access in services.^{211 212}

*'That is to only leave our door ajar. Universal low intensity services keep the door wide open. They are essential in building relationships with families and gaining that initial trust.'*²¹³

A report from Children England²¹⁴ also strongly highlighted the impacts of cuts upon early intervention. It commented that staff and even volunteers whose focus has traditionally been on early intervention are being asked to run targeted and crisis services, often without the training and support to respond confidently to more serious problems. The report goes on to state that the rationing and withdrawal of services by both the statutory and voluntary and community sectors has two key effects: risk and need are displaced to other parts of the system and services focus more on targeted and crisis support at the expense of early intervention. It comments that whilst most recognise the long term cost efficiency of early intervention services, the weight of statutory duties forces them to spend a greater proportion of reduced budgets on crisis support, which is usually more expensive per person, and for which demand is increasing.

The report from Children England illustrates some examples of where local authorities are cutting back on early intervention commitments. For instance one un-named district council's Early Intervention Grant actually increased between 2011/12 and 2012/13, but nevertheless the council implemented significant cuts to early intervention services over the next few years. These funding reductions have had a significant impact on voluntary and community groups providing preventative services. For instance one charity was forced to raise its thresholds. As a result, it is no longer able to focus on early intervention an increasing, with proportion of their resources being directed towards crisis support.

²¹¹ Action for Children Article (September 2013) Early intervention works, but austerity is its biggest threat <http://www.actionforchildren.org.uk/campaigns/campaigns-blog/2013/november/early-intervention-works-but-austerity-is-its-biggest-threat>

²¹² Ball, W (September 2013) Providing multi-agency children's services in an austere climate: professional narratives on parenting support in Wales, in Families, Relationships and Societies

²¹³ Action for Children Article (September 2013) ibid

²¹⁴ Children England (2012) Perfect Storms: An analysis of the operating conditions for the children, young people and families voluntary sector <http://www.childrenengland.org.uk/upload/Perfect%20Storms%20-%20FINAL.pdf>

5 IMPACTS OF AUSTERITY ON GROUPS AND PLACES

Section 4 outlines the impacts that austerity is having upon the two core service areas in Adult Social Care and Children's Services. This section illustrates some of the key impacts on civil society and places, and the consequences of privatisation.

5.1 Damage to civil society

Key messages:

- Communities are being weakened. The organisations in place which are crucial to community development are being affected severely by the cuts. The combination of reduced public spending and the shift in emphasis to open public services and competitive tendering has left the voluntary and community sector in an increasingly vulnerable position.
- There is a real concern from those within the voluntary and community sector about the long term harm cuts will bring to the communities they represent. The very organisations the Government want to lead the push towards localism are being severely impacted.
- The impact on small organisations means there is a risk of losing the connection with communities that councils have often relied upon through small community groups. Community capacity is vital in strengthening places, and deep cuts to the sector will erode vital services. The ongoing trends will precipitate a substantial shift upwards in the scale of organisations that deliver public services, away from those with genuine local connections and grassroots involvement.
- Cuts to the voluntary and community sector will erode social capital. This could have major consequences. Implications for society as a result of this damage to communities are considerable – once gone, social capital will take a long time to re-establish.

5.1.1 The demise of the voluntary sector when demand is greatest

Strong communities are the bedrock for successful and prosperous places, but communities are being weakened. The organisations in place which are crucial to community development are being affected severely by the cuts. The combination of reduced public spending and the shift in emphasis to open public services and competitive tendering has left the sector in an increasingly vulnerable position.

The voluntary and community sector is a vital cog in the machine which makes communities and neighbourhoods function (as is the often unseen/unrecognised role of public services too). The deep cuts to the sector threaten the existence of many organisations, weaken key networks, and will hinder residents accessing routes into voluntary action, training and employment, as well as cutting off a wide range of vital services. There is a real concern from those within the voluntary and community sector about the long term harm these cuts will bring to the communities they represent. This has been highlighted through CLES previous work²¹⁵ and it is reflected in some of the case studies in this report. The irony is that across the country the sector is more in demand than ever – the impacts of the recession and now the public sector cuts are resulting in ever increasing numbers of people requiring a range of support. The very organisations the Government want to lead the push towards localism are being severely impacted through funding cuts. Across the UK, the National Council for Voluntary Organisations (NCVO) estimates that by 2018 funding for the sector will be £1.7 billion lower than it was in 2010.²¹⁶

The impact on small groups could mean that the sector is increasingly dominated by larger national charities and social enterprises that have the capacity to bid for contracts and are more suited to the commissioning process; and there is a risk of losing the connection with communities that councils

²¹⁵ Examples of CLES work where these perceptions are brought out include several reports for UNISON which included primary and secondary research, and a framework for a 'Civil Economy' for Manchester which included extensive consultation with the sector.

²¹⁶ Source: new economics foundation (2013) Surviving Austerity: local voices and local action in England's poorest neighbourhoods <http://www.barrowcadbury.org.uk/wp-content/uploads/2013/08/Surviving-Austerity.pdf>

have often relied upon though small community groups. Additionally, voluntary organisations are often not able to 'speak out' in the contracts they are commissioned to undertake which undermines their role as advocates for their communities. Community capacity is vital in strengthening places, and deep cuts to the sector will erode social capital and vital services being delivered to communities. The ongoing trends will precipitate a substantial shift upwards in the scale of organisations that deliver public services, away from those with genuine local connections and grassroots involvement. A focus on price-based competition, efficiencies of scale and payment by results is leading to a loss of public funding for many small, specialist, often locally based voluntary organisations.²¹⁷ For those organisations that survive, it is inevitable that a reduction in grant funding will mean they have to make difficult decisions about which activities they can continue. This may mean that organisations experience a reduction in the number of people they are able to support. The Panel on Independence for the Voluntary Sector states that:

*'We are starting to see very real damage to this 'eco-system' of independent support in communities'*²¹⁸

The Government, in its 2011 Best Value Statutory Guidance,²¹⁹ set out expectations for local authorities who are considering cutting funding to voluntary and community sector organisations. The guidance stated that local authorities should be sensitive to the benefits and needs of voluntary sector organisations, avoiding passing on disproportionate cuts. This was clearly an unrealistic policy: on the one hand making an assumption that local government can mitigate the changes; and on the other, enforcing deep cuts to area based grants and other revenue streams that are key funding sources for the third sector. Central Government's actions are contradictory to policy, which appears to be more of an aspiration than a grounded policy aim.

5.1.2 Social capital will continue to be eroded

*'Some communities can provide the social capital that gets people through tough times, as others can also be so depleted of resource that they are powerless in the face of global change...We need to pay exquisite attention to what is really going on. We risk ignoring it at our peril.'*²²⁰

Social capital is the glue that holds society together; it is about people and communities coming together and making a difference to places. Wellbeing, health and prosperity all grow when communities and organisations collaborate to support each other, form relationships and work together towards shared goals. The voluntary and community sector is central to building social capital, and such large scale cuts and the widening of inequalities they threaten could check the development of the sector. This could have major consequences. Places with lower levels of social capital and voluntary sector activity may mean fewer local people realising their potential, because of a lack of facilities and services which helps them understand what opportunities could be available to them in the local and wider economy and society. Many people's everyday lives may not extend beyond their local community so such local services are vital. Implications for society as a result of this damage to communities are considerable – once gone, social capital will take a long time to re-establish.

²¹⁷ Source: The Baring Foundation (2014) Independence Undervalued: The Voluntary Sector in 2014 <http://www.baringfoundation.org.uk/IndependenceUV.pdf>

²¹⁸ Source: The Baring Foundation (2014) *ibid*

²¹⁹ See: <http://www.communities.gov.uk/documents/localgovernment/pdf/1885419.pdf>

²²⁰ Joseph Rowntree Foundation (2012) A Lecture by Julia Unwin – What future for a devolved approach to opposing poverty? Some reflections from research and from experience. York: Joseph Rowntree Foundation.

5.2 Privatisation will not lead to an uplift in the quality of services

Key messages:

- Privatisation of public services is growing, largely based on a contested view that services will be cheaper and delivered more efficiently outside of the public sector.
- However, evidence shows that contracting out will not always save money, privatising services will not always improve them, and councils can lose strategic overview of service delivery.
- There is a clear alternative, which is bringing more services back in-house. More local authorities are beginning to do this, and are often achieving the very financial and efficiency savings that it is widely believed privatisation will bring.
- In-sourcing can help provide greater flexibility, increased efficiency, and reduced costs and time associated with contract management. Importantly, it is regarded as a means of delivering efficiency savings, in line with central government objectives.
- Accountability is particularly important. Many of the critical frontline public services are run by local government for a reason. Direct public sector delivery of local services means there are clear lines of accountability and responsibility in place.

Section 4 explores the concerns around Adult Social Care and Children's Services, and how austerity will impact the quality of services that can be offered. There is also a wider cross-cutting factor to explore, which is the impact of privatisation upon the quality of services across the public sector. Privatisation of public services is a growing trend, conforming to the principles of competition eschewed by the Open Public Services White Paper, and reflecting a contested view that services will be cheaper and delivered more efficiently outside of the public sector. However, despite the drive for increased outsourcing, there is little evidence that private sector delivery improves services.

Health is a good example of where privatisation is increasingly taking hold. Research by CLES for UNISON North West²²¹ highlighted how the private sector can now bid for much more in terms of health related care, even for diagnostic services, which it is increasingly winning contracts for. The research showed that private firms are now winning financially lucrative contracts providing diagnostic services. These services are a very important income stream for NHS organisations. A UNISON health sector lead commented that income from these services helps to cross-subsidise more costly services such as Intensive Therapy Units (ITU), complex surgery and treating chronic health conditions. Losing these contracts may put these essential services at risk and impact on the stability of NHS organisations' income. This will have major consequences for communities and the health impact could be marked. Further, the research also showed that it also results in worse terms and conditions for the sector. The fear is that due to increasing privatisation, the NHS will increasingly become a 'brand' name for private sector contractors who can run services, and that the current NHS will have changed considerably in the next five years.²²² Additionally, within local government the growing trend has been for increased out-sourcing, although there is variation in this with some attempting to minimise it and others outsourcing large bulks of core services. Some key impacts and counterarguments to privatisation are provided below:²²³

- ❑ **Contracting out will not always save money** – at present, many in local government assume that savings cannot be made if services are delivered in-house. This is not the case and the transaction costs in contracting out are not always accounted for. Additionally, where failure of the market takes place, the costs to the public sector when it has to intervene are considerable.

²²¹ CLES research for UNISON NW (2014) After Austerity: An Economic Plan for The North West

²²² CLES research for UNISON NW (2014) *ibid*

²²³ CLES research for UNISON (2013) The Cuts: The UK's Damaged Future

- ❑ **Privatising services will not always improve them** – there is a lack of robust evidence to show where this has happened. Good quality services are often developed over time through proper investment in staff and resources. Contracting out can enhance the risk of service failure and reduce standards. There is also a loss of accountability which means that when contracts run into problems, it can be difficult for public sector managers to improve matters due to a loss of direct control and potentially expensive contract amendments and renegotiations. A further issue is often that Key Performance Indicators (KPIs) are distorted to suit the contractor and build in perverse incentives, therefore not measuring real outcomes for the service user.
- ❑ **Payment by results can mean increased rigidity** – as contracts will often be payment on results there is little incentive for private sector organisations to deliver above and beyond what is expected of them, and what would be most beneficial to the local community, as can be the case with public sector workers who often will, over a period of years, form bonds with communities and ‘fight’ their corner.
- ❑ **Lack of input from some communities** – private sector delivery organisations will have a pre-determined agenda and conditions to successfully deliver their contracts set by the council (or other public sector bodies) and this limits the role of local communities in shaping service delivery in areas where private sector organisations are responsible for elements of provision. In addition, many private providers will have a corporate and legal duty to meet the interests of shareholders which, at times, could be at odds with the interest of the community and service users.
- ❑ **Councils lose strategic overview of service delivery** – it is harder to join up services and make them flexible and responsive to changing needs and priorities.

More local authorities are beginning to bring services back in house as an alternative to outsourcing and are often achieving the very financial and efficiency savings that it is widely believed privatisation will bring. Research by APSE²²⁴ has shown that there are an increasing number of councils who are now in-sourcing to get maximum value from decreasing resources; 57% of local authorities surveyed had either brought back a service in-house, were in the process of in-sourcing, or were considering doing so. Although the majority of services here are environmental and housing/building based, the lessons are outlined in the research for other critical frontline services. Respondents to the research identified a range of benefits including:

- ❑ Improving efficiency and reducing costs;
- ❑ Ability to integrate a range of services;
- ❑ Enhancing flexibility and minimising risk;
- ❑ Regaining control and reducing cost and time spent managing contracts;
- ❑ Boosting local engagement and accountability;
- ❑ Higher levels of staff motivation and improved service delivery; and
- ❑ Maintaining expertise and capacity.

The accountability angle is particularly important. Many of the critical frontline public services are run by local government for a reason. Direct public sector delivery of local services means there are clear lines of accountability and responsibility in place. This is in contrast to when public services are contracted out to the private sector or indeed the social sector, where accountability and ultimate responsibility for these services can potentially become blurred.²²⁵ Links with local government have always been central characteristics of local democracy, through the transparent communications between residents/communities and ward councillors, cabinet members, and service directorates. If there are problems with services, there have always been defined routes to go down where problems can be addressed by public officials. When services are privatised there can be a lack of clarity about processes for holding providers to account.

²²⁴ APSE (2011) Ibid

²²⁵ NIPSA (2013) Private profit from public loss <http://politicaleconomy.ie/wp-content/uploads/2014/01/The-Daylight-Robbery.pdf>

There are clearly many uncertainties and experience suggests there is a high risk of a democratic deficit once services are outsourced. Accountability of public sector organisations is therefore crucial in a democratic process and councils need to have this consideration at the forefront of their decision making processes.

Finally, local government is a democratic body, not a mere service deliverer or contracting out body. As council budgets shrink and there is an increasing failure to meet needs, then the legitimacy of local government falls away.

*'We move from pooling responsibility through the machinery of a democratic state to dividing it between individuals, groups, localities and organisations in the private and voluntary sectors. It is not clear how the rights of individuals will be protected, essential services guaranteed, or those who are poor, powerless and marginalised defended against those who are better off.'*²²⁶

5.3 Impacts upon local places and networks

Key messages:

- **Lack of appreciation for the role of local government:** local government has always performed a vital leadership and network role, brokering relationships between key people and organisations within the public, private and social/third sectors. In local authorities where the cuts are deepest, as these networks and partnerships begin to splinter, and privatisation of some of these services becomes more common, the end result is greater fragmentation and weakened leadership, with negative consequences for local citizens.
- **Harmful effects on the relationships between local authorities and providers:** as the cuts impact on activities of both a council and their providers, the links between the two will weaken. Several respondents to this work and previous studies by CLES have stated that they wished to build stronger links with councils now more than ever, as they needed to be connected to ensure that information flows were passing through the system. This is becoming increasingly difficult to achieve though as more key council staff disappear, many with several years expertise in specific fields.
- **Impacts on signposting service users across areas:** many organisations operate as part of a wider cross sector network, with the aim of working to ensure that people are accessing the services that are available. However, many organisations are now under threat and do not have the capacity or expertise to fill the gap.
- **Weak internal networks results in lower quality services:** Many councils have or are now experiencing major restructuring; in middle management and frontline delivery areas, weakening networks as people disappear means that a council's operations may not be as effective. In many areas, there has been a decimation of management and this is now leading to pressures on smaller groups of managers following the removal of many service heads, locality managers and service managers. This also results in a lack of understanding and appreciation within some councils about the difficulties and specialisms involved in the work that many of the frontline workers do. The levels of good practice and shared learning will also be likely to dissipate within and between departments. Further there can be confusion and uncertainty about the chain of responsibilities and therefore of accountability.

²²⁶ Source: new economics foundation (2011) Cutting It: The Big Society and the New Austerity

5.3.1 Lack of appreciation for the role of local government will have key implications

Local economies are not simply an isolated silo of private sector activity that can be encouraged and shaped. They are made up of a network of social, public and commercial economic activity. These aspects are interconnected and dependent on one another. These connections and networks are important in making strong places which are able to 'bounce back' from adversity and become more resilient to change.

This is especially important now due to the severe socio-economic challenges that localities across the country are facing. In this, local government has always performed a vital leadership and network role, brokering relationships between key people and organisations within the public, private and social/third sectors. Take for example the Local Enterprise Partnerships which took the place of Regional Development Agencies – despite being touted as private sector led, it is local government which is often providing the drive and infrastructure. Similarly, the Local Strategic Partnerships have been cross sector based, but in reality the accountability and delivery is fronted in the main by the public sector. Therefore local government's role within a locality is crucial and government cuts to the sector and could have long lasting consequences.

In local authorities where the cuts are deepest, as these networks and partnerships begin to splinter, and privatisation of some of these services becomes more common, the end result is greater fragmentation, atomisation and a much weakened leadership, with negative consequences for local citizens.

Further, although there is little direct evidence, local government's ability to commission and procure services to enhance social value (such as a range of community benefits from the Living Wage to employment opportunities) could be undermined by austerity.

5.3.2 Impacts of the cuts on local networks and providing essential council services

In an era of lower public spending, there is perhaps an even greater need for closer, well connected networks which can spread knowledge and thinking within a strong policy and delivery framework. The closer relationships are between people and key organisations, the greater the potential to strengthen a place and its economy. This means that it is crucial for public sector organisations to develop an understanding of how both their internal and external networks operate, and where the key strengths lie within them. This is where programmes such as Community Budgets are particularly important, as they bring together resources and approaches of different public agencies and other providers to address common problems within a place through a single service delivery framework.

As cuts impact upon the delivery of services, internal council networks could weaken and more external partners (both voluntary sector and private) have reduced capacity due to cuts in funding. Some of the key lessons are outlined below.

Harmful effects on the relationships between local authorities and providers

As the cuts begin to impact on activities of both a council and their providers, the links between the two will weaken. Several respondents to this work and previous studies by CLES²²⁷ have stated that they wished to build stronger links with the council now more than ever, as they needed to be connected to ensure that information flows were passing through the system. CLES research (both in some of the accompanying case studies and in previous work as cited above) has shown that this is becoming increasingly difficult to achieve as more key council staff disappear, many with several years expertise in specific fields (for example Adult Social Care is experiencing the stripping away of many frontline workers across the country), resulting in connections being severed and leading to a lack of joined up working.

Voluntary sector organisations have severe reservations about how councils can deliver reasonable services in the future. Many relationships with councils have been significantly weakened or severed due to significant restructuring and job losses.²²⁸

²²⁷ Studies include an assessment for UNISON of the impact of cuts on Adult Services in Nottinghamshire County Council (2012), other studies for UNISON assessing the impact of cuts, and a framework for a 'Civil Economy' for Manchester which included extensive consultation with the sector.

²²⁸ MACC (2014) A Civil Economy for Manchester <https://www.manchestercommunitycentral.org/civileconomy>

Cost led approaches weakens networks

One of the biggest issues is that services are increasingly being commissioned with cost being the main consideration. A cost led approach could mean that the previously strong networks with voluntary organisations will be weakened, and this limits the potential of working with communities to develop effective and efficient services as part of a process of co-production. Research by the Association for Public Service Excellence (APSE) indicates that around a third of councils believe that budget reductions will make it more difficult to involve users in service design and delivery, with the vast majority (87%) of survey respondents, believing that retaining core service delivery is essential to greater user involvement.²²⁹ The role of local authority staff is also crucial to effective engagement with users, but APSE's research suggests that councils are concerned that, against the backdrop of budget cuts, the ability for staff to engage with users will be limited. If co-production is negated by cuts, then cost led approaches could potentially become the norm in service delivery.

Impacts on signposting service users across the system

A number of voluntary sector organisations, in particular, operate as part of a wider cross sector network, with the aim of working to ensure that people are accessing the services that are available to them (therefore when an organisation has not been in a position to help individuals, they have often served to signpost people towards other local organisations). However, the pressures are twofold, with many organisations struggling through funding cuts (as shown by the fact that the voluntary sector as a whole is forecasted to lose £3.3 billion between 2010/11 and 2015/16),²³⁰ at a time when they are seeing a demand for a rise in services. The result being that the continuity of the network is threatened and people may not be able to receive the services they need.

Weak internal networks results in lower quality services

Many councils have been or are now experiencing major restructuring; in middle management and frontline delivery areas, weakening networks as people disappear means that a council's operations will not be as effective. In many areas, as shown by some of the case study evidence in this report and through previous CLES research,²³¹ there has been a decimation of management and this is now leading to great pressures on smaller groups of managers following the removal of many service heads, locality managers and service managers. Responsibilities are filtering down and, as a result, there is less strategic direction. Individuals on lower grades are expected to do much of the job which used to be done by those on higher grades, but without the skills, experience and appropriate remuneration. This also results in a lack of understanding and appreciation within some councils about the difficulties and specialisms involved in the work that many of the frontline workers do. One respondent for a case study commented that, for some frontline workers, they used to know exactly who to turn to within a directorate when there were issues that needed to be passed to management; now there can be confusion and uncertainty about the chain of responsibilities and therefore of accountability. The levels of good practice and shared learning will also be likely to dissipate within and between departments.

Eroding of human and social capital within places

The Government and practitioners must realise that broken and weakened networks are difficult to fix, and resourcing decisions must be made by paying attention to the importance of local networks and how they can be strengthened, rather than weakened, even during a time of reduced public spending. Otherwise, social, human and institutional capital will wear away and many localities across the UK will in time become less resilient; this means poor outcomes for communities and service users.

²²⁹ Source: TUC (2013) Making co-production work – lessons from local government
<http://www.tuc.org.uk/sites/default/files/APSE%20making%20co-production%20work%20in%20local%20government.pdf>

²³⁰ Source: NCVO <http://www.ncvo.org.uk/policy-and-research/funding/what-the-research-tells-us>

²³¹ CLES work included interviews for UNISON as part of report assessing the impacts of cuts in the UK. This included interviews with a range of regional UNISON leads and with local stakeholders in the development of case studies (members of the voluntary and community sector, local UNISON leads, and front line staff).

6 CASE STUDIES

Alongside this main report and provided separately, 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. These reports provide:

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

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

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

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. The case studies drill 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 the case studies are 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.

6.1 Impacts upon the regions

This report illustrates some of the divergences across the regions in terms of austerity, in that the more deprived northern regions in particular, are experiencing significant impacts in terms of loss of spending power for local authorities, whilst also having acute demand for core services. For instance, in the North East the situation is particularly pressing. Many of the local authorities are increasingly vulnerable, and the need to prevent financial failure is clear. Demand for core services is particularly high because within the region, there is a history of deprivation, unemployment and long-term health conditions that has led to higher numbers of people accessing social care – 29% above the national average use home care, 41% above for day care and 100% above for short term residential care.²³² There are also higher numbers of looked after children than elsewhere, with the second highest proportion in the country.²³³ Combined with disproportionate cuts to local government and other public agencies (the local government spending reduction per dwelling in 2014/15 equates to £91.93; the English average is £71.58),²³⁴ and the limited ability to leverage their own income and become more self-financing, this means that the impacts upon many places in the North East are disproportionate.

²³² Source: Health and Social Care Information Centre, RAP Data 2012/13 (2013)

²³³ Source: Durham University Policy Research Group (2014) Challenging Times: Prospects for Local Government in North East England

²³⁴ Source: Association for North East Councils (ANEC) (2013): Counting the cost of further cuts: the local government finances settlement 2014/15 – Key issues for North East Councils

The North East is just one example, but other northern regions face similar pressures. Yorkshire and Humber Councils estimate that the total funding cut for the region since the 2010 Comprehensive Spending Review is in excess of £1 billion, and that by the end of the decade there could well be a further £1 billion cut from local government budgets. Within the North West there are again disproportionate cuts, which combined with a high age-dependency ratio and significant levels of child poverty, results in the 'perfect storm' of deep cuts and unsustainable demand for services. Indeed it is estimated that councils within the North West have been most affected by reductions in local authority spending power, with an average cut of £234.76 per person, compared to the England average of £130.06 per person.²³⁵ Within the West Midlands there are also significant impacts upon local spending power, with spending per person now 37% lower in the West Midlands than the national average.²³⁶

Therefore on the surface it would appear that within the northern regions of England, and extending into the Midlands, there is a disproportionate impact through austerity measures. This would also directly correlate with the relative jobs losses within the public sector, which as shown in this report, are particularly high within the North East, North West and Yorkshire and The Humber appearing to augment the arguments of divergences between the north and south.

However the so-called north-south divide is a relatively artificial construct, as deprivation and disadvantage is concentrated across the country, and as highlighted in this report, austerity is affecting the great majority of people, in all regions and places. London is a strong example of this. Modelling by London Councils²³⁷ suggests that London local authorities face a funding gap of up to £3.4 billion (31%) by 2019/20, and due to the significant areas of deprivation in the city, the share of overall reduction to local government from the 2014/15 Settlement Funding Assessment is higher than elsewhere in the country (26.1% compared to 23.8% for England as a whole). This impacts on the spending power of local authorities. In London the reduction per dwelling between 2010/11 and 2015/16 is estimated at £544, £244 higher than the England average. It shows that local government in London needs just as much consideration in terms of fairer funding, as other less economically developed parts of the country.

In the South East there are also significant pressures. South East England Councils (SEEC) estimates that its local authorities have taken £1.3 billion out of their budgets since 2010 and estimate that a further £1.4 billion savings are needed by 2017/18. There is a large dependent population within the region, and this 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).²³⁸ Service delivery also costs more in the South East. Higher property costs and salaries mean that the South East is in many ways one of England's most prosperous regions. But these factors also mean that it costs more to deliver important services. As the South East England Councils (SEEC) highlight, this 'South East' premium is often not recognised in funding formulas.²³⁹ In the South West, conditions are more akin to those described in the northern regions, as it has experienced decades of underinvestment, a low wage economy predominates and there has been a high proportion of public sector jobs lost.

Therefore the above shows that, beyond the headline statistics, austerity is impacting across all regions, not just in the north of the country as some commentators and media often describe. Councils everywhere are experiencing pressures as never before, meaning people in every region are impacted.

²³⁵ Source: Sheffield Political Economy Research Institute (SPERI) (2014) Local authority spending cuts and the 2014 English local elections

²³⁶ Source: Newcastle City Council, 2013.

²³⁷ London Councils (2014) Local Government Finance Settlement 2014/15: Response by London Councils

²³⁸ Source: South East England Councils (2014) *ibid*

²³⁹ Source: South East England Councils (2014) *ibid*

6.2 Case studies: key trends

The case studies reflect the findings of this report, revealing that residents in all places are being affected by austerity measures, and on the whole, councils were taking similar measures to address the issues, although there are some differences, as described below. Some of the key messages from the case studies are outlined here.

6.2.1 Moving away from universal services

The case studies showed that the language being used by councils is about increasing targeted services, particularly for the most vulnerable residents, through many elements of Adult Social Care and in Children's Services. Within Children's Services for instance, there have been shifts towards clusters of children's and youth centres, often with some providing more services than others. This points towards reduced services, which means universal access may be scaled back. In the case of children's centres for example, without the universal service in place then certain services could become stigmatised as being aimed at only 'problem families', when in fact, many rely on children's centres as they have a positive effect on building social capital and important networks for families, no matter where they are located.

*'Children's Centres are invaluable. To have them taken away means losing a part of the community. Children's educational needs will suffer and maybe, so could their health.'*²⁴⁰

*'I had no time to make new friends. It's invaluable for parents too some of whom can be depressed and alone. Closing these centres would be a tragedy.'*²⁴¹

6.2.2 Not always taking into account the needs of the most vulnerable

There are frequent references across many of the case studies to the personalisation of services and enhancing the independence of many vulnerable people, most notably within Adult Social Care. It was also highlighted on a number of occasions that in theory, being able to keep people independent for longer is a positive thing, but often many are being forced into significant changes which causes them stress, disruption and anxiety.

A number of interviewees commented that many of the changes, such as closing/reducing day care centres services, or closing residential homes, may not necessarily reflect on what service users actually want nor need. For instance many may feel that residential placements would suit their needs better, and also mean that they are less isolated due to the social networks they build up. Further the case studies highlighted that important bespoke support that people have received is being reduced. This makes it difficult for staff and impacts upon the service users. It is these types of impacts that many of those making the key decisions – primarily around cost effectiveness – do not appreciate.

*'This makes it really difficult as the bespoke support is being pulled out. It makes it very difficult for staff and quite often because of more people in one day centre, and all with different needs, we are basically performing crowd control.'*²⁴²

*'Users are now having to travel in further. 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.'*²⁴³

²⁴⁰ Source: Quotes from Devon County Council Children's Centres consultation, June 2014
<https://new.devon.gov.uk/childrenscentrereview/consultation-closed/leave-a-comment>

²⁴¹ Source: Quotes from Devon County Council Children's Centres consultation, June 2014
<https://new.devon.gov.uk/childrenscentrereview/consultation-closed/leave-a-comment>

²⁴² Quote from interview respondent

²⁴³ Quote from interview respondent

6.2.3 Domiciliary care being cut back

The above highlights that increasingly there is a strategic shift towards home based care to help people stay independent for longer. But the case study evidence highlighted that, as in many areas of the country, the work by frontline employees to ensure that people do not become isolated is becoming increasingly limited. For instance, in some of the case study areas, non-essential mileage budgets are being reduced, meaning capacity is in place only to provide a specific, limited range of services.

*'We would give people support and have a chat. But we can't even do that anymore. People need to realise that emotional support, even for non-essential (clients) is one of the most important things we can do. The result of not doing that is more isolation and a downward spiral in health.'*²⁴⁴

6.2.4 Some councils are working particularly hard to avoid frontline services as much as possible

All of the case study areas are facing increasingly difficult choices as budgets are cut back further. However some places have been particularly progressive in the way they have worked to avoid – thus far – impacting upon frontline services. Reading, Redcar and Cleveland and Islington have both worked closely with the trade unions in mitigating the impacts as much as is possible. Islington Council, in particular, has taken a particularly considered approach. It has not taken a position where it has rushed to make the necessary cuts, rather it has considered how services and jobs can be maintained. Indeed jobs have been added to the payroll as more services are brought back in-house. The Islington Fairness Commission, set up in 2010, was an important development in providing a 'road map' for the local authority in reducing inequality. It set the foundation for many positive developments in the borough (including implementing a Living Wage for staff and making it a condition of contracts), and this culture has been at the forefront of taking a long term approach to addressing austerity, where instead of 'salami slicing' across services, the focus is still very much on need. It is still one of only 19 local authorities in England which is still serving the needs of people classified as 'moderate' in Adult Social Care, and this will remain the case. There has very much been a 'firebreak' around both Children's Services and Adult Social Care, although the next four years presents even more pressures where it is likely frontline services may be impacted.

6.2.5 Some councils have taken the option of radically cutting back their services

Devon County Council is an example of where the authority has decided to significantly reduce their provision, and contrasts sharply with the approaches being taken in other places such as Islington. It includes shutting down up to 20 adult residential homes and 17 day care centres across the county. It represents the possibility of moving away from council provision altogether and towards market driven provision. Of course personalisation is important and there is a need to ensure that day centres do not just provide generic care, but the possible withdrawal of services and increased market provision, based upon cost, could actually reduce choice for service users.

*'If this goes ahead then choice will be reduced and need will not be met – this will have huge implications for people using the centres.'*²⁴⁵

*'We are going to see a great deal many people who have no-where to turn to. The impact on our older people as well as some of our local communities is going to be devastating. There must be an impact assessment that should be made before taking these types of decisions...the government and Councils talk about fairness but how can this be fair?'*²⁴⁶

There are also other significant changes that may be happening within Devon. For instance most youth centres could be closed, a number of residential children's homes could be under threat, and the budget for children's centres is becoming smaller, suggested a much more slimmed down service.

²⁴⁴ Quote from interview respondent

²⁴⁵ Quote from interview respondent

²⁴⁶ Quote from interview respondent

6.2.6 Developing different delivery models

In a number of places, there is evidence of new delivery models to develop more individualised support as other services had been cut back. For instance in Redcar and Cleveland services have been implemented to increase the confidence and employability skills of people with learning disabilities. As part of this an apprenticeship scheme was developed for people with learning disabilities which involved placements across the council. Volunteer mentors who are existing staff were trained up to be able to work with the apprentices, and the feedback has been very positive. In Dudley the Council is working to support provision in different ways which may partly make up any shortfalls in service – in particular through support for small social enterprises and micro-businesses. However although such services are innovative and well supported, there is of course the issue of scale. Do they do enough to fill the gaps required in Adult Social Care as budget cuts continue at such apace? There is also the wider question as to whether some of these services provided, are being used as a substitute for lost council services or whether they are peripheral services that would have been continued alongside council services.

6.2.7 Increasing demand for the voluntary sector, but resources are being cut

The voluntary and community sector, in many of the case study locations, is being impacted deeply by cuts. The impact is that they have had their funding levels reduced and they have had to seek out alternative sources of income.

*'The scale of the cuts are very worrying. These types of organisations provide an important service and advocacy for vulnerable people who don't otherwise get the voice they need. By cutting back it means that disabled people, for instance, will become more marginalised, isolated and won't have access to services like they should'*²⁴⁷

A number of the councils do have strong partnership arrangements currently in place which bodes well for future challenges. However, there is an acknowledgement that the sector needs to become more financially independent and increase levels of collaboration to be able to deliver. It is not an ideal solution in that the voluntary and community sector is increasingly being asked to step in and deliver public services that have been cut due to austerity.

In a number of places there are also fears within the sector that delivery will become more difficult in future as local networks of providers are fragmented due to increasing resource pressures. This has led to local calls across the whole sector to provide critical support for existing infrastructure so organisations can plan operate efficiently.

*'We have not been too badly hit in terms of funding, but we work as a whole within a larger local network - to achieve our aims and objectives we rely on being part of that wider network providing support to vulnerable groups of people. If this starts to break up, there will be a big gap in provision and people (service users) will keep bouncing back' which is not efficient in the long term and will in the end affect them badly.*²⁴⁸

6.2.8 Increasing levels of outsourcing

This report highlights that outsourcing is becoming increasingly common across local government, and a number of the case studies illustrate this, notably in Devon, but also highlighted in several other places. Evidence from interview respondents suggests that staff working for private providers in Adult Social Care have a poorer level of pay and employment conditions than those previously employed by the local authorities. There are reports of overworked staff working long shifts with poorer training provision than has hitherto been the case. This has implications for the support provided to service users and the quality of the procedures used to manage the service - for example, health and safety and the management of medicines for service users. It also has implications for the quality of life for service users, particularly those who require perhaps one-to-one support to enable them to access recreation or shopping.

²⁴⁷ Quote from interview respondent

²⁴⁸ Quote from interview respondent

6.2.9 Managing job losses

Thus far, across several of the case study areas, many of the job losses have been managed through voluntary redundancy. However, as further savings are required it is more likely that compulsory redundancies will be used to make the savings required for most local authorities. The impacts of the uncertainties and unmanageable workloads in many of the locations for remaining staff are significant in terms of both personal wellbeing and on the services they are able to provide. Many public sector workers are increasingly strained.

7 CONCLUSIONS: AUSTERITY IS DAMAGING THE COUNTRY'S PRESENT AND FUTURE

This report has looked at an array of evidence outlining the impacts of austerity. In particular it has highlighted the effects of spending cuts upon local government, and how this negatively impacts on its ability to deliver quality services. The core/statutory service areas – Adult Social Care and Children's Services – have been shown to be increasingly pressured through a combination of shrinking budgets and increasing demand. But it is also important to reflect that the great majority of people across the country will be affected by austerity in some way. Changes to non-discretionary services such as libraries being closed (particularly highlighted across national and local media and within this report), increases in charges for parking and leisure facilities, and other services such as reduced street cleaning, not fixing pot holes, and cutting back on funding for social events, cumulatively affect many people and communities in different ways.

The evidence shows that it is becoming increasingly clear that the Government's policy of rapid and deep public spending cuts is affecting local communities across the country, and particularly some of the most vulnerable people in society. Many public sector jobs are disappearing (in excess of half a million between 2010 and 2014 according to ONS figures)²⁴⁹, and local public sector spend will continue to fall.

The case studies (covering Bedford, Blackpool, Bradford, Derby City Council, Devon County Council, Dudley, Islington, Reading, and Redcar and Cleveland) delved into local issues in detail and highlighted a range of approaches to addressing budget cuts within councils across England, and also explored how different regions have been/will be impacted, by austerity measures.

Of course some areas and regions are particularly vulnerable to austerity. The austerity measures, particularly cuts to council funding and welfare benefits, are having highly disproportionate effects on disadvantaged places as important grant funding has been cut and demand for public services is higher, combined with a lower tax base and limited ability to raise local income as in other more prosperous places. This is going to result in reinforcing deep socio-economic divides between and within places. These places need additional investment and councils need extra powers and resource when effects of austerity inhibit their recovery; without sufficient support, it may soon be too late to turn around the fortunes of many localities which will suffer from permanent scarring.

However despite this there is still a strong sense that austerity is very much a national issue with implications across the country. As the case studies show, each region and place is facing significant pressures, and this is impacting on people across the social spectrum.

Services provided by local government are being cut back and increasingly privatised. The increasing demand for services, particularly from the elderly and young people, combined with smaller budgets for councils, means that a 'perfect storm' is brewing. Again, without proper resourcing, the nature of services provided will vary between local authorities and this is now resulting in increased charging where those who can afford it will pay; therefore one of the biggest problems is the reduction in services. The changes in assessing need means that a smaller proportion of people are eligible for services (particularly in Adult Social Care), and therefore inequalities will further deepen as more cannot afford services that would have been previously provided to them. This is a problem for people in the community, and a challenge for local government to meet needs. This is now resulting in a debate within councils about what constitutes statutory services, signalling the end of universal services and further entrenching inequalities between people and communities. Protecting vulnerable people has to be a key priority for central and local government, but increasingly this is being side-tracked as financial considerations and assessments outweigh the needs of residents.

Finally there is an important message that needs to be communicated to central government about the importance of local government. Local government is central to the life of local places, promoting equality and social cohesion. Councils are a key element in a network of local relationships and collaborations which support people, communities and business. Local government should be at the centre of facilitating and brokering networks, collaborating and connecting across all sectors within a place. However, the cuts to local government have weakened two things. Firstly, councils now have less resource and capacity to support social and commercial life, as they

²⁴⁹ ONS Public Sector Bulletin, Q2 2014

can no longer ensure that effective connections and relationships are made. Secondly, the cuts have eroded economic, social, and human capital. As a result the UK as a whole, and many local areas in particular, are becoming less resilient and less able to deal with negative change and utilise emerging opportunities. This important network and place stewardship role of local government is being overlooked by the Coalition Government and if current trends continue, previously strong bonds which bind our society and economies together will further fragment.

8 RECOMMENDATIONS

Below we outline some key high level messages which are aimed at both national and local government, based around different approaches and ways of working at all levels, in order to mitigate the impacts of austerity for people and places. There are no quick fixes to addressing the issues but changing the emphasis in policy and interventions can provide the foundations for positive change.

8.1 Develop fair funding mechanisms for those places most in need

The evidence in this report shows that the level of cuts has been disproportionate within certain areas of the UK. It is those most deprived areas which have previously been more reliant on grant funding formulas, which have been most impacted by the cuts. Nationally, the Local Government Association (LGA) has modelled funding for councils and calculates that by 2019-20 there could be a funding gap of around £12.4 billion (an average of £2.1 billion per year).²⁵⁰ This is predicted to impact most upon the councils in the poorest areas, with the 50 most deprived councils in England having potential funding gaps of up to 48% - in particular places such as Liverpool, Middlesbrough, Manchester, Knowsley, Hull, Hackney, Tower Hamlets, Birmingham and Blackpool, which are amongst the most deprived local authority areas in the country.²⁵¹

There is therefore a requirement to communicate the urgent necessity for 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, while recognising the importance of universal access to services.

- ❑ There should be a fully needs based approach to local government funding that shows an appreciation that some localities need more support. This is very much a primary focus on needs-based approaches using a range of indicators around socio-economic deprivation and health outcomes, which respond to changing needs over time.
- ❑ There should be a place weighting within funding applying across the public sector, where the objective is to reduce the gap in outcomes between the most affluent and most deprived areas. This would require greater distribution of resources in such places so that outcomes can improve at a faster rate.
- ❑ Additionally there needs to be an urgent review of local authorities' ability to meet their statutory requirements, at minimum, between now and 2018/19. This should take the form of a cumulative assessment across different statutory service areas. This could potentially be led by the Local Government Association. Alongside this local authorities need to undertake localised evaluations, looking at the impacts of changes for service users. At present there is often an acknowledgement of risks and description of some mitigating measures, but little else.

This is not without its challenges. The current system reflects the centralised organisation of tax and public spending in the UK. But change is required; change that reflects fairness and the social and economic challenges that different places face.

²⁵⁰ LGA (2014) Future funding outlook 2014

²⁵¹ Department for Communities and Local Government (2010) The English Indices of Deprivation 2010
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6871/1871208.pdf

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

As the evidence in this report begins to show, the public spending cuts have been spatially blind, and not accounted for social need within different areas. There are of course consequences for all areas of the country, but some of the poorest local authority areas with the most acute socio-economic challenges are disproportionately affected which is leading to even greater divides across the country. This is wider than just an inter-regional issue, as pockets of disadvantage are being affected deeply across the North East, North West, to the Midlands and inner London.

Therefore 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 lobby central government for change. At the same time, national government should prospectively assess the impact of all social policies on inequalities, with a particular focus on spatial inequalities to ensure that they do not widen within and between regions. Such assessments should be carried out as an extension to current impact assessment processes.

8.3 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. Now is the time to consider how to forge strong, mutually beneficial partnerships between local government and Whitehall, particularly as devolution is high on the political agenda. A progressive relationship can only benefit both parties, and most importantly, citizens and businesses. This is not necessarily about localism but about having greater financial independence in local government – having the freedom to distribute resource rather than being dictated to from the centre. There is still a long way to go on this before English local authorities enjoy anything like the autonomy experienced internationally. England's eight Core Cities²⁵² deliver 27% of England's GDP and are home to 16m people (a third of the England population). But the Core Cities only control 5% of all the revenue raised from local people and businesses, with 95% going to central government. OECD figures show that cities in Canada control about 10 times more local taxation than UK cities; US cities control 7.5 times more; Swedish cities control 7 times more; and German cities control 6 times more.²⁵³

The emergence of City Deals, Growth Deals and other powers for core cities and city regions is a starting point in this process, but by going further and providing individual local authorities with a framework of statutory powers and agreements between themselves and the centre, local actors will have the freedom – and the responsibility that comes with it – to help shape the future of their localities specific to local need. The recent agreement for Greater Manchester²⁵⁴ is a step in the right direction, but there is still much more to be done, and a model of a city region mayor is a condition that may not suit the needs or wants of all places.

A recent inquiry on health inequalities,²⁵⁵ administered by CLES, highlighted a number of areas for consideration, which incorporated a number of points highlighted below:

- ❑ **An aim to incrementally increase the proportion of public expenditure that is gathered and spent locally.** If done properly, this can help rebalance the economy, bring both national and local government closer to people, and help curb inequality. This includes, in particular, more resource to help deliver regeneration priorities across city regions and local authority areas. Additional, localised funding streams for skills, infrastructure and business growth could help to ensure there is more capacity for places to raise more of their own income in the long term.

²⁵² See <http://www.corecities.com/>

²⁵³ Core Cities Business Summit Opening Address <http://www.corecities.com/news-events/core-cities-business-summit-opening-address>

²⁵⁴ See: <http://www.manchestereveningnews.co.uk/all-about/manchester-devolution>

²⁵⁵ CLES (2014) Due North: Report of the Inquiry into Health Equity for the North <http://www.cles.org.uk/news/inquiry-publishes-due-north-report-on-health-equity/>

- Alongside this would be agreements with national government to ensure that devolved funds are used to accelerate social gains and address inequalities. Fairness, equality of opportunity, and economic gains which are inherently linked to social development must to be part of local decision making processes for use of devolved funds. New devolution agreements with Government therefore need to incorporate the responsibility and accountability of local public agencies in ensuring that activities implemented through devolved funds contribute to wider specific objectives, to improve socio-economic outcomes for places and people. Devolution cannot just be a local extension of the current prevailing model of economic growth, assuming that its impacts will filter down to all communities. This has not worked in the past and is unlikely to work in the future.
- Financial freedoms alongside devolving resources. This means providing more effective mechanisms for local government to access finance such as:
 - Reviewing restrictions on investments by local government pension schemes (worth £148 billion nationally) so they can be used to make investments that promote economic development (for example through regional pooling);
 - Determining local rates of tax (for instance councils having more flexibility and choice about council tax levels);
 - There should also be exploration of the feasibility of giving local authorities in England a share of the existing tax base (e.g. income tax revenues to invest in services).
 - Finally, Government needs to ensure a fair way to distribute business rate benefits. There needs to be a way in which local share of business rates can be increased, as an incentive to councils and to fund quality public services, but where places which have economic weaknesses can still benefit from the system. The system needs to be accompanied by redistribution for those places economically disadvantaged.

8.4 Develop more intelligent procurement and commissioning processes

Public procurement and commissioning policy is important in the functioning of local economies. The decisions made by procurers in local (and national) government have key implications for the sustainability of businesses, the growth of jobs and circulation of incomes within communities. Public sector procurement has the opportunity to shape and influence many activities which public services deliver and ensure that public spending reaps maximum economic, social and environmental benefits.

8.4.1 Promoting progressive procurement

When public resources are tight, questions about how and where we spend money takes on greater significance. Local authorities need to procure in ways in which maximum benefit can be extracted from the process for local people, the local economy and communities. Through the sheer scale of spend, there can be investment in deprived neighbourhoods and subsequently jobs and supply chain opportunities. Such investment also leads to multiplier effects, supporting the sustainability of employment, business, shops and local services. Public procurement can be used to drive up employment standards, and set a benchmark in local labour markets. 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. There are a number of considerations to developing more progressive procurement practices 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 below.

- Commissioning and procurement as key to effective place leadership role - public sector leaders need to see effective commissioning and procurement as a key part of their place and community leadership role. The commissioning of services should be based on a public interest case, including the option of in-house delivery of services. Where commissioning of services leads to contracting of external providers, procurement should be undertaken in a way that promotes wider economic, social, and environmental benefits. Quality and social value should be at the forefront of scoring criteria.

- ❑ **Procurement is central to corporate policy** - procurement as a function needs to be cross departmental and embedded in strategy and policy within core priorities of every procurement decision.
- ❑ **Adopt a common strategic approach** – commissioning and procurement needs to be designed around a set of common economic, environmental and social value criteria, informed by an overarching statement of intent or sustainable procurement strategy.
- ❑ **Understand spend** – commissioning and procurement decisions should be based on effective assessment of the impact of local authority spending on the local economy and labour market.
- ❑ **Understand the local market** – in order to progress procurement it is important that local authorities understand who their local business base are, what types of products and services they can potentially provide, what their skills and capacity are, and what support they need to engage and tender for opportunities.
- ❑ **Engage in a constant dialogue with suppliers** – the end of a tender exercise does not mean the end of the procurement process. Through supplier networks and contract and category management, authorities can influence the behaviour of suppliers so that they consider employment for difficult to reach groups, apprenticeships for young people, and the local economic impact of their supply choices.
- ❑ **Monitor impact** – to aid continuous improvement and continuous intelligence gathering, authorities should look to monitor the contribution which suppliers make to wider social environmental and economic priorities through a set of common indicators. Indicators could include: proportion of suppliers' employees that live in the local authority boundary; number of apprenticeships offered, and impact on employment standards.

8.4.2 Promoting the Living Wage and reducing the use of zero hours contracts through procurement and commissioning

The above highlights a set of key principles for procurement and commissioning. Below we drill down into specific elements around embedding the Living Wage and reducing the use of zero hours contracts, which acknowledges that treating and paying staff well is a core requirement for delivering any good quality service. Low wage employment is a false economy which means that welfare bills remain high as in-work poverty increases, and this together with job uncertainty has a major impact on families and wellbeing in addition to impacting on the quality of services provided.

Encouraging a Living Wage through the supply chain

A key mechanism for promoting the Living Wage, is through commissioning and embedding it within the local supply chain. There is still uncertainty around this, in terms of the practical and legal components, and this would require more research (although some public bodies are now implementing this). There are a range of principles which could ensure that Living Wage could be promoted properly through procurement and commissioning:

- ❑ 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, and would take into account the ability of all organisations, such as SMEs, to pay the Living Wage.

There are some challenges to the approach that would need to be considered, such as meeting the costs in areas of public service characterised by low pay, such as social care. A fair and sustainable funding formula for local government therefore must include provision for a Living Wage. There also needs to be the development of effective monitoring compliance systems where appropriate, to ensure that contractors are paying the Living Wage. This could be challenging to implement, and particularly monitoring where the Living Wage may affect other terms and conditions; therefore engagement with trade unions should be an integral part of this process.

Reducing the number of people on zero hour contracts

Taking zero hour contracts out of commissioning is critical. Social care is particularly affected by zero hour contracts. 300,000 of the 583,000 people estimated to be on such contracts by ONS²⁵⁶²⁵⁷ are working within the sector (although both these figures may be underestimates according to recent research by the Resolution Foundation),²⁵⁸ whether through direct employment by the public sector or through private/third sector providers under contract. This includes 60% of domiciliary care workers. 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 in its research:

- ❑ **Shaping local markets through commissioning:** this includes moving away from a process of contract by contract conditions to begin to shape local markets and labour markets, and ensuring that provider activity is concentrated within a single patch with longer contracts. This provides guaranteed hours within an area and means providers can offer their staff higher numbers of hours through fixed contracts. If providers are spread thinly then fixed-hours contracts are more expensive as jobs are highly dispersed – this is often the case within social care at present.
- ❑ **Doing more to provide outcomes-based commissioning:** there is much rhetoric around outcomes based commissioning, but more could be done to actually begin to implement this. In social care, the Resolution Foundation report that 90% of local authorities continue to commission on the basis of time and task. This is creating difficulties for providers deciding how best to deploy staff and does not incentivise the provider to be overly concerned about the impact of services – care in particular. 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. A good example of this is Wiltshire Council's 'Help to Live at Home' service.²⁵⁹
- ❑ **Develop the workforce:** this is an additional point about improving 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. Training, skills development and qualifications for those who work in social care are essential if good quality services are to be ensured, and requirements for this should be embedded into contracts, linked to a wider process of professionalising and accrediting the workforce.

The above is mainly centred on social care, and of course people on zero hours contracts work in a wide variety of industries (although social care is the largest and one in which local public providers can have direct significant influence). It is also not without its challenges and it would need adequate funding. For instance, Southwark and Islington Council's estimate that moving all their social care providers off zero hours contracts would cost anything from £500,000 to £4m.²⁶⁰ But it is an urgent issue within social care in order to provide workers with better certainty and crucially provide better quality services.

²⁵⁶ ONS (2014) Analysis of employee contracts that do not guarantee a minimum number of hours

http://www.ons.gov.uk/ons/dcp171776_361578.pdf

²⁵⁷ The Guardian (25th March 2014) <http://www.theguardian.com/society/2014/mar/25/social-care-ditch-zero-hours-contracts>

²⁵⁸ 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

²⁵⁹ Source: Institute of Public Care, 2012 <http://ipc.brookes.ac.uk/publications/index.php?absid=691>

²⁶⁰ Resolution Foundation (2014) *ibid*

8.5 Develop a 'rights' based approach for children's welfare

There are clear indications that children's services are being/will be disproportionately impacted by austerity measures. This recommendation is based upon the premise that children have a right to the best possible start in life. A high level commitment to a 'rights' based approach to improve child welfare, early years, health and education, will be an important driver of policies to ensure the welfare of children across the whole of the country, both in prosperous and disadvantaged places. Six local authorities in the UK (including Leeds, Newcastle and Tower Hamlets within England) have signed up to a new partnership/Charter with UNICEF, which is about committing to respect, protect and fulfil children's rights; therefore there is an example of how this can be done in practice at the local level.²⁶¹ There are a number of high level actions (recently developed by CLES, the University of Liverpool and a review panel for an inquiry into health inequalities in the north) 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. These actions included:²⁶²

- ❑ **Embed a 'rights' based approach to children's welfare at the national level:** this would mean a high level commitment to children's rights with the aim of improving child wellbeing and reducing inequalities, and would provide a more uniform message across government. The arguments are not just about the evidence, but also that investing in children is morally and legally the right thing to do. The benefits of investing in children, in particular the early years, are well demonstrated, and large numbers of children stand to benefit.
- ❑ **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). This would mean that participating local authorities would have a transformative look at the services they deliver to children and young families in terms of education, health and protection, covering social care, placements, mental health, early years and youth services. It would also help in getting the message about the importance of quality services in social care and other children's services across to different organisations. Putting child 'rights' into public services in a tangible way and sense of civic duty towards children would change practice, and in the long term deliver better outcomes for children and families.
- ❑ **Move away from the increasing shift towards privatisation of children's services:** the language of narrow marketplace competition is something that is now becoming more common within Children's Services and budget setting. This may mean we begin to lose sight of the professional and personal commitment to putting children first.
- ❑ **Act upon reducing child poverty through the measures advocated by the Child Poverty Commission** which includes investment in action on the social determinants of all parents' ability to properly care for children, such as paid parental leave, flexible work schedules, living wages, secure and promising educational futures for young women, and affordable high quality child care.
- ❑ **Provide universal support to families through parenting programmes, children's centres and key workers, delivered to meet social needs.** The Government should re-affirm its commitment to providing key services through children's centres.

²⁶¹ Source: UNICEF UK <http://www.unicef.org.uk/UNICEFs-Work/What-we-do/Our-UK-work/Child-Rights-Partners/>

²⁶² Source: CLES (2014) Due North: Report of the Inquiry into Health Equity for the North <http://www.cles.org.uk/news/inquiry-publishes-due-north-report-on-health-equity/>

8.6 Develop a long term plan for increasing resources for Adult Social Care

As this report highlights, Adult Social Care is under critical pressure. A wide range of organisations, from the Kings Fund to the National Audit Office and the Association for Directors of Adult Social Services, have all warned that Adult Social Care is in crisis. The Government needs to listen to these warnings and release enough funds for local authorities to provide social care to everyone that needs it. 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 for 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. It will shift resources into community care and social services. But 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. At present, this fund will not address the financial pressures faced by local authorities and it is essentially recycled money with conditions attached to it around reducing hospital admissions. In turn, it is exacerbating financial pressures within many NHS trusts and foundation trusts. Additionally, because of performance related payments councils could miss out on up to £600m per year.²⁶³ A bigger fund would also importantly allow local authorities to lessen the cuts to non-statutory services such as public transport subsidies, libraries and leisure facilities, which are important in maintaining strong communities and general health and wellbeing. The current proposals may be perceived as something of a 'sticking plaster' and do not recoup the costs to Adult Social Care as a result of austerity measures.

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.'²⁶⁴ The current fiscal climate is challenging, but Adult Social Care is one of the most pressing issues in society. Cross-party consensus and joint working in developing a long term plan to bring in new, sustainable funds (whether through increased tax or other sources) is the only way in which future resource challenges can begin to be addressed.

8.7 Promote in-sourcing within local government and other public agencies

This report shows that as part of the austerity drive, increasing levels of privatisation of local government services is a growing trend. However, despite the drive for increased outsourcing, there is no evidence that private sector delivery improves services, and it leaves an accountability gap. Some councils have found that insourcing is a realistic service delivery option that can: ensure service continuity, address issues of poor performance; reduce costs; build flexibility and integration into the service delivery chain; and provide more accountable local services.²⁶⁵

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.

This is a perfectly viable alternative to mass outsourcing. It can make council services more efficient in the long run and protect local government jobs, providing the quality services that communities and residents demand, whilst ensuring the accountability and democratic value that local government is there to deliver.

²⁶³ Source: The Management Journal for local authority business (31st July 2014)

²⁶⁴ 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>

²⁶⁵ Insourcing update: The value of returning local authority services in-house in an era of budget constraints (2011), Association for Public Service Excellence

8.8 Working with public service unions

There needs to be further development in 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.

8.9 Utilising the qualities of the voluntary and community sector more effectively

The voluntary and community sector is increasingly being pressured into doing more with less, and its independence is being threatened as it is being incorporated into market led provision. It is viewed by many policy makers as another market provider and often a 'cheap alternative', rather than being an intrinsic link into and a representative of the wider community. In particular, the sector provides important care and wellbeing services, for instance within Adult Social Care, Children's and Youth services. Here it must be involved from the outset in how future services are designed. The current trajectory needs to change and the sector must not be sidelined as a mere provider. This means there should be stronger regulations which demand greater adherence to the Compact (an agreement governing relations between government and civil society organisations in England) across all forms of government, as argued for by the Panel on the Independence of the Voluntary Sector.²⁶⁶

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.²⁶⁷ 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.

²⁶⁶ Panel on the Independence of the Voluntary Sector (2014) Independence Undervalued: The Voluntary Sector in 2014 <http://www.independencepanel.org.uk/wp-content/uploads/2014/01/Independence-undervaluedfinalPDF-copy.pdf>

²⁶⁷ 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.