

# Hard Times, New Directions? The Impact of the Local Government Spending Cuts in London

Amanda Fitzgerald and Ruth Lupton

## Key points

- London local government has taken a 33 per cent real terms cut in service funding from central government between 2009/10 and 2013/14.
- Councils have been making strenuous efforts to make large savings without cutting front line services, and to protect services for those who need them most. Most savings have come through efficiencies, the sorts of savings which Councils have argued are neither detrimental to, nor noticeable at, the frontline.
- However, Councils have, reluctantly, had to reduce their own role in the provision of discretionary services. More of these services are being delivered by voluntary and community sector partners, so the landscape of local service provision has seen some change.
- The need for Councils to pare their own provision back to statutory services, increasingly targeting those most in need, may, ultimately, result in less local variation rather than more. In this the cuts could be running counter to the promotion of the localism agenda.
- A focus on the most in need, seen in greater targeting of services, could also further fuel rising demand, as lower level need goes unaddressed.
- Council officers and Members are concerned that the 'limits of efficiency' have been reached, and there is little scope for further large-scale savings without significant effects on frontline services.

## Introduction

This is an interim report of a study designed to examine the impact of the local government spending cuts on some of London's least well-off residents. The report focuses on the scale of the cuts and how local authorities have responded. It details how income and service expenditure across London Boroughs have changed since the Comprehensive Spending

Review of 2010. Focussing on three London Boroughs as case studies, it then describes how councils have tried to absorb the sharp reductions in their spending power. The results may be read alongside recently published work for the Joseph Rowntree Foundation on local authorities outside of London (link once available). A final report, due mid-2014, will consider the implications of the responses reported here for the lives of residents in the three case study boroughs.

## The Scale of the Local Government Cuts in London

The size of 'the cuts' has been contested, with local authorities and central government counting them in different ways. One contribution of this report is to make the different approaches more transparent and to present an independent view of the scale of the reductions. We look at three measures: the size of the reduction in central government *funding* for services; the government's own assessment of the reduction in *spending power*, which also takes into account money that Councils can raise from Council Tax; and the reduction in actual and budgeted expenditure on services. Education is excluded in all measures, since the large-scale change from local authority schools to Academy provision makes the cuts look much larger, when this is in effect a transfer of funds.

In terms of funding:

- **central government funding for service provision in London's thirty three boroughs, in total, fell by £2.7 billion in real terms (33 per cent) between 2009/10 and 2013/14, or 37 per cent in per capita terms.** This was a similar size of reduction as experienced by other large urban authorities in England: the metropolitan districts and unitary authorities.
- **In terms of reductions in spending power, the overall figure was 17 per cent, or 21 per cent in per capita terms,** although these data only cover the period 2010/11 to 2013/14.
- **The reduction in total service expenditure was broadly in line with this, at 15 per cent in real terms, and 20 per cent in per capita terms. Not all London Boroughs have been affected to the same extent. Spending power reductions, per capita, over the period 2010/11 to 2013/4 range from 12 per cent to 26 per cent in real terms.** In general **more deprived boroughs**, which had more income from central government and spent more to start with, have faced the biggest cuts.
- **Overall in London, the largest percentage cuts seem to have come in so-called 'discretionary services'**, e.g. planning and development services (56 per cent) and cultural and related services (28 per cent). Spending on social care reduced by 12 per cent – although because social care is such a large area of spending, this accounted for almost half the overall cut in service expenditure. With an increasing elderly population, demand for social care is rising, so reduced budgets are having to stretch further.

## Local Authority Responses: Three Case Studies

**Three local authorities agreed to take part in the research, providing insights into the kinds of decisions that had had to be made and how they approached the task.** Selected to reflect a spread of political positions, geographies and approaches, these are:

- **Brent**, a Labour-led borough in Outer North West London
- **Camden**, a Labour-led borough in Inner West London
- **Redbridge**, a Conservative-Liberal Democrat partnership in Outer North East London

This research focuses particularly on impacts of the cuts for families with children under five, young people aged 16-24, and older people with care needs. In each group, we are particularly concerned with impacts on people with lower incomes: they are more likely to be reliant on public services as well as more vulnerable to labour market contraction and welfare benefit change. Our work with the case study authorities focused on the major services for these groups; early years, children's and youth services and adult social care.

This means that efforts to save money on other services, for example, highways, parks, or litter and refuse services, were not particularly visible in this stage of the research, although we should pick up impacts of any significant changes in these, for the groups concerned, at the next stage.

## Key Findings from the Case Studies

### Efficiencies, Retrenchment and Investment

**All the boroughs had made very substantial efforts to protect front line services wherever possible and limit the impacts on residents with the greatest needs. The majority of savings had been made through 'efficiencies' – reducing costs without immediate impacts on service delivery.** These included, for example, Brent's 'One Council' strategy, by which the Council is streamlining the organisation, reducing staffing and bringing its administrative functions into a single building. **Managing demand**, notably by establishing 'reablement' services for older people, **was also a feature in all three Boroughs**, as was cutting costs in commissioned services through tighter procurement.

**There was also evidence of Councils adopting modes of working that would enable them to do 'more with less' in the future**, such as a 'getting it Right First Time' and 'systems thinking'. Camden was moving towards an outcomes-based budgeting framework. There had been heightened efforts to make residents aware of the difficult choices that needed to be made and to consult them. Redbridge had pioneered an online public consultation tool 'You Choose' by which residents could feed-in to the Council's decision-making. Some front line facilities had been closed for example: six libraries, a day centre and two residential centres in Brent; a library and an adult social care resource centre in Camden and a youth centre and some public conveniences in Redbridge. However, at this stage, **actual closures were small in number, and associated with attempts to improve quality and reduce duplication.** They resulted in a change in the geography of access points more than a complete withdrawal of the service offer.

**More commonly, Councils were 'retrenching' (Hastings et al 2013) – reducing their role in discretionary areas of service delivery while trying to maintain services.** Councils were working with other partners to keep services open. For example in Camden, schools were helping maintain a universal 25hrs per week childcare offer and the voluntary and community sector (VCS) had been commissioned to provide the play service (where it had been directly provided by the Council previously). In Redbridge, libraries had been put out to a VCS run Trust.

**There was evidence of modest increases in charges, although this was not one of the principal savings strategies in any of the Boroughs. Some services were becoming more targeted.** There were examples from all Councils of focusing services increasingly on the most vulnerable (for example, troubled families interventions in Brent, free transport provision to day centres for low need clients in Camden and the information, advice and guidance service provided through Connexions in Redbridge). **At the same time, Councils also emphasised the importance of investment – to ensure the well-being of local residents and prevent demand for crisis interventions in the future.** Investment strategies featured in all of the boroughs, including strengthening the local economy and communities through regeneration programmes and promotion of employment and apprenticeships.

## **An Uncertain Future: Less ‘Localism’ not More?**

**The officers and Members interviewed for this study were confident that, to date, they had managed to make the savings required without substantial impact on front-line services.** In fact, it was reported that, for those who were accessing the services, review and reorganisation processes should have led to some improvements. **However, the future was much less certain. In all the Councils, a view was expressed that they were close to the limits of efficiency and that it was hard to see how further large scale cuts could be absorbed without more substantial service reductions.** The outcome was likely to be further retrenchment to statutory service delivery. Paradoxically, in an era in which greater localism is being promoted, the demands of austerity may actually result in a less varied local offer rather than a more varied one. Some respondents anticipated more radical changes to local government ahead, including a diminished role providing targeted services for the most needy, or even reductions in the number of local authorities. Effects on quality and sustainability of the changes already made were also unclear. **Leaner staff structures, increased work intensity, and cuts to training and development teams all created extra pressures in a time of increasing demand.** Efforts were being made to support voluntary and community providers in building their funding base, but as other studies have noted, the challenges for such organisations are immense, and change is very rapid. There are unanswered questions about whether high quality services can be sustained in the long term in the face of such large reductions to local authority funding.

## **The Next Stage of the Research**

The next stage of this research project is to interview residents and front-line workers in poorer neighbourhoods in each of the Boroughs, to understand the cumulative impacts of the recession and wider austerity policies, and the impact of Councils’ responses given this wider context. This closer focus will make visible the cumulative effects of small pressures and the ways households and community and voluntary sector providers are coping. It will provide potentially helpful feedback to the case study Boroughs, as well as wider insights on changing needs and the ways in which they might be met. We expect to report in early summer 2014.