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THE COST OF THE CUTS: THE IMPACT ON LOCAL GOVERNMENT AND POORER COMMUNITIES

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1

INTRODUCTION

About the report

This report is a summary of the key findings and policy implications of a major research project, conducted over three years, on the cuts to local government budgets in England and Scotland. The study was designed to understand the nature and implications of cuts implemented by central government since 2010. It also considered how four case study councils have attempted to manage the resulting austerity with specific strategies and savings measures. The central focus of the research is on the impact of the cuts on the poorest people and places.

The narrative that local government has been able to absorb substantial cuts without significant detriment to the levels of service provision has been widely repeated.

The reality is that despite the efforts of local government the poorest places and the poorest people are being the hardest hit, with those least able to cope with service withdrawal bearing the brunt of service reduction. The analysis demonstrates that cuts at the scale and pace of the last few years are unsustainable. This raises major questions over the anticipated level of cuts in the next spending period.

Have local authorities reached a tipping point?

Where previous studies of the early years of the cuts suggested that local government was coping, this study finds that resilience is coming under increasing strain. Where previous studies have suggested that the impacts have been mitigated by the ability of councils to focus savings on back office or other efficiency measures, this report finds a marked shift to reductions in frontline services. Local authorities in England lost 27 per cent of their spending power between 2010/11 and 2015/16 in real terms. Some services, such as planning and 'supporting people' (discretionary social care with a preventative or enabling focus) have seen cumulative cuts to the order of 45 per cent. People are beginning to notice the impact of the cuts with an increasing proportion of households finding services inadequate or unaffordable.

Local authority staff and services face unsustainable stress

Local government is working under intense pressure to develop long-term sustainable responses to the requirement to make substantial savings year-on-year. There is a clear appetite to deliver more effective as well as more efficient services, but the strategic capacity needed to deliver on both the 'cuts' and 'reform' agendas simultaneously is stretched by the scale of disinvestment in the sector. Meanwhile frontline staff within local authorities are working very hard to cushion service-users from the worst impacts of the cuts, principally by taking on expanded workloads. The level of stress this entails does not appear sustainable in the longer term and in many areas staff report feeling overwhelmed by the scale and nature of the problems they are dealing with. At the same time as their organisations are shedding staff, they find needs increasing. At least some of these needs result from the cuts in welfare benefits which are creating a depth or intensity of problems which organisations have not faced before.

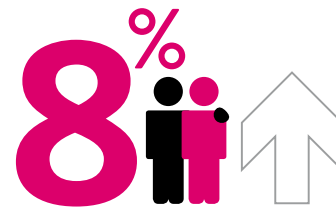
Cuts are contributing to rising levels of inequality

There has been uneven treatment of authorities by central government, with authorities with more deprived populations suffering disproportionately higher levels of cuts. In England, there has been a striking convergence in the levels of funding between more and less deprived authorities. This has important implications for rising inequality between different local authority areas. Particularly striking is the situation for social care spending (combining children and adult services). This has actually risen in real terms in the least deprived categories (by £28 per head or 8 per cent) while falling strongly in the most/more deprived categories (by £65 per head or 14 per cent).

Local authorities appear to be doing their best to shelter the poorest people and places from the worst effects of service cuts. However, even relatively modest cuts to frontline services can have a substantial impact on the lives of poorer households. Poorer households are more reliant on a range of public services so feel the cumulative impacts of multiple small cuts. Small increases in charges, travel times or costs can represent an absolute barrier to access for those on low incomes.



Social care spending has fallen in real terms in the most deprived communities by **£65 per head** or **14 per cent**



Social care spending has risen in real terms in the least deprived communities by **£28 per head** or **8 per cent**

The scale and pace of the cuts risks undermining the transformation of public services

Austerity has acted as a catalyst for fundamentally rethinking how local services are designed and delivered although significant transformation was under way before 2010. The desire to achieve greater efficiency and effectiveness is being challenged or undermined by the pace of the cuts. The need to find short-term solutions to deliver balanced budgets is getting in the way of developing new approaches, building joined-up approaches and investing in the preventative activity necessary to deliver savings over the longer term. The loss of organisational capacity across the public and voluntary sectors is a further source of constraint. There are warning signs that acute budget and service pressures can encourage a retreat to silos or 'passing the buck', particularly at the operational level.

Long-term, preventative approaches are being compromised by the need to make short-term savings

Basic services which play a preventative or developmental function, including services for children and young people and adult care services, are increasingly under threat. There is frustration that preventative activity is hindered by the pace of cuts, loss of organisational capacity and the fact that immediate fiscal benefits will not be felt or may flow to other organisations. These not only harm individual welfare and constrain opportunities, but are likely to be storing up problems for the future – problems which will require expensive public service responses at a later date.

More cuts to council spending amid rising demand for services appear unsustainable

The Institute for Fiscal Studies, among others, has concluded that the cuts to public service spending that are required or planned in the next parliament are at least as big as those that have already happened. In other words, we are only half way through the austerity programme.

There is a risk that, under a localist agenda, central government absolves itself of responsibility for supporting delivery of critical local services while at the same time cutting local budgets to such an extent that local services are inescapably affected. This places local authorities in an impossible position of trying to meet needs while balancing budgets.

To date, services such as social work and social care used more by poorer groups have been relatively protected but there is less and less scope to make the required levels of saving from other services. It is likely therefore that such services will begin to see more substantial cuts. This will have knock-on impacts across other public bodies, such as the NHS.

A new approach is needed

The evidence is clear. The scale and pace of cuts must be reduced. Local government and its partners need the time and capacity to plan a set of strategies which will deliver better and more sustainable services. Central government should shift its agenda from short-term cuts and savings to provide more substantial support for longer-term reform and improved outcomes.

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**BUDGET CUTS:
THE NATIONAL
PICTURE****The scale and pace of cuts**

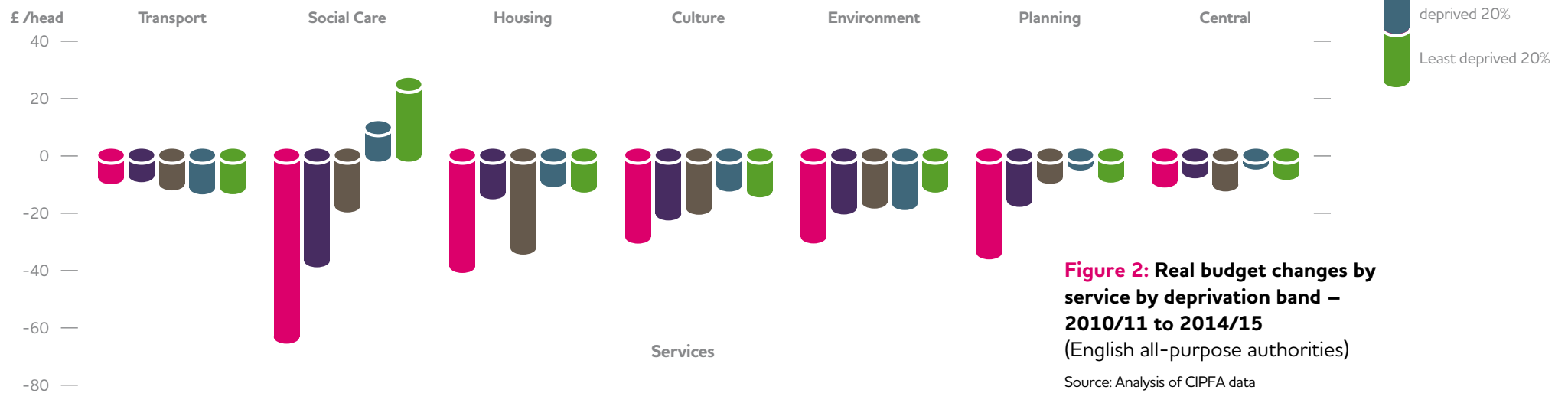
Between 2010/11 and 2015/16, English local authorities cut spending by 27 per cent in real terms, compared with 11 per cent in Scotland. (It should be noted that numerous challenges exist in making comparisons between countries, particularly as Scottish authorities were given additional responsibilities without additional funding.) Cuts were driven primarily by reductions in central government funding, although the (partial) freeze on Council Tax in both countries also contributed.

**More deprived authorities
saw greater cuts**

In England, the cuts have been much greater in proportionate terms for more deprived authorities. Figure 1 shows the cuts for one major group of councils – all-purpose authorities which provide the full set of local authority services – by levels of deprivation. The most deprived all-purpose authorities saw cuts of more than £220 per head compared with under £40 per head for the least deprived.

Figure 2 illustrates budget changes by service for more or less deprived all-purpose authorities in England. It is striking that spending on social care rose by 8 per cent in more affluent authorities, but fell by 14 per cent in more deprived areas.

In Scotland, however, the cuts have been more evenly distributed (Figure 1). The most affluent authorities saw a decrease of 5 per cent compared with 7 per cent for the most deprived.



Compensation for higher needs is declining

As a result of the faster rate of cuts for more deprived authorities, there has been a significant convergence in the overall spending per head between the most and least deprived authorities in England. The differential has reduced from 45 per cent in 2010/11 to just 17 per cent in 2014/15. This raises questions around whether deprived authorities are receiving sufficient additional resources to meet the higher levels of need for services in their areas. This convergence has not occurred in Scotland with the differential almost unchanged at just under 30 per cent.

Cuts have not affected all services equally

There has been a drive to protect statutory services. Figure 3, for example, highlights that social care has been relatively protected whereas cuts to services such as culture, environment and planning have been particularly deep. There is limited scope to continue to do this and it seems likely that cuts planned for the second half of the austerity programme will place a heavy burden on statutory services.

The cuts are being noticed

The general narrative around cuts not undermining frontline services continues to be repeated. This research shows, however, that the public are becoming more aware of the changes in services. The most recent data suggests general levels of satisfaction with councils are decreasing. Although the changes in satisfaction levels are not yet large, in virtually all cases satisfaction has fallen and negative responses have increased. This is also reflected in decreased use of services such as public sports facilities, museums/galleries and community halls with the public increasingly feeling that these services are inadequate or unavailable.



The most deprived local authorities have seen cuts of **£220 per head**, compared to **£40 per head** in the least deprived.

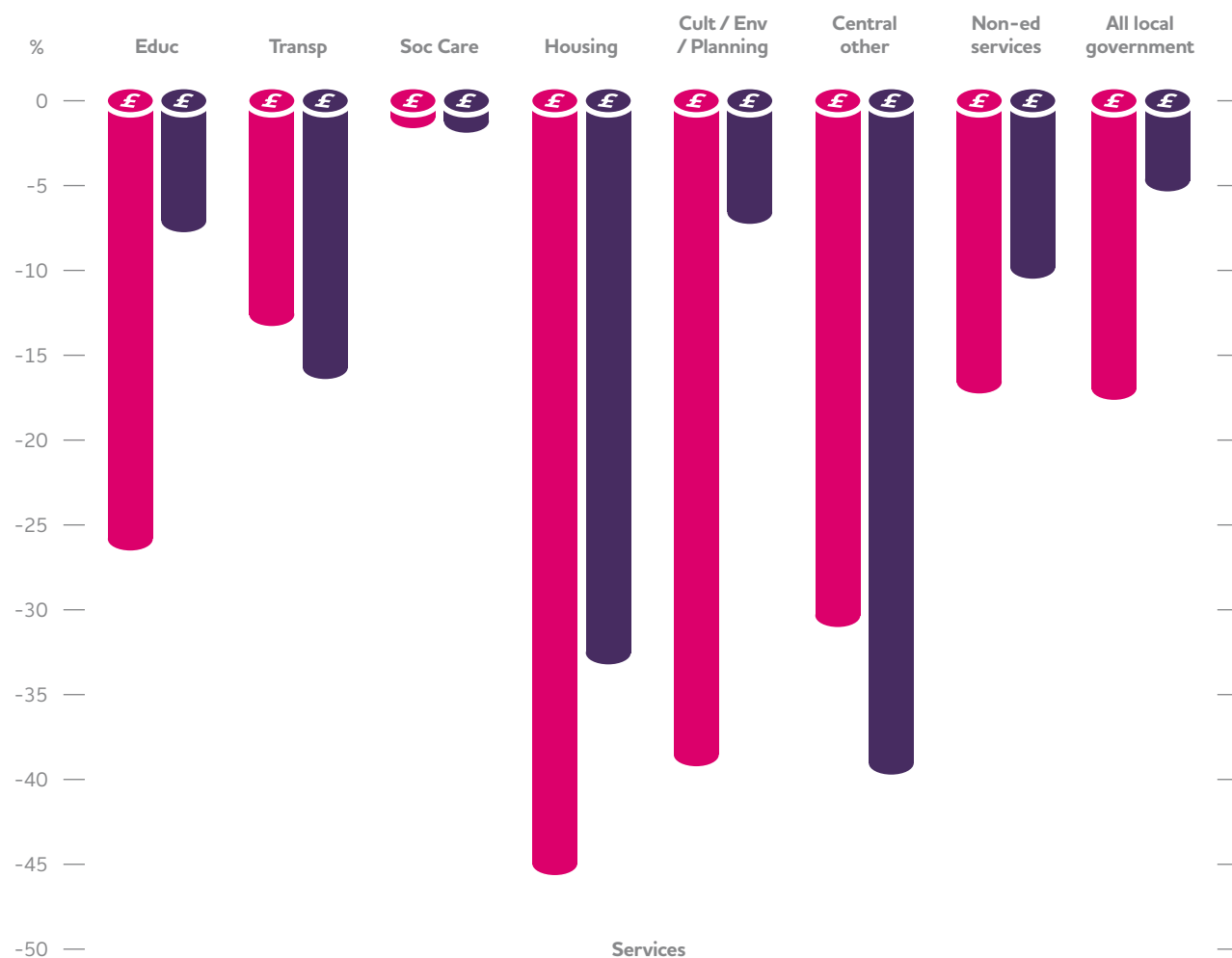
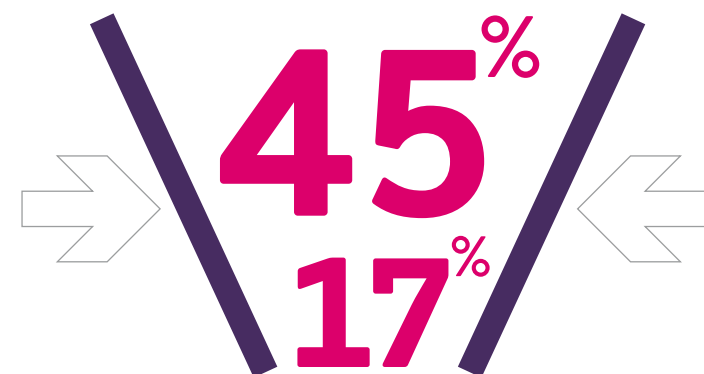


Figure 3: Real spending changes in local services, England and Scotland, 2010/11 to 2014/15

Source: CIPFA Financial and General Statistics – Budget Estimates (England); Scottish Government: Scottish Local Government Financial Statistics and Provisional Outturn and Budget Estimates (Scotland).



The spending gap between the most and least deprived English authorities has narrowed from **45%** to **17%***

*2010/11 to 2014/15

3

THE CASE STUDY COUNCILS

Approach to case studies

This research uses four local authorities as case studies – Coventry City Council, Milton Keynes Council, Newcastle City Council and Renfrewshire Council.

The following methods were used:

- analysis of council annual reports, budget data and savings proposals;
- interviews with senior council staff, voluntary sector service providers and service users;
- focus groups with frontline staff and service users;
- shadowing frontline council staff in their jobs.



The budget gap

Between 2011/12 and 2015/16, the average annual reduction in funding was 5 per cent in Newcastle and 3 per cent in Coventry and Milton Keynes. Renfrewshire's annual reduction averaged 1.4 per cent per year, reflecting the slower pace of cuts in Scotland. In cumulative terms, Newcastle lost 22 per cent of its funding over the period, while Coventry and Milton Keynes lost 14 and 13 per cent respectively. Renfrewshire lost 7 per cent cumulatively in the same period.

Alongside these cuts, there have been increases in demand across a range of services creating additional expenditure pressures. In very broad terms, funding and expenditure pressures have contributed roughly equally to the overall budget gap in case study areas from 2010 onwards.

Figure 4 illustrates that all four case study authorities have suffered a sustained budget gap (the combination of funding and expenditure pressures) across the period. Gaps this size represent a substantial shortfall in the resources needed to meet demands and this situation becomes even more unsustainable as the shortfalls occur consecutively over a number of years.

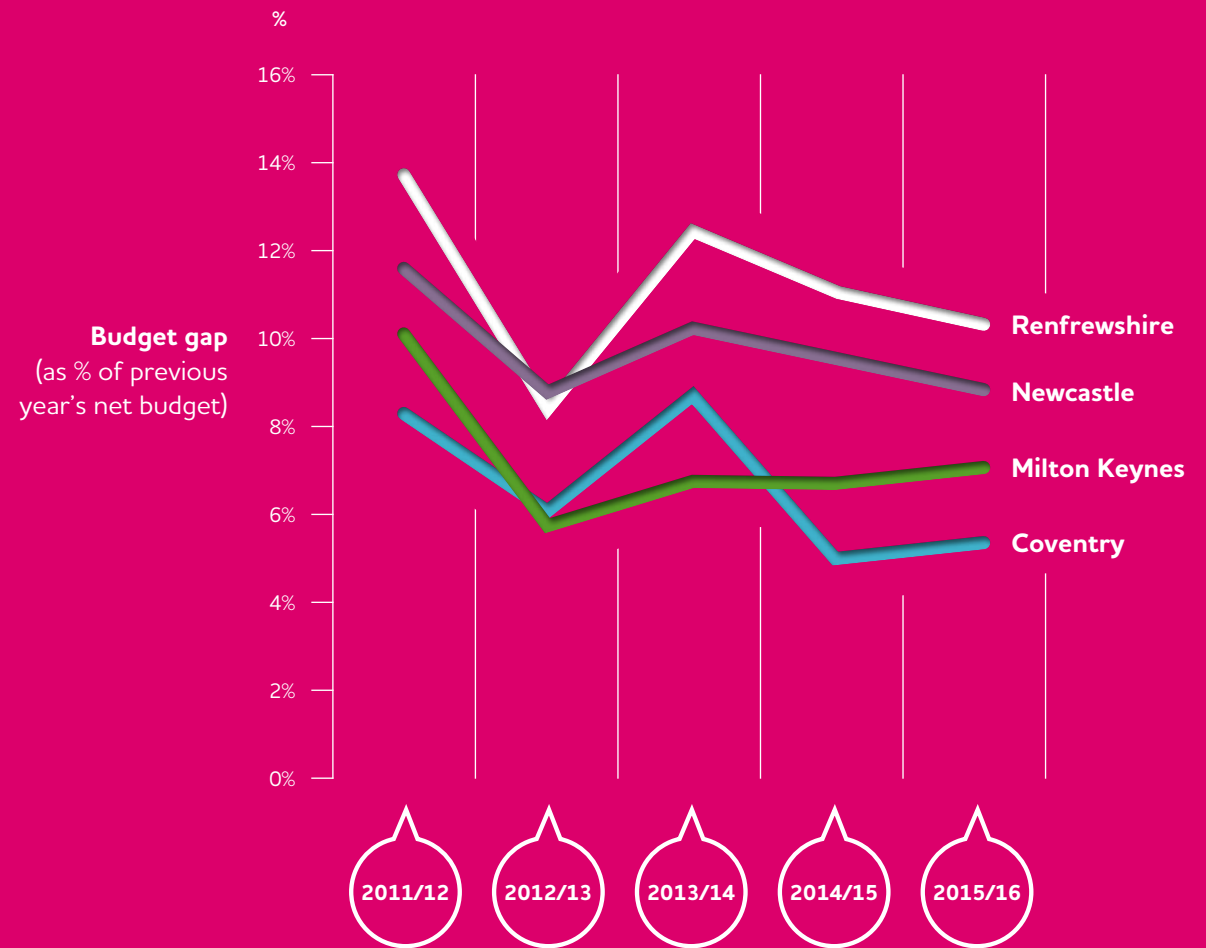
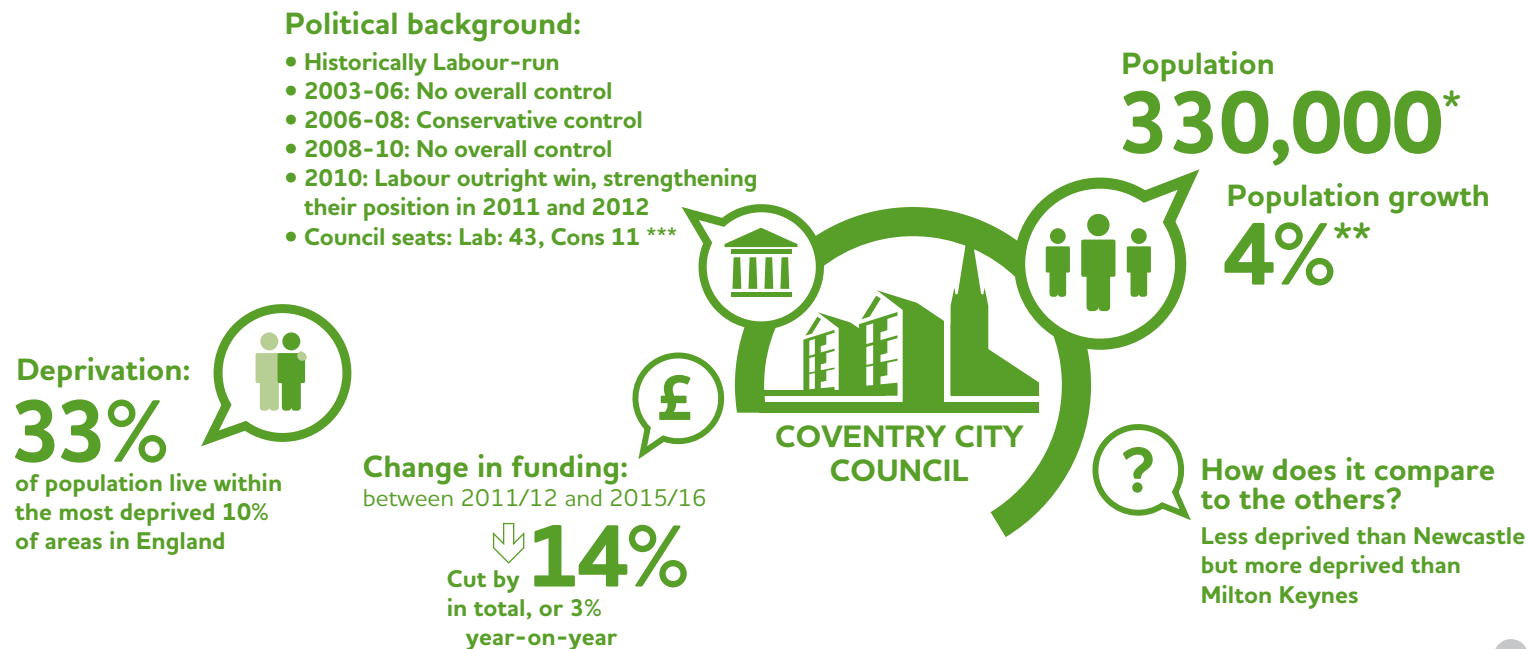
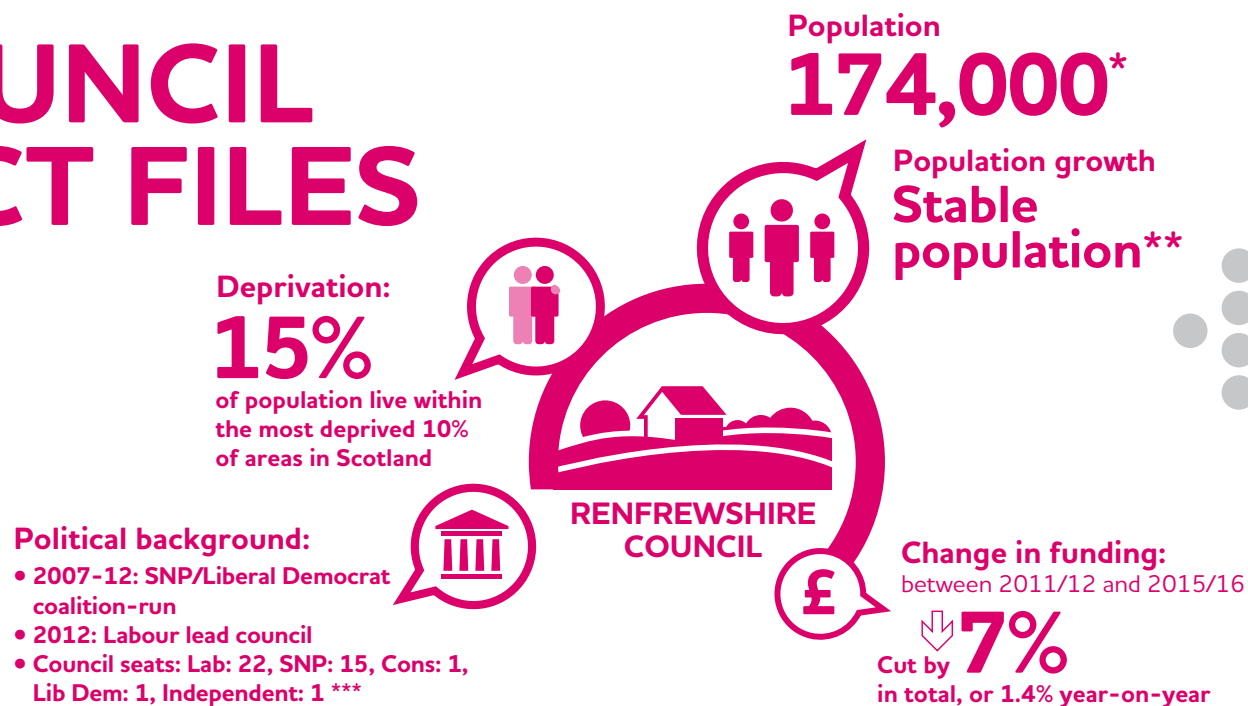


Figure 4: Budget gaps for the four case study local authorities

Source: Local authority budget reports. (As authorities present this information in different ways, this analysis is based on an attempt to standardise using both of local authority and national government published figures.)

COUNCIL FACT FILES



Deprivation:

37%

of population live within
the most deprived 10%
of areas in England



**NEWCASTLE CITY
COUNCIL**



Population

287,000*

Population growth

4%**

Change in funding:

between 2011/12 and 2015/16



Cut by **22%**

in total, or 5% year-on-year



How does it compare
to the others?

More deprived than Milton Keynes and
slightly more deprived than Coventry

Political background:

- Historically Labour-run – no Conservative councillors in the city since 1995
- 2004-11: Run by Liberal Democrats
- 2011: Labour administration, strengthen their position in 2012

Change in funding:

between 2011/12 and 2015/16



Cut by **13%**

in total, or 3%
year-on-year



Population

256,000*

Population growth

6%**



**MILTON KEYNES
COUNCIL**



Political background:

- Under no overall control since 2006
- 2012-2014: Conservatives in minority administration
- 2014: Labour in minority administration
- Council seats: Lab: 25, Cons: 18, Lib Dem: 13, UKIP: 1 ***

Deprivation:

11%

of population live within
the most deprived 20% of
areas in England – about
average for England



How does it compare
to the others?

Less deprived than Coventry
and Newcastle

How is expenditure distributed across services?

Councils must make cuts to service expenditure to deal with their budget gap. Services can be categorised into the following three groups: services used most by the better off (pro-rich), services used by everyone (neutral) and services used most by the disadvantaged (pro-poor). Figure 5 identifies the scale of expenditure in each category. The fact that councils spend 88 per cent of funds on neutral and 'pro-poor' services highlights the constraints councils are under when trying to shield the vulnerable from the impact of cuts.



Figure 5: Proportion of expenditure by service type



Source: CIPFA expenditure data for case study areas.

4

BALANCING
THE BOOKS:
STRATEGIES
TO MANAGE
AUSTERITY

Councils have applied a three-pronged strategy to deal with the cuts.

Headline strategy	Definition	Examples
Investment	Actions which aim to reduce the need for council services/reduce the cost of future services.	<ul style="list-style-type: none"> Preventative investment in, for example, children's or older people's services. Catalyse economic growth.
Efficiency	Actions which aim to reduce costs of council services without changing service levels as far as the public are concerned.	<ul style="list-style-type: none"> Reduce management layers, corporate functions and property footprint. Re-tender external contracts, redesign procurement practices/services. Staff redundancies.
Retrenchment	Actions which reduce the council's role in terms of the services it provides and for whom.	<ul style="list-style-type: none"> New models of service delivery (e.g. social enterprises). Citizen involvement in duties previously undertaken by the council e.g. upkeep of parks. Withdraw services.

Figure 6 shows the altering balance between these three strategies over time.

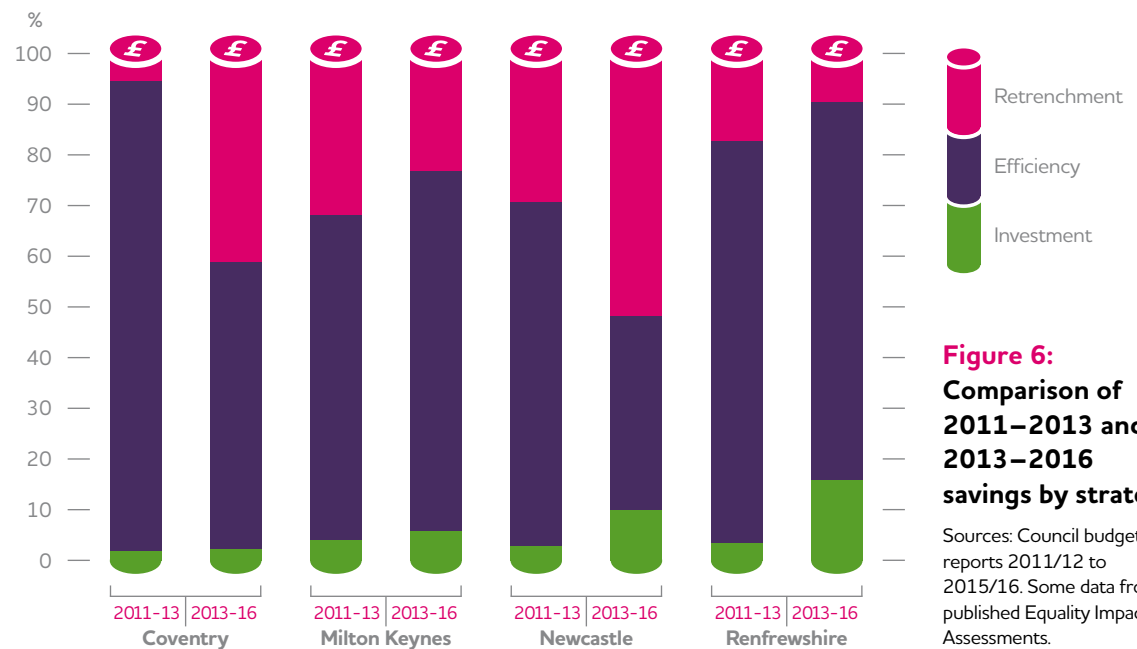


Figure 6:
Comparison of
2011–2013 and
2013–2016
savings by strategy

Sources: Council budget reports 2011/12 to 2015/16. Some data from published Equality Impact Assessments.

This highlights some key issues/trends:

- **Efficiency:** The councils have all delivered significant savings achieved through efficiency measures. In Coventry, for example, around 90 per cent of savings were achieved through efficiencies between 2011 and 2013. Critically, these levels of savings are not sustainable in the future. The data for all three English case studies shows a significant reduction in efficiency savings in 2013–16, highlighting the diminishing scope for efficiency savings.
- **Investment:** Savings made through investment in preventative initiatives was an area that all of the case study councils were interested in but had difficulty in realising. The savings made through investments were low throughout the time period for all the English case studies, although it is notable that the slower pace of cuts in Renfrewshire has meant more investment in preventative interventions (generating 15 per cent of savings for the period 2013–2016).
- **Retrenchment:** The extent to which councils have retrenched over the initial period varies significantly. All three of the English case study councils are adopting more extensive strategies of retrenchment in order to deliver savings.

Retrenchment or new ways of working?

Retrenchment does not always mean a reduced service. Savings can be achieved through other means, for example through getting other agencies (e.g. health services) to meet a certain need or through adopting new service models (e.g. social enterprises, the voluntary sector) to fill gaps. Some services, such as community centres and libraries, can be transferred to community groups after appropriate capacity-building work.

Service redesigns and new models of working have been introduced – although these tend to minimise reductions in services, rather than remove the need for them. For example, moving landscaping to a seasonal timetable, merging services such as environmental health and trading standards, and introducing generic working across areas such as libraries, leisure and housing so staff can fit in where they are required. As well as some closures, councils have reduced costs and preserved services by co-locating libraries, advice services, community centres and housing offices into hubs.

‘One of the benefits... is that you can give advice to people when the customer service side of the building is closed. We’re open till 8 o’clock two nights and every Saturday now, and we can now offer advice to people who come in.’ (Library service provider)

National pilots such as the Troubled Families initiative and community budgets have also been introduced over this period. They are geared towards improving services and outcomes for vulnerable groups, particularly those with complex needs. The Public Service Transformation Network also promotes good practice and shared learning between local authorities.

However, councils have had no option but to reduce/withdraw some services or increase the cost to the user.

The immediate result of all of these approaches is a reduced role for council services in people’s lives.

The case study councils have aimed to minimise the impact of austerity on frontline services, especially pro-poor services. They have afforded relative protection to pro-poor services through making savings on services used by the better off and savings on back office functions. Figure 7 shows change over time in the proportion of overall savings from back office, pro-poor, universal neutral and pro-rich services. It shows the capacity to shield pro-poor services in the English case study councils to be under strain.

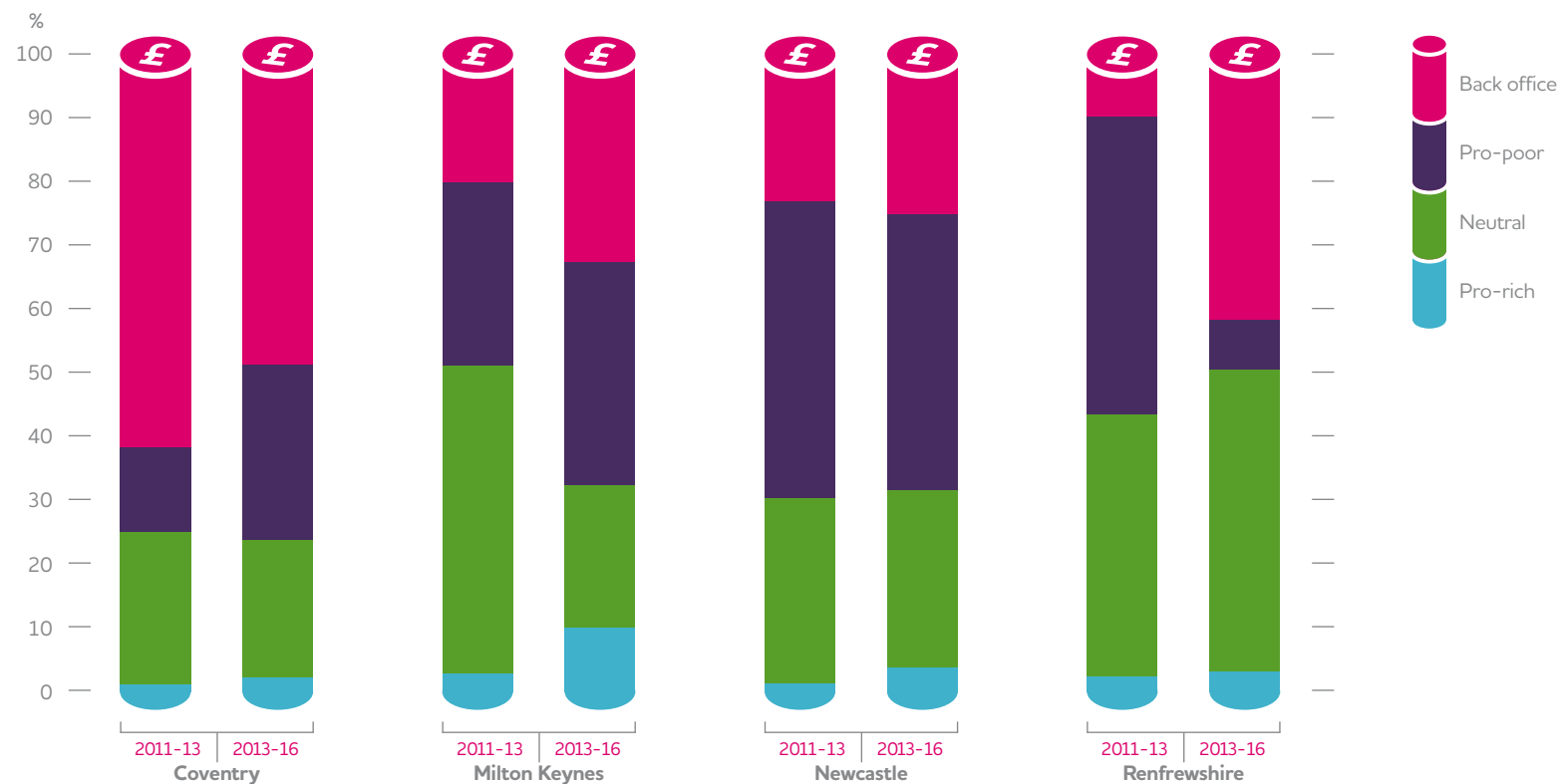


Figure 7: Proportion of savings by service type

5

THE IMPACT OF
THE CUTS ON
THE FRONT LINE

Small changes can have big impacts

Councils are attempting to mitigate the impact of austerity by making small changes to a range of services. Examples include cutting library and leisure centre opening hours. These changes can prevent some people accessing the service, for example due to work or childcare arrangements. For those on low incomes, seemingly small changes can have a considerable impact and cause significant, if not absolute, barriers to accessing the service.

‘They’ve cut [free sessions at the pool] back as well, we can go but they’ve changed the day that it’s on. It’s Tuesday now instead of a Thursday. I’ve took my days when I went back to work so I could go swimming and now I can’t go ‘cos they changed the day.’ (Service user, disadvantaged neighbourhood)

While more affluent service users have the option of buying alternative services or may not experience the same travel barriers, there is strong evidence that disadvantaged service users are becoming increasingly confined to their homes and neighbourhoods. This can impact on parents and children particularly strongly.

Centralisation, mobility and access

To both preserve services and increase efficiency, some councils have centralised services into multi-purpose hubs. Expensive and infrequent public transport can act as a barrier to access for poorer service users.

‘The nearest library to us ... it’s hardly ever open now. To get to the nearest library with kids it’s two buses and it’s just not practical, it’s impossible really.’

(Service user, disadvantaged neighbourhood)

Case study: Services for children and young people

Services for children and young people have also been reduced, including after-school activities, holiday clubs, play centres and youth clubs – services which can be thought of as at the ‘soft’ end of preventative work. While children’s centres for 0–5-year-olds have been subject to substantial savings, intensive Sure Start preventative aspects of their service had largely been protected until now. However, savings proposals suggest that this is no longer possible.

Parents value Children’s Centres very highly and are concerned about finding affordable activities for their children once they are too old to attend them.

Case study: Neighbourhood upkeep

Cuts to neighbourhood upkeep services have caused some local environments to deteriorate. Reduced frequency of street cleansing and the introduction of charges for the removal of bulky waste, for example, has led to more litter, flytipping and problems with vermin in some areas.

While councils had largely protected major, central parks from cuts, changes to the maintenance and regulation of smaller parks and playgrounds can result in local spaces becoming unusable; the combination of seasonal grass cutting and increased amounts of rubbish and dog mess has meant a drop in the standard of cleanliness. Further, a lack of local wardens to monitor spaces has led to reports of ‘gangs of young people’ congregating in these spaces to drink and smoke, leaving residents feeling threatened.

‘He’s alive because of this place. The stories he tells me. He is like a sponge. It is all about learning. He would probably be at home all the time otherwise.’

(Service user, disadvantaged neighbourhood)

‘There’s very little down here... only one place that offers youth provision. There’s nowhere else ‘cos the two places have been closed down so particularly for 8–11-year-olds there is nothing other than to hang around on the streets.’

(Service user, disadvantaged neighbourhood)

‘When the children do activities I pick them up because I won’t let them walk home on their own but if I can avoid having to go out I will,’

(Service user, less disadvantaged neighbourhood)

‘It used to be good. You could take the kids for picnics. Then they stopped cutting the grass and taking care of it so people couldn’t use it anymore.’

(Service user, disadvantaged neighbourhood)

Services under pressure

Rising levels of need

Council and voluntary sector staff reported rises in overall levels of need and that the needs of the most vulnerable and disadvantaged are becoming more intense. Social workers, housing officers and advice workers reported more clients with mental health problems, problems with parenting or problems with housing. Benefit reductions/withdrawals through welfare reform have significantly amplified problems.

‘These people are coming to us at the end of their tethers and we’re trying to help them and we’re not used to it. I don’t think we’ve ever had people quite as bad as we have at the moment...this last year in particular has been really, really hard on people, we are inundated with people coming in now.’ (Advice services provider)

Excessive staff workloads

Staff reductions have increased workloads for remaining staff, limited the time frontline staff can spend on public-facing work, and reduced the number of staff in operational roles (e.g. social work, housing staff, street cleaners). Many members of staff reported feeling stressed due to overwork, job insecurity and reduced morale.

Staff were concerned that services were suffering in various ways. They reported reduced standards with clients waiting longer, less time to help clients access services, less collaboration between colleagues, and less time for strategic thinking to improve services long term.

‘Thinning out of staff [means] we always seem to be firefighting rather than working in a pro-active manner.’ (Housing service provider)

Symptoms of service stress

The strain services have come under due to cuts has had various consequences. Some service users reported busier offices with longer waits, difficulties making appointments and the withdrawal of specialist staff, for example, from Children’s Centres.

‘We’ve always had service level agreements of being seen within 10 minutes of entering the centre, and now there’s frequently... an hour and a half’s wait to be seen by someone at the reception desk to be transferred to somebody else, which is just ridiculous.’
(Service centre provider)

‘Are they actually saving money?
We used to have Sure Start workers here and they would recognise children’s learning needs early on, but not now. So there is a lack of early intervention.’
(Service user, less disadvantaged neighbourhood)

Some council staff reported that the tendency for one service to pass cases and problems on to another service had increased. They were concerned that divisions between services may become more demarcated and that service ‘silos’ of the past were being rebuilt to protect resources, and some good practice around joined-up working was being reversed.

Resource constraints appeared to have fuelled the propensity for some staff to define the responsibility of their service more narrowly. Participants told of a number of situations where, if one service became involved, this gave a second service a rationale for not contributing. A housing officer recounted how they had tried to get social work involved in a case:

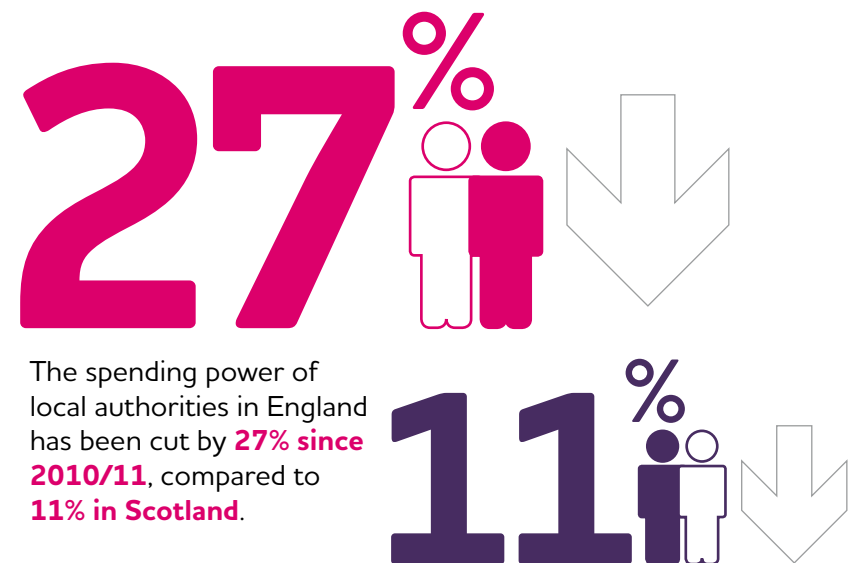
'I was dealing with a hoarder who has a severe community need and I had my concerns and I got social work involved and the professional said that her manager had told them that if housing are involved, they have to take a step back.' (Housing service provider)

'...who to go to with what query and who to speak to ... it's bumping through the dark to try and find the right person ... you used to know exactly where to go and get things done and meet the customer's needs as they came in. But now...it's a bloody nightmare.' (Neighbourhood services provider)

'Now it's pretty much only say the elderly or people who have learning difficulties maybe or language barriers [who get to meet a council officer]. Everybody else is turned away to do it themselves online.' (Neighbourhood services provider)

There has also been a tightening of eligibility thresholds for some social work interventions. Indeed, one voluntary organisation reported their organisation was increasingly acting as the lead organisation in complex cases concerning children, as these families no longer met the thresholds for statutory involvement. Tightened eligibility thresholds for social work meant people with minor mental health needs were left or picked up by other services such as housing.

Voluntary sector organisations have increasingly had to fill in gaps in council services, although they have faced similar funding and staffing reduction pressures. The extent to which these organisations have the capacity to play this role over the long term is highly questionable.



Services become a ‘last resort’

Councils have tried to protect pro-poor services as much as possible through relative protection of budgets, devising new ways of delivering services and strongly targeting service provision on the most vulnerable/needy.

Focusing services on a narrow, disadvantaged fraction of the population can increase the risk of residualisation – services once used by a cross-section of the population become services of last resort. Evidence from beyond this study suggests that residualised services are often poor quality (Forrest and Murie, 2014). Despite efforts to prevent it, residualisation will gather momentum unless the pace and scale of cuts to local government budgets is reduced.

The study showed that pro-poor services – such as advice, social work and housing services – were most obviously at risk of residualisation. Housing officers and social care staff reported increasingly working with people with complex needs, due to both intensification of needs and because cost-cutting measures meant restricting face-to-face contact with staff to service users with high needs or vulnerabilities. Service users reported ‘heaving offices’ and harassed staff who failed to apologise for the long waits.

These issues can create a vicious circle where those with any element of choice stop visiting council offices and facilities. Further, residualisation can affect staff retention and recruitment, particularly in services where individuals have some choice.

‘Services for poor people become poor services.’ (McCormick and Philo, 1995)

‘One of the things we try to fight against is becoming a specialist debt and benefit advice agency... We want people to be able to access us for lots of other reasons.’

(Advice service provider)



Spending on social care has fallen by **£65 per head** among the most deprived local authorities, but increased by **£28 per head** in the least deprived between 2010 and 2014.



6

RECOMMENDATIONS FOR THE FUTURE

‘On a consistent basis, it is clear that the cuts to public service spending required or planned are at least as big in the next parliament as those that have already happened.’

(Paul Johnson, Director of the Institute for Fiscal Studies)

The narrative that local government has been able to absorb these cuts without significant detriment to the levels of service provision has largely prevailed. The reality is that the poorest places and the poorest people are being the hardest hit, with those least able to cope with service withdrawal bearing the brunt of service reduction. The analysis demonstrates that cuts at the scale and pace of the last few years are unsustainable. This raises major questions over the anticipated level of cuts in the next spending period.

Core recommendation

The scale and pace of cuts must be reduced. Central government should shift its agenda from short-term ‘cuts and savings’ to supporting longer-term ‘reform and outcomes’. This means giving local government and its partners the time and capacity required to develop the most effective strategies for delivering better and more sustainable services.

Central government needs to shift its focus from cuts to facilitating public sector reform

The pace as well as the scale of cuts is undermining the aim of transforming public services to improve efficiency, better partnership working and investment in prevention. Central government should:

- Refocus the agenda on outcomes not savings and provide sustained support to facilitate a more strategic longer-term approach to local service reform, drawing on elements of the Scottish approach, particularly its emphasis on prevention.
- Extend programmes such as the Community Budgets pilots to facilitate more joined-up delivery.
- Building on initiatives such as the Public Service Transformation Network, develop new and improved approaches to promoting good practice across local authority areas.

Enabling preventative services

Basic services which play a preventative or developmental function have become increasingly under threat throughout the cuts process. This can harm individual welfare, constrain opportunities and store up problems for the future which will require costly public services responses in the long term.

- The impacts of the closure of preventative services need to be more rigorously assessed and better understood. Cuts in Early Intervention Grant and reductions in Sure Start services should be reassessed.
- Central government could play a major role in sharing some of the risks of innovation, at least during the proof of concept stage of new initiatives. This could include establishing a competitive, cross-departmental funding stream to support innovative local authorities.
- More sophisticated incentive mechanisms need to be developed to ensure that the benefits arising from preventative approaches flow, at least to some extent, back into the organisation which has borne the costs.
- It is clear that the slower pace and smaller scale of cuts in Scotland can enable more investment in preventative work, with the capacity to generate future savings.

Enable authorities to provide a similar level of service and avoid overburdening the most deprived authorities

Local authorities may be regarded as an easy target for further cuts because, unlike central government departments, they have independent revenue-raising capacity to offset reduced levels of grant. However, the huge variation between local authorities in their capacity to raise revenue must not be overlooked and the risks attached to local revenue streams (which vary massively from year to year) can undermine an authority's capacity to plan strategically.

- Central and local government should facilitate a national conversation about the principle of 'equalising' resources according to needs between authorities.
- The varying scope of local authorities to raise revenue locally and the risks attached to future revenue streams should be properly assessed and understood at both central and local levels.

Supporting devolution

There is an appetite among the case study councils for greater devolution and autonomy, as well as sharper incentives or rewards for economic growth. Many respondents recognised the challenges of linking growth to efforts to promote social inclusion or to ensuring that the benefits were widely distributed.

- A clear and explicit framework/timetable for further devolution should be developed in order to reduce uncertainty and enable local areas to plan and develop sufficient capacity.

- With the current context of differential devolution, central government needs to develop and implement a strategy to ensure that those places with the weakest capacities and weakest economies are not going to be simply left further behind.
- A shift in the growth agenda towards a more inclusive approach to local growth should be encouraged by central government. A clearer framework of incentives needs to be developed to encourage local areas to better connect growth and poverty reduction. Local Enterprise Partnership capacity should also be boosted to support a more inclusive approach to growth with strategic economic plans.

Boosting the capacity of the voluntary and community sector

The Coalition Government has emphasised the potential for voluntary sector and civil society groups to step in and fill gaps where local authority services have been withdrawn. The evidence showed that civil society/community groups did not always have the capacity to do this, and there was an overall absence of detailed strategies for developing activity in a coherent and comprehensive manner. Finally, the extent to which rising levels of need in poorer communities would compromise ability to generate community-based solutions was also a concern.

- Renewed efforts to invest in capacity-building are required to ensure that disadvantaged communities can engage with the civic responsibility agenda.
- New ways of sharing learning about which services and roles provide scope for citizens to fill gaps – and which do not – are needed so that the extent to which citizens are expected to fill gaps or take over services can be grounded in fact rather than presumption.

Understanding the impacts of decisions

Local authorities are keen to understand the impact of their savings measures, as well as any unintended/unexpected consequences and the impact on poorer people. However, many research and evaluation roles have been cut as part of savings measures; it is essential the impact of the second half of the austerity programme's cuts are scrutinised.

- Appropriate monitoring and intelligence systems must be devised – beyond crude surveys measuring aggregate levels of public satisfaction – which capture the views from within organisations.
- Available administrative data could be used if effectively drawn together.
- Building on this report and the framework we have developed we will be publishing a tool to help local authorities make more informed decisions about the impacts of service cuts on poor people. This tool has been tested and refined in the case study areas and will be published with guidance materials.

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CONCLUSION

A wholesale rethinking and redesign of local public services is currently under way. While the cuts have helped to catalyse change, they are also constraining the capacity to ensure that it is always change for the better.

The current proposals to maintain the scale and pace of the cuts do not appear to be sustainable. They risk putting local authorities in a situation where they will be unable to meet their statutory duties and unable to deliver critical services to their poorest and most vulnerable citizens.

Despite local authorities' best efforts, the cuts have hit the poorest people and places the hardest, with those least able to cope with service withdrawal bearing the brunt.

The evidence is clear – the scale and pace of the cuts must be reduced to allow local government the time and capacity to develop and implement services that are more effective and efficient over the long term.

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