Redefining neighbourhoods:

A future beyond austerity?

Redefining neighbourhoods

A future beyond austerity?

A report by the New Policy Institute for the Association for Public Service Excellence

April 2017

APSE (Association for Public Service Excellence) is a not-for-profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority frontline services, hosting a network for frontline service providers in areas such as waste and refuse collection, roads and highways, renewable energy, parks and environmental services, leisure, school meals, cleaning, as well as housing and building maintenance. APSE's work on frontline services is informed by strategic policy research, providing an evidence based approach to tackling local government service delivery issues.

ISO 14001 REGISTERED FIRM GB 11409 | ISO 9001 REGISTERED FIRM GB 11132 | ISO 27001 REGISTERED FIRM GB 14074 | INVESTOR IN PEOPLE

New Policy Institute (NPI) is a UK research institute which produces evidence-based research on a range of social and economic issues.

This report was written and researched by Dr. Peter Kenway, Director and Karen Barker, Research Analyst, and was informed by contributions from Paul O'Brien, APSE Chief Executive and Mo Baines, APSE Head of Communication and Coordination.

Published by APSE April 2017

ISBN: 978-1-907388-40-8

Contents

1. Introduction and summary

Neighbourhood services are universal services. The public sees them as the core function of local government.

Since 2010/11, neighbourhood services have been the hardest hit of all local government services, taking a shrinking share of a shrinking budget.

Over this period, the worst hit neighbourhood services in England have had spending cut by a half. Many have seen cuts of at least a quarter.

The most deprived local authorities in England have seen the biggest falls.

Across the UK, austerity has weighed more heavily on local government than central government. In eight years, local government spending will have dropped from two thirds of that of central government's to half.

The dismantling of neighbourhood services that is taking place marks a profound change in what local government is and does. These services need defending in their own right, as part of wider defence of local government as a whole.

Neighbourhood services

1.1 This report presents evidence to support the case for the 'neighbourhood services' provided by local government across the United Kingdom. They are made up of four groups of services, namely highways and transport, cultural services, environmental services and regulatory and planning services.

1.2 The idea of the single term 'neighbourhood services' serves two purposes.

- By providing a grouping together of the services local government provides which don't come under the headings of education or social care, it gives these services a collective weight. In 2015/16, neighbourhood services accounted for 19 per cent of English local government total service expenditure (excluding fire and police).The comparable figures for Wales and Scotland were 15 per cent and 17 per cent.
- By providing a full list of these other services local government provides, it helps to increase public understanding of the role of local government. This report works with 40 different specific services. Although some may still need explanation, many speak for themselves. As most people's main point of contact with local government, satisfaction with neighbourhood services is a key driver of overall satisfaction with local government.

Findings

1.3 The report presents a range of statistics, from total service expenditure (TSE) by service area by local authority, through to current expenditure by UK local government as a whole. With very low cost inflation over the past few years, TSE is a good proxy for the volume of service provision at the local level.

1.4 The main findings are as follows:

- Neighbourhood services have been the hardest hit of all local government services. Spending on neighbourhood services in England fell £3.1bn or 13 per cent between 2010/11 and 2015/16 while spending on social care rose £2.2bn. Spending on neighbourhood services fell by 20 per cent in Wales, close to what the English Metropolitan and Unitary authorities experienced. In Scotland, the fall in neighbourhood service spending has been more recent: taking the latest year (2016/17) into account, it is likely to be close to the fall in England.

- The most deprived local authorities have seen the biggest fall in spending on neighbourhood services. Spending on neighbourhood services fell 22 per cent among the most deprived fifth of LAs over five years but only five per cent among the least deprived fifth.
- The worst hit neighbourhood services have seen spending fall by 50 per cent, and most services have seen falls of at least 20 per cent. Across all English LAs, spending fell: by 41 to 50 per cent in three of the 40 individual neighbourhood services (including community development); by 31 to 40 per cent in four (including crime, safety and CCTV) and by 21 to 30 per cent in seven (including sport and recreation and road and bridge maintenance). Spending rose in eight areas (including the largest service area, waste disposal and recycling).
- Compared with English LAs as a whole, spending on neighbourhood services in the most deprived fifth of LAs fell especially sharply in: financial support to bus operators, food and water safety, road safety and school crossings, community centres and halls, and crime, safety and CCTV.
- UK Local government's spending as a share of the economy is falling sharply. In 2010/11, UK local government current expenditure accounted for 8.4 per cent of the economy. By 2015/16, it had fallen to 6.7 per cent. By 2021/22, it will be down to 5.7 per cent, a 60 year low.
- By contrast, UK central government current expenditure has held up. For every £100 central government spent in 2010/11, local government spent £67. By 2018/19, it will be down to £50.
- Local government employees and suppliers have also borne the cost of protecting services. Over the five years to 2015/16, cost inflation for the UK government sector was 6.4 per cent lower than for the economy as a whole. Without this extra squeeze on earnings and supplier costs, the cut in the volume of services would have been almost twice as deep.
- Looking forward, cost inflation is set to outstrip rises in local government spending, making for a bleak outlook even before taking account of rising demands for services.

Conclusions

1.5 There is an urgent need for local councils and governments to recognise that neighbourhood services are a driver for local prosperity. With the right funding neighbourhood services are capable of being an integral part to boosting local economies by creating the right local environment to attract and retain businesses, jobs and skills in local areas. This is ever the more critical with changes to local council funding which will see far greater reliance on business rates and housing growth to bolster locally raised sources of income.

1.6 Spending on neighbourhood services also needs to reflect their value to community well-being. The provision of high quality local neighbourhood services has a positive impact on the perceptions of an area, encourages physical activity in a community setting and fosters a sense of well-being with citizens. High quality neighbourhood services are complementary to Social Care, Health Services, Police and Fire Services, Education and Housing. All other services thrive better in neighbourhoods that are deemed to be well managed, clean and safe.

1.7 Yet, with cuts of up to 40 per cent, neighbourhood services in many local authorities are being dismantled. Outcomes for the most deprived authorities in England are extraordinary. These include support for bus services down by two thirds; spending on crime reduction, safety and CCTV down by a half; road safety and school crossings down by a third; food and water safety down by a quarter. This is changing the very nature of local government.

1.8 Neighbourhood services should be on an equal footing to other public services and not viewed as a painless option for more cuts in local spending. The decline in funding in the most deprived neighbourhoods risks undermining positive public policy attempts to ensure resources are directed to areas most in need, most especially as neighbourhood services are experienced by all citizens on a daily basis so cuts are felt most acutely at a local level.

1.9 Neighbourhood services face formidable public sector competitors. The demand for more money on social care does not just come from the public but from the NHS too, desperate to relieve the pressure on its budget in any way possible. In the case of both education and social care, the competitor can appeal to constituencies – patients, parents – which can count on public sympathy. Neighbourhood services need the same combination, namely a public sector champion and popular public groups who depend upon those services.

1.10 What has happened in Wales, where neighbourhood services have been hit as hard as in England even though overall spending has held up in cash terms, shows that higher funding in aggregate is not enough. Neighbourhood services won't get their fair share without an explicit case for being made for them. But as the perceived weakest link in the chain, the case for neighbourhood services must also include a general argument for local government services as a whole. The adversary here is central government which has decided that public austerity should fall overwhelmingly on local rather than national shoulders. Local government funding must be increased. At the same time, neighbourhood services must receive their rightful share.

1.11 An obstacle to the necessary local government solidarity is the divergence between authorities, ranging from some who have cut neighbourhood services by over 40 per cent to others who have increased them by over 20 per cent. Since the deepest cuts have been in the most deprived parts of the country, some needs-based system of central grant that addresses this is unavoidable. This is not a challenge to localism but to the idea that localism means that central government can wash its hands of responsibility.

2. What has happened to neighbourhood services?

The idea of 'neighbourhood services'

2.1 In our previous report for APSE,[1] services such as road maintenance, street lighting, parks and waste collection were referred to variously as 'public realm' or 'liveability' services. As part of this project, we were keen to assess whether the 'liveability' framing resonated with the general public. Was this a phrase which could be used to talk about these services as a group in the same way that social work and support services for children and disabled people have been bundled under an umbrella of 'social care'? Two surveys undertaken by APSE, one of the general public,[2] and one of APSE members,[3] found that both professionals and the general public preferred the term 'neighbourhood services'. This is therefore the term used in this report.

2.2 But why have a collective term at all? The general public has historically seen local government as having a larger impact on their lives than central government, while lacking understanding of local government's responsibilities and the services it provides.[4] The idea of a grouping of services like this is to aid public understanding of and engagement with what local government does. Public satisfaction has often been lower for local government overall than for the individual services it provides – in other words, local government has experienced a 'reputation gap': people would rate local government more highly if they understood better what it does and does not do.[5] While a long-standing issue, this gap is especially harmful to public trust in local government in a period of unprecedented cuts to local government spending. Research undertaken by APSE and other local government umbrella organisations is that public perception of local government and neighbourhood services are deteriorating in response to declining spending. If local government is to counter this, better public understanding of what it does is needed. 'Neighbourhood services' is aimed at helping meet that need.

Neighbourhood and other local government services

2.3 The detailed focus of this report is spending on neighbourhood services. To put that in context, and relate the local to national economic statistics, it also looks at spending on local government services in general. The report does not look at the resources coming into local government. Although obviously crucial, an aim of the report is to improve public understanding of what local government does; the positive and the concrete, the services that the public get from local government. Showing how the money is spent is a way of doing that, as a means to the end of highlighting the services provided – and what is at stake.

2.4 Table 1 lists the nine service level groups for local government services in England. Throughout this analysis, spending on police and fire services is excluded. There are four groups of

1 Sustainable local government finance and liveable local areas. Can we survive to 2020?, APSE, March 2016.

2 Nationally representative sample of 1539 members of the general public, survey by Survation for APSE, November 2016

3 Survey of 99 APSE members, January, 2017

4 Local Government Association The Reputation of Local Government: Literature Review to Support the My Council Campaign, LGA (2008).

5 As above.

neighbourhood services, namely highways and transport, cultural and related, environmental and regulatory and planning and development. Total service expenditure on the four groups in 2015/16 totalled £20.4bn – 19 per cent of the total. In Wales and Scotland, the figures for similar (but not identical) grouping of services were 15 per cent and 17 per cent respectively..[6]

Table 1: English local government services total service expenditure[7]

2015/16	**£bn**	**Share**
Neighbourhood services		
Highways and transport	£7.4	7%
Cultural and related	£3.8	4%
Environmental and regulatory	£6.8	6%
Planning and development	£2.5	2%
Other services (excluding police and fire)		
Social care	£29.2	27%
Public Health	£3.3	3%
Education	£38.5	36%
Housing (GFRA)	£2.9	3%
Central and other	£12.6	12%
Total	**£107.0**	**100%**

2.5 The measure of spending used here – total service expenditure (TSE) – is the best proxy available for the volume, or quantity, of service provided. It is itself made up of two elements, 'employees' and 'running expenses'. 'Sales, fees and charges' have not been deducted from the total as that gives the better measure of service volume.

2.6 The other factor that needs to be taken into account when comparing spending in different years is inflation. Most times when inflation is being discussed, the statistic referred to is consumer price index (CPI). This measures the average change in the prices faced by consumers, whether in the shops, on the internet or during an evening out. Over the five years to 2015/16, consumer prices rose by 11.8 per cent. The inflation statistic needed here is one that measures the cost of producing local government services. One that covers this (although is obviously very broad) is what is called an expenditure deflator for all (national and local) UK government spending. Between 2010/11 and 2015/16, this measure of cost inflation rose 1.2 per cent. The question of inflation will be looked at again later but the point here is that if 1.2 per cent over five years is the correct measure of cost inflation in local government, it is small enough here to be ignored altogether.[8]

2.7 Table 1 shows the advantage of identifying neighbourhood services as a category is that although still smaller than education (36 per cent) and social care (27 per cent) it is now on a comparable scale. If both public health and housing services (e.g. to support people who are homeless) had been included in the neighbourhood grouping, neighbourhood services would be level with social care. The approach that has been adopted here is to show public health separately (because it was only introduced as a distinct element in 2013) and to fold housing services into 'other'. The story about what local government does then boils down to

6 Source: see data appendix (a), (c), (d)

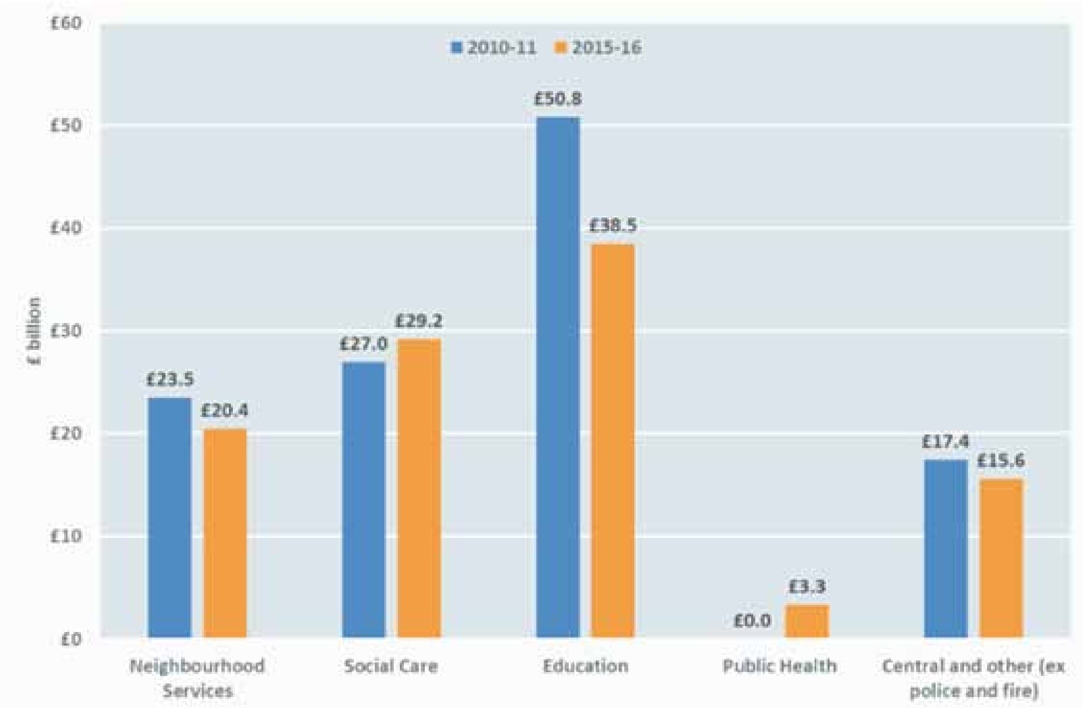
7 Source: see data appendix (a)

8 Source: see data appendix (f).

education, social care, neighbourhood services and other. Neighbourhood services occupy a prominent position.

2.8 Figure 2 shows how TSE in England changed between 2010/11 and 2015/16. The overall total fell by 10 per cent. Neighbourhood services TSE fell by 13 per cent. Education fell by 24 per cent, partly due to some schools becoming academies and the money following them from local to central government. Spending on social care rose by 8 per cent. Here the additional factor which is not accounted for is the rise in the demand for social care.

Figure 2: TSE by service group, 2010-11 and 2015-16[9]



2.9 The latest year of data for Scotland is 2015/16. The big difference with England was education, where spending in Scotland was little changed. Spending on neighbourhood services was down less than in England.[10] Leaving education aside (because of centralisation in England), the experience in Scotland has either been comparable with England or slightly less bad – although the timing of cuts in Scotland (with more in the most recent year) is expected to narrow the difference.

2.10 Over the five years to 2015/16, spending by local authorities in Wales rose three per cent. Despite this, spending on neighbourhood services (local environmental services; roads and transport; libraries, culture, heritage, sport and recreation; and planning and economic development) fell by 20 per cent.[11] Not only is that a bigger average reduction than in England – a point returned to below – but the contrast with overall expenditure is startling. This contrast shows the vulnerability of neighbourhood services. It also shows that even when overall budgets stop falling in cash terms, there is no guarantee that neighbourhood services won't go on being squeezed.

9 Source: see data appendix (a)

10 Source: see data appendix (d)

11 Source: see data appendix (c)

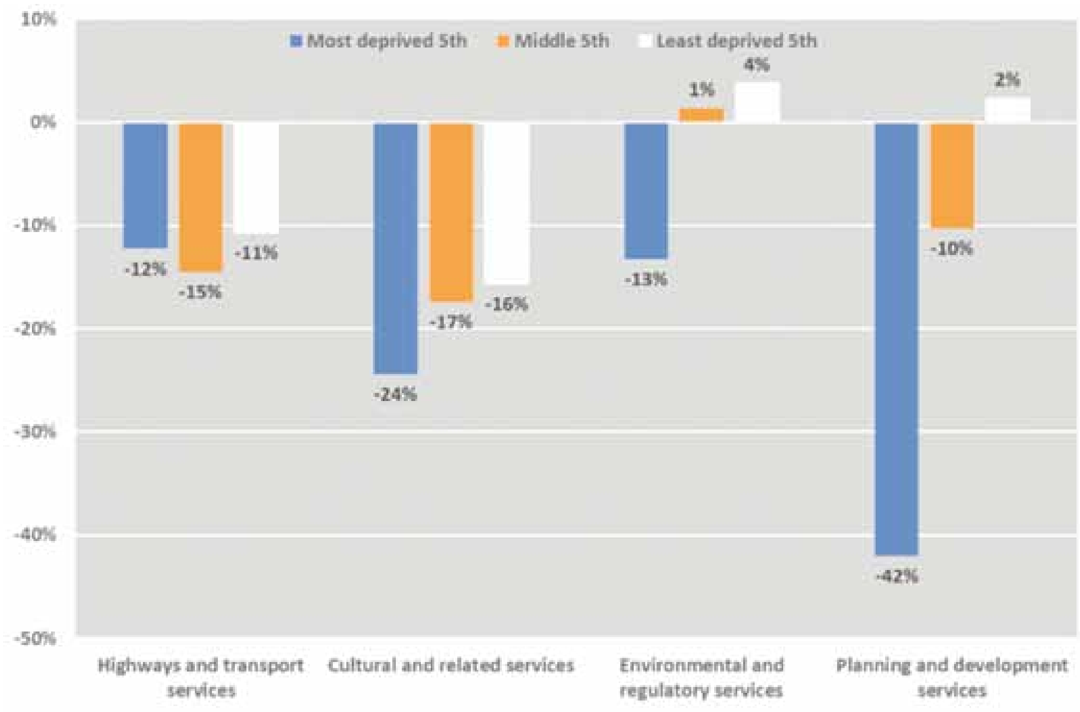
Variation in expenditure between authorities

2.11 The drop in TSE in England was not uniform across local authorities. Although there is no automatic read-across from a local area's overall level of deprivation and its need for particular services, the index of multiple deprivation is as good a measure of general need as any. In three of the five service groups in figure 2, the change in TSE over the five years was worse for local authorities who were in the most deprived fifth of all local authorities, than for those in the middle, and in turn for those in the least deprived. The exceptions are education (where the drop in TSE bore no relation to deprivation), and public health (where the increase in spending was proportionately higher for the most deprived fifth). For the other three:

- TSE for social care rose three per cent for the most deprived fifth, nine per cent for the middle fifth and 19 per cent for the least deprived fifth.
- TSE for central and other services fell 13 per cent for the most deprived fifth, nine per cent for the middle fifth and three per cent for the least deprived fifth.
- TSE for neighbourhood services fell 22 per cent for the most deprived fifth, 9 per cent for the middle fifth and five per cent for the least deprived fifth.

2.12 The pattern of more deprived authorities on average cutting deeper repeats itself for the four neighbourhood services sub-groups. In decreasing order of size, TSE fell 13 per cent for highways and transport, one per cent for environment and regulatory, 20 per cent for cultural and related and 27 per cent for planning and development. Figure 3 shows how the changes for each sub-group varies according to the level of local deprivation. While there is no link between the fall in TSE and deprivation for highways and transport, TSE for each of the other three service sub-groups fell furthest for those in the most deprived fifth. The difference in reduction is significant in the other three service sub groups between the most deprived and less deprived areas.

Figure 3: Percentage change in TSE by neighbourhood service sub-group and level of deprivation, 2010-11 to 2015-16[12]



12 Source: see data appendix (a) and (e)

2.13 Table 4 shows the percentage reduction in TSE on neighbourhood services by type of authority. Again there is a lot of variation, metropolitan authorities being hit hardest and counties as a group the least hard. The figures for metropolitan and unitary authorities bracket the average for Wales (20 per cent). This suggests that the results for the Welsh authorities are not so different from the result for English authorities which most resemble them.

Table 4: Change in TSE on neighbourhood services by type of authority, 2010/11 to 2015/16[13]

Shire district	Shire county	Unitary	Metropolitan	London borough
-12%	-4%	-16%	-24%	-9%

2.14 Results for individual authorities, particularly districts, have to be treated with caution. Nine authorities reduced their TSE on neighbourhood services by 40 per cent or more, five metropolitans, two unitaries and two districts. 60 (out of a total of 353) increased their TSE in cash terms. Nine of them saw increases of 20 per cent or more, six districts and three counties.

Outcomes for individual neighbourhood services

2.15 Government statistics report spending on neighbourhood services under 71 different categories. That number has been reduced in this analysis to 40 by amalgamating closely related lines of spending. Accounting for 16 per cent of all neighbourhood TSE in 2015/16, waste disposal and recycling is by far the largest. Concessionary fares is second largest, with six per cent, followed by waste collection, routine road maintenance, sport and recreation facilities, open spaces, support to bus operators, economic and business development (all five per cent) then libraries and street cleansing (four per cent each). These top ten account for 60 per cent of all neighbourhood service TSE.[14]

2.16 Table 5 shows the services which experienced falls in TSE between 2010/11 and 2015/16 in excess of 20 per cent. Two sets of statistics are shown, for the average across English local authorities and for those in the most deprived fifth. In line with figure 3, the fall in spending for the most deprived authorities tends to be deeper than for authorities on average. Services where this difference is greater than 10 per cent are highlighted.

13 Source: see data appendix (a)

14 Source: see data appendix (b)

Table 5: Neighbourhood services where TSE fell by more than 20 per cent, 2010/11 to 2015/16[15]

Reduction 2010/11 to 2015/16	All local authorities	Most deprived fifth of local authorities
At least 60%		Support to bus operators; community development
At least 50%	Support to rail operators	Tourism; crime, safety and CCTV
At least 40%	Community development; tourism	Environmental initiatives; congestion, bus lanes, traffic; economic and business development
At least 30%	Congestion, bus lanes, traffic; crime, safety and CCTV; economic and business development; environmental initiatives	Conservation and planning policy; community centres and halls; public toilets; trading standards; road safety and school crossings; museums, galleries and archives; building control; pest control
At least 20%	Sport and recreation facilities; public toilets; trading standards; libraries; pest control; structural maintenance – roads and bridges; museums, galleries and archives; routine road maintenance	Food and water safety; libraries; theatres and entertainment; structural maintenance – roads and bridges; routine road maintenance

2.17 A few neighbourhood services saw rises in TSE over the five years: six per cent for street lighting, 16 per cent for waste disposal and recycling, 26 per cent for housing standards and 30 per cent for flood, drainage, coasts and costs of climate change. But these few rises do nothing to offset the impact of table 4 which represent an unprecedented reduction for public services. Within the table, some of the outcomes for the most deprived fifth of authorities are incredible: support for bus services down by two thirds; spending on crime reduction, safety and CCTV down by a half; road safety and school crossings down by a third; food and water safety down by a quarter. Even on the narrowest view of what a local authority should prioritise, these belong in the core. Against this background, it is not too strong to conclude that neighbourhood services are now being dismantled.

15 Animal and public health has been omitted from this list on the grounds that some of that spending could be expected to transfer to the separate public health heading in 2015/16. Source: see data appendix (b)

3. Making the case for neighbourhood services

Public perceptions of services and local government

3.1 The public's satisfaction with neighbourhood services is a key driver of overall satisfaction with local government.[16] Declining satisfaction with those services can only negatively affect the public's view of local government as a whole.

3.2 In a membership survey undertaken by APSE[17], 65 per cent of members agreed that the public's satisfaction with neighbourhood services had declined in the past few years. This view from members is slightly more pessimistic than the actual opinion of the public[18], less than half of whom (41 per cent) felt that services had declined in their local area in recent years. Over a third of the public (38 per cent) felt services had remained 'about the same' and almost a fifth (16 per cent) felt services had improved

3.3 However, the effort on the part of local government to maintain services at acceptable standards seems to have gone largely unrecognised by the public. Increasingly, it seems the public does not accept the need for reducing services, and is likely to blame local government as central government when reductions do occur. Almost two thirds of people who felt services had declined felt that local government was at least partially responsible, with 41 per cent holding local and central government equally responsible for declining services, and 30 per cent blaming only local government. The smallest group (27 per cent) of the public hold central government solely responsible for declining services[19]. The public's willingness to accept service reductions is also declining: research of the general public done by PWC found that the proportion of the public who accept local government's need to make reductions or closures has declined from 47 per cent in 2011 to 31 per cent in 2016.[20] It seems that local government is blamed when the public perceives services have declined, but receives little credit when services are protected- in PWC's research only 16 per cent of the public agreed that local government had become more efficient at delivering services in the past few years. APSE members are well aware of this 'reputation deficit' and cited it in APSE's member survey as a key barrier to communicating funding reductions with the public:

> *'**People eit**her do not understand correctly or do not wish to understand who is responsible for local authorities cutting services. They fail to see its central government and think it just LA's being petty.'*
>
> *'People don't understand the impact of gov[ernment] grant reductions and simply blame the council.'*
>
> *'Many people are aware [of funding reductions] , some either don't know or don't care and expect a near persona**l level of service for their council tax payments.'***

16 Ipsos Mori. The reputation of Local government: literature review to support the my council campaign (2008)

17 Survey of 99 APSE members, January, 2017.

18 Representative sample of 1539 members of the general public, survey by Survation for APSE, November 2016.

19 Ibid.

20 A survey of a nationally representative sample of 2,007 members of the general public in February 2016 from PWC's The Local State We're In

3.4 All of this could be taken as evidence that local government has been too effective at shielding the public from the funding reality local governments are facing. This has led to the public not recognising the efficiencies and innovations that local governments have developed to protect services. They therefore take any reduction to services as an indication that local government is inefficient or 'petty'. Local government resiliency is evidenced in the relatively high levels of public satisfaction in services such as parks (average rating 7.1 out of 10), street lighting (6.9) and leisure and sports facilities (6.8)[21] some of which have experienced sharp cuts. However, as further reductions inevitably impact upon neighbourhood services, local government risks losing the trust of the public if they do not take immediate and proactive action to engage the public now.

Innovation will not solve the funding crisis

There is often a public perception that local government is not innovative. This is at odds with the staggering work that had been done in local government in the face of austerity. However, the scale of the funding reductions facing local government means that even the most inventive schemes will fall far short of bridging the shortfall. Innovation itself will also be bound by the opportunities afforded by a particular area, as the examples below illustrate. Councils need to broadcast the full range of their creativity, whilst being clear about its limitations to ameliorate funding reductions. This is necessary to counter claims that it is possible for local government to 'innovate' its way out of the funding crisis.

Midlothian Council is experiencing a surge of housebuilding within the local authority as the council with the fastest growing population in Scotland. Thus, providing arboretum services to private-housebuilders will provide the opportunity for significant income generation for the council. The London Borough of Havering's high concentration of greenbelt land has enabled the council to put forward plans for a council-owned solar park, which would provide clean-energy for residents and long-term revenue for the council. Havering's population is older than the London average, meaning the borough has more pensioners who are willing and able to volunteer. These volunteers are integral to Havering's ability to maintain all ten of the council's existing libraries, by fulfilling a number of roles from stacking shelves to providing basic IT support to library users.

These councils are fortunate to have the physical and demographic characteristics to make these schemes possible. However, despite their resourcefulness, both councils still face funding shortfalls because of the enormity of the cuts. If these councils with fortuitous characteristics and creative leaders cannot 'innovate away' funding pressures, it exposes the reality that funding reductions on this scale cannot be moderated.

Making the case internally for speaking out

3.5 It may be that within many local authorities the case for broader engagement with the public about funding of neighbourhood services must be made internally before it can be made to the public. The majority (67 per cent) of APSE members felt that neighbourhood services were prioritised either somewhat or far too little.[22] A 2015 SOLACE survey of chief executives and senior managers in local government found that neighbourhood services were not among the

21 Representative sample of 1539 members of the general public, survey by Survation for APSE, November 2016.

22 Survey of 99 APSE members, January, 2017.

top priorities for senior staff when planning for the future.[23] This is an error. Neighbourhood services are the most recognised and valued local government services, so dismantling them can only damage the public's trust in local government. A fundamental issue facing local government staff in the wake of funding reductions from central government, and in the face of further ones is the perception that funding for services is a zero sum game in which neighbourhood services have become collateral damage as local government seeks to maintain social care services. Many APSE members we spoke to in the course of this research mentioned this tension as one of the most stressful changes to their roles in the last few years – one member expressed his dismay that he no longer had the staff to maintain some verges in his area, which had become overgrown, but that within the context of austerity these overgrown verges were the price to pay for ensuring that a vulnerable person in the area would receive the support they required.

3.6 But is it really correct to see neighbourhood services as collateral damage in the attempt to protect social care as far as possible? The evidence on TSE in figure 2 shows that it is not. The reason it is not is that even if TSE on social care had stayed the same, neighbourhood, central and other services would still have had to take a combined £2.7bn hit. What this shows is that the overall funding cuts for services has been a much bigger source of pressure on neighbourhood and other services than the growing demand from social care. Of course, given a level of spending, more on social care means less on something else. That debate, about the outcome of a zero-sum game, can only cause division within a local authority. When that debate takes place, statistics of the kind presented in table 4 can be used to underline how far things have gone with some neighbourhood services.

3.7 The real requirement, however, is to avoid having the debate solely on that terrain. Social care is a factor but only a secondary one – and since the rising demand for social care is far from being met, it is a casualty of the overall squeeze in its own right.

Communicating locally

3.8 While the pressures facing councils in regard to social care have been widely discussed in both the media and the political sphere, neighbourhood services are often over-looked. Engagement with the public must highlight the challenges facing both social care and neighbourhood services, as the public does not seem to be linking the two issues. Many members highlighted an unwillingness to engage with the public about funding reductions to neighbourhood services for political reasons:

> ***'Cuts [to neighbourhood services] constitute a negative message which politicians are uncomfortable communicating to the electorate.'***
>
> ***'As it is a political decision [to reduce funding] it tends to be bad news therefore no reported.'***
>
> ***'It's not a good news story therefore, we don't tend to shout about it.'***
>
> ***'Councils are keen to be associated with success, less so when difficult decisions have been made.'***

3.9 While the unwillingness of councils to 'shout' about 'bad news' stems from concern over the reputational risk of doing so, the growing public scepticism of local government discussed above means that shying away from these difficult conversations with the public may be hastening the decline in trust rather than preserving it. Neighbourhood services, more than social care, are the direct point of contact for most people. Satisfaction with neighbourhood

23 SOLACE, Transforming Services, Transforming Leadership, SOLACE 2015.

services is strongly correlated with resident's overall satisfaction with local government.[24] An outward facing debate, in which the constraint imposed by the overall level of service that can be provided is made very clear – and criticised – is therefore not one that providers of neighbourhood services should fear.

3.10 87 per cent of APSE members agreed that local government needed to communicate a clear case defending neighbourhood services to local residents. The majority did not feel that this has been done successfully so far.[25] Reasons cited for this have already been discussed, notably the unwillingness to broadcast 'bad news' and the 'reputation deficit' of public perception of local government. Several members also highlighted the difficulty faced by local government when trying to engage with an apathetic public:

> ***'Although there has been much communication it does not seem to have impacted on public understanding.'***
>
> ***'Public participation and engagement remains very low, and therefore whilst there has been consultation it would perhaps be stretching things to describe it as successful at this stage.'***
>
> ***'We ran a fairly big public consultation process (on web and community open sessions) but I think that it failed to capture the imagination of the populace.'***

3.11 While these comments make it clear that effective public engagement is never simple, hardening public perceptions show that local governments cannot afford to shy away from the challenge. Local governments have already shown great creativity and resilience in the face of budget pressure. They must continue to apply their talents toward communicating with the public. What form this communication takes will depend on the strengths and requirements of each local authority. Local consultations, laying out frankly the scale of the budget shortfall, are critical to the public's understanding of the scale of the challenge. Many APSE members' councils have already been consulting widely and regularly, but over half (52 per cent) did not think, or were not sure if their council had successfully consulted on how funding should be allocated to local services. Some of the responses from APSE members who felt their council had run successful consultations demonstrate the breadth of different strategies available:

> ***'[We used] roadshows, web video, drop in sessions, twitter campaign, all done with feedback collated for final Cllr consideration.'***
>
> ***'They asked a panel to prioritise services and say which they'd reduce funding to if they had to'***
>
> ***'[We used] budget conferences, household surveys and service specific. Lots of effective analysis of responses and impacts.'***
>
> ***'We have used a citizen's panel and also introduced participative budgeting.'***

---

24 Local Government Association, The reputation of local government literature review to support the my council campaign, Local Government Association, 2008

25 Survey of 99 APSE members, January, 2017.

Broader consultation

The APSE member survey shows that there is large variation is the scale and frequency with which local authorities consult the public across the UK. It appears that many councils are still not consulting in a way staff feel is effective. These councils could learn from other local authorities that are consulting more widely and deeply about services than ever before as a result of funding reductions. As with service delivery, the approach must be tailored to the requirements of the council and the needs of the local community.

Some local authorities run 'light touch' consultations every year. Others, such as the London Borough of Havering, run in-depth consultations after council elections as part of a multi-year financial strategy. This allows the council to provide a comprehensive picture of funding challenges across all its service areas during consultation. Rather than asking residents to consider changes to different services across different years, local people can see the 'full picture' of what they can expect in the coming years, as well as how changes to some services may protect others.

A multiple-medium approach can increase the reach of a consultation. Local authorities mentioned 'citizen's panels' (consultative bodies of local residents), open forums such as drop-in sessions, and surveys (both online and postal) as some of the most common consultative tools. Some councils have introduced 'participatory budgeting' whereby residents have responsibility for setting budgets for specific services.

Powys Council in Wales has used digital consultation to increase engagement and allow for more detailed feedback. With one of the lowest population densities in the UK, moving to digital consultation has given a significant boost to the number of responses received in Powys. The council is one of several around the UK that has used a 'Budget Simulator' (supplied by a private contractor), which allows residents to allocate budget to different services areas in a digital simulation. As residents adjust budgets, the programme explains potential consequences of reducing budgets. This gives residents some insight into the decisions facing local government, and also allows them to provide detailed feedback on the service areas which should be prioritised.

Campaigning centrally

3.12 As well as making the case locally, the majority of APSE members also believed that local government should take a leading role in campaigning to protect this funding at a national level.[26] The recent media attention that Surrey Council's proposed council tax increase received raises the question if now is a good time for local government to do this. APSE, it was suggested, could serve as a rallying point for such campaigns, as APSE members support the organisation taking a leading role in campaigning to protect funding for neighbourhood services.[27] The analysis of spending cuts, and the services they have most affected in this report, furnish evidence that can be used for that. Building alliances beyond local stakeholders, with the media and private sector will also make this campaign more effective. For the national, UK-wide level, other evidence, which pertains much more directly to the part that local government plays in the national economy, should come into play too. This evidence is set out in chapter 4.

26 Survey of 99 APSE members, January, 2017.

27 76 per cent support – Survey of 99 APSE members, January, 2017.

Making the case-the work of other umbrella organisations

#***budgetreality***

COSLA, Scotland's umbrella body for local government, launched a social media campaign with the hashtag #budgetreality in January 2017 to 'lay out in detail the real budget Councils have been given for next year' and 'highlight the impact of this reduction in specific service areas'. This campaign seeks to apply pressure to the Scottish Government over funding reductions. It covers all local government services: health and social care, education, and neighbourhood services.

4. Local government in the national economy: the 'big picture' updated

Local government in the national economy

4,1 Based on local government finance data and built up from the bottom, the data presented in chapter 2 is best suited for local discussions about services, whether within authorities or with the public. But when it comes to talking to central government, particularly the UK government, local government can also be looked at, and presented, as an economic entity, as part of the economy. On that basis, it can be compared with other parts of the economy, including both central government and the private sector.

4.2 The measure of current spending used here is 'UK local government current consumption' (there are also measures of capital investment). Relating this back to the statistics used in chapter 2, it is the sum of net current (service) expenditure (England, Wales and Northern Ireland), net revenue expenditure (Scotland) as well as several economic adjustments of which the largest is depreciation.[28]

4.3 In 2015/16, UK local government current spending was worth £125.8bn. Five years earlier, current spending stood at £134.5bn. [29] Over the five years, that is a fall of 6.4 per cent. Looking six year ahead, the Office for Budget Responsibility's forecast puts it at £134bn – so still below where it was 11 years earlier. Several things can be said about this. First, a squeeze this deep and for this long is unprecedented. It is not remotely comparable to previous periods when local government faced major cuts.[30]

4.4 Second, by the time local government current consumption gets back to its 2010/11 level, central government current consumption is forecast by the OBR to have grown by almost a third.[31] Whatever one's views about how much austerity the public sector needed to undergo to help repair the economy in the wake of the financial crash, there is no debating the fact that the burden has fallen overwhelmingly upon the shoulders of local government. One simple measure of this: in 2010/11, for every £1 spent by local government, central government spent £1.50 whereas by 2018/19 and beyond, it will be £2 centrally for every £1 locally. Whatever the rhetoric, public sector austerity has meant public sector centralisation.

4.5 Third, by the time local government spending gets back to its 2010/11 level, the UK economy will have grown by nearly a half. Some of that will be due to inflation but not much. Because the economy will have grown while local government has not, local government's share of the economy will have shrunk. Figure 5, which also shows investment by local government (new physical capital like buildings and equipment, not financial investment), illustrates the extent of this reduction. In 2009/10, current and capital spending of local government together was almost 10 per cent of national economic activity. That was an artificial high, caused by the economy itself shrinking in the recession. A downward adjustment was to be expected, but not to the extent that has occurred. The black line is the low point for current

28 As 'consumption' – that is a measure of resources used up by local government, it does not include transfer payments, of which by the far biggest is housing benefit.

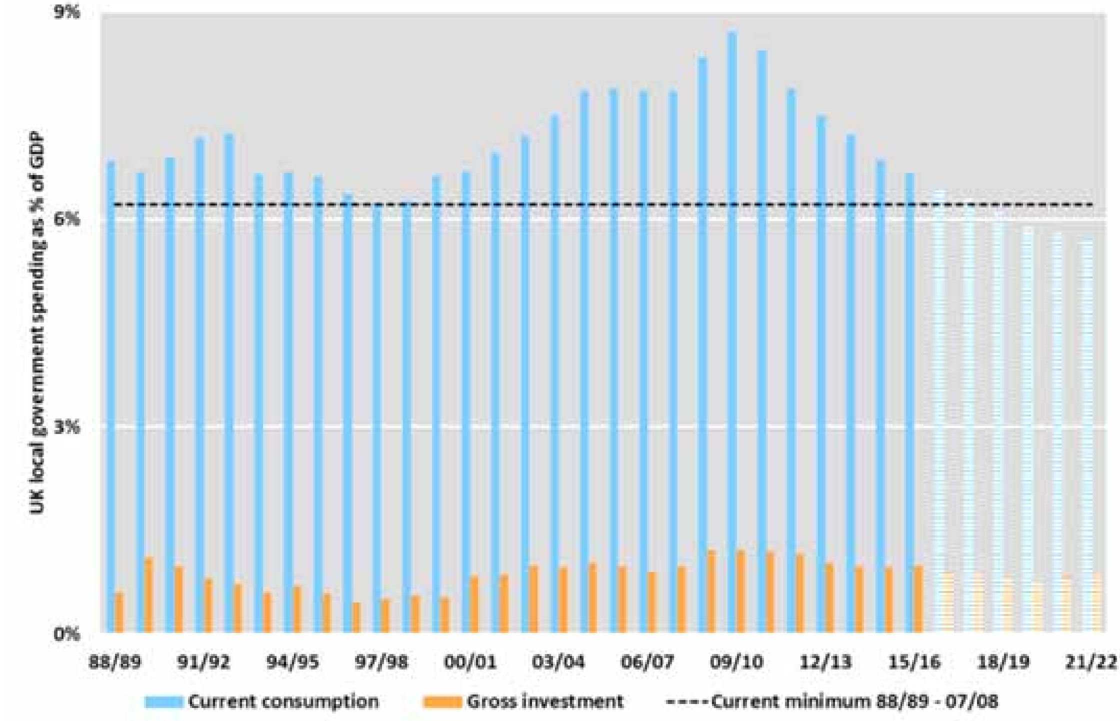
29 Of that £125.8bn, net current service and revenue expenditures in the four countries totalled some £110bn. Source: see data appendix (g)

30 Source: see data appendix (h)

31 Current consumption does not include debt repayments – so this rise is not because the national debt has gone up.

consumption point going back to the early 1960s. Over that half century, local government's current consumption share has risen and fallen, driven by both political and economic cycles. It touched the previous low- 6.2 per cent in the late 1990s. It is due to drop through that floor in 2017/18 and then continue down in each succeeding year.

Figure 5: UK Local Government current consumption and gross investment as % of GDP, actual and forecast[32]



4.6 From an economic point of view, local government needs to be bigger. If any other sector of the economy had shrunk from 10 per cent to seven per cent (including capital spending) in a decade, it would be a cause for lamentation that provoked calls for something to be done. What matters here is to have a sense of the scale of what is being talked about. For example, simply to maintain the 2016/17 share of 6.4 per cent (itself a level below anything seen other than in the mid/late 1990s), local government current consumption would need to be £15bn higher in 2021/22 than it is projected to be here.

Inflation and the share of the cutback borne by employees and suppliers

4.7 As noted in chapter 2, cost inflation across the UK government sector as a whole over the five years to 2015/16 was just 1.2 per cent. Given the tight hold on local government pay, a low figure is not surprising. What low cost inflation has meant is that the percentage fall in the volume, or amount, of service provided has been only slightly more than the percentage fall in the money spent on the service. This is why in chapter 2, it was justifiable to keep things simple by ignoring it. Like any average, especially in this report, there can be a lot of variation around it. A single figure across government as a whole for the UK inevitably hides local variation (for example, with Scottish local authorities paying the living wage from April 2015).

4.8 However, although it too has been low by historical standards, cost inflation across the economy as whole has been higher than in the government sector: 7.6 per cent over the

32 Source: see data appendix (g) and (h)

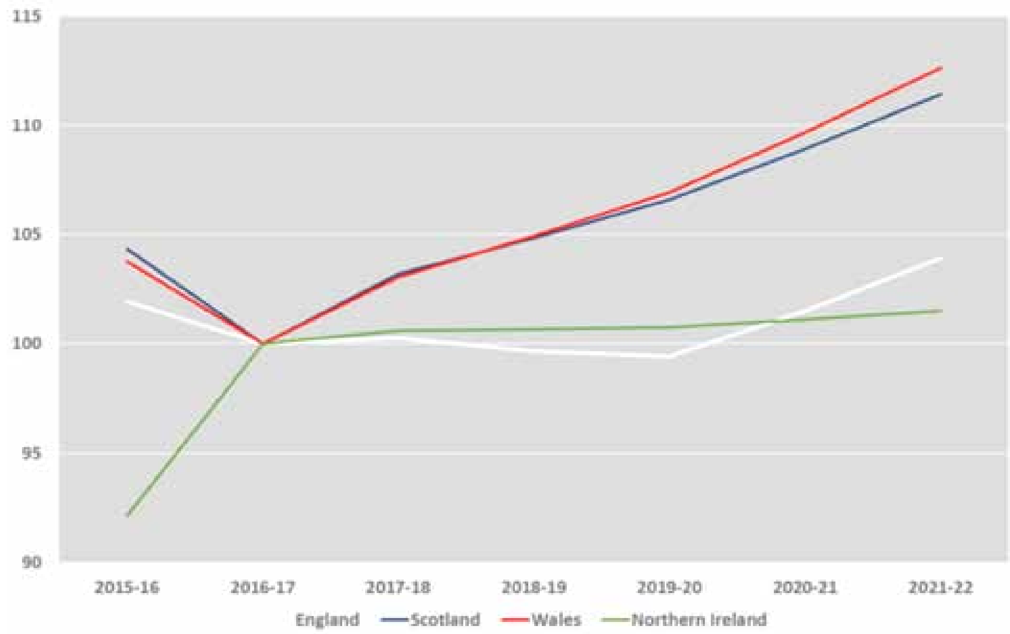
five years instead of 1.2 per cent.[33] The difference between these two is a measure of the additional austerity borne by local government employees and suppliers. If cost inflation in local government had been the same as cost inflation across the economy as a whole, the volume of local government services that would have been provided for the money would have been 14 per cent lower in 2015/16 than 2010/11. As it was, the extra austerity borne by local government employees and suppliers meant that the actual fall in the volume of service was barely more than half that. Put another way, just over half of the squeeze on local government fell on local government services while just under half fell on employees and suppliers.

4.9 Although nothing can be ruled out simply because it would be unprecedented, a tight labour market, tightened further by the prospect of Brexit, with rising import prices on the back of a weakened pound –suggest that cost inflation in local government won't be as low over the next as it has been over the last few. The implications for the amount of service that a given amount of money will buy are therefore worse looking forward than looking back. This is the background against which the projections for the money available for local government in future should be seen.

Looking forward

4.10 Figure 6 shows the official projections for local government net current expenditure (England, Wales, Northern Ireland, with housing benefit excluded for the first two) and net revenue expenditure (Scotland). They are not wholly consistent with the official local government spending forecast (para 4.3) and so are only indicative. Several points stand out. Wales and Scotland have both experienced sharp falls in funding in 2016/17. Thereafter, funding is set to rise steadily, finishing up more than 10 per cent up by 2021/22. England by contrast faces flat or slightly declining funding until the end of the decade, only rising again in the last two years and finishing up four per cent above 2016/17. Northern Ireland, after a jump in 2016/17, remains flat thereafter.

Figure 6: official projections for net current (or revenue) expenditure 2015/16 to 2021/22 by country: 2016/17 = 100[34]



33 Source: see data appendix (f)

34 Source: see data appendix (i).

4.11 Given the outlook for inflation, the best that can be said about these numbers is that after the cut in 2016/17, Scotland and Wales might hold service volumes at 2016/17 levels. As the evidence from Wales shows, even if overall service levels are held or even start to grow, there can be no assumption that that neighbourhood services will not go on contracting. England and Northern Ireland face certain contraction. These figures for England take no account of the effects of the changes to funding to do with business rate retention. Given how grim the overall picture is, it does not require detailed analysis to conclude that the prospects for deprived local authorities who also have weak business rate income too are bleak.

4.12 These adverse, underlying trends are compounded by the change that is taking place in the balance of funding. As the New Policy Institute's previous report for APSE showed,[35] within just a few years, council tax will on average account for more than half of local government funding, even for London boroughs and metropolitan districts. For shire districts and unitaries, council tax will account for more than 60 per cent while for shire counties, the average will be three quarters.

4.13 As the services that people expect in return for council tax (as shown by APSE's survey of the general public[36]), neighbourhood services are key to continued public consent for the tax itself, now the bedrock of local government finance. Good neighbourhood services will be vital in terms of new build housing in order to get the right mix of properties across the range of council tax bands. Other research by APSE has also shown that neighborhood services are important to attracting inward business investment.[37] Besides being vital to the feel of the local area, neighbourhood services are vital to every local authority's short, medium and long term financial strategy.

---

35 Barry Born, Theo and Kenway, Peter (2016). Sustainable local government finance and liveable local areas: Can we survive to 2020? APSE.

36 Representative sample of 1539 members of the general public, survey by Survation for APSE, November 2016.

37 Matthew Jackson, Neil McInroy, (2014) The Role and Value of Local Authority Assets in Town Centres. APSE

5. Conclusions

5.1 The first conclusion to emerge from this report was unexpected: the 'jaws of doom' story, that portrays local government in England squeezed between falling funding and rising demand for social care is both wrong and damaging. It is wrong because neighbourhood and other service have been cut by much more than the spending on social care has risen. It has been damaging because it has presented the problem as a choice between protecting vital services and protecting vulnerable people. Given an overall level of spending, that is the choice that has to be made but the villain of the piece as far as the depth of the cuts to neighbourhood services is concerned is the overall level of spending. The focus on the demand for social care diverts attention from this.

5.2 The second conclusion, based on what has happened in Wales, is a reminder that it is not that simple: even when the overall level of spending does hold up (in cash terms), neighbourhood services still may not be protected. The pressure on them from other local government services does not just come from the public. The NHS is desperate for local government to spend more on social care so as to help ease the pressure on its budget. That makes the NHS a formidable competitor of neighbourhood services. So too, once new cuts to the education budget take effect, are schools. Facing hospitals, GPs and patients on one side and schools and parents on the other, it is not surprising at all that neighbourhood services should have fared so badly.

5.3 Hence the third conclusion: neighbourhood services must be defended in their own right, but as the weakest link in the chain, the case for them must also include a defence of spending on local government services in general. A key plank of that defence is that public sector austerity has fallen upon local government services – and the local government workforce – far more so than central government. However much austerity is necessary, it has been a choice that it should fall on local rather than central government. Whether a different government would have chosen differently is doubtful: the juggernaut of centralisation has plenty of momentum.

5.4 The evidence on the extent of the cuts to individual neighbourhood services in England over a period or five years or more speaks for itself: some of the plain, unadorned numbers once they are attached to meaningful services, are simply shocking. This report has confined itself to average statistics for groups of authorities. But they are available for every authority.

5.5 This analysis provides compelling evidence the time has come for a robust defence of neighbourhood services. In order to do so in future, local government must address the following questions:

- How can the idea of neighbourhood services (the 'other stuff that LAs do') be used to boost public awareness of them and what they do? Local authorities consult on what should happen to them – but is enough put into explaining and defending them? What part can the evidence on the scale of the cuts to neighbourhood services over several years play in this?
- How well known inside local government are the statistics on the cumulative effect of what has happened to individual neighbourhood services over five years? How well known are they within the wider local public sector, especially the NHS? How can this information be made routinely available?
- Which local government bodies or groupings can lead a campaign for neighbourhood services? Are there groups of people among the public at large who depend upon them particularly? Is the fact that these services benefit nearly everybody – but perhaps only a little – a weakness in making the argument for them? If so, how might it be overcome?
- How can a campaign cope with the great variation between authorities in what has

happened to neighbourhood services? In particular, how can the plight of the most deprived authorities be addressed? Can such a campaign function without a commitment to a rejuvenated system of central grant reflecting local needs and local fund raising capacity?

Appendix: data sources

Local level data

England (Total Service Expenditure):

a. General Fund Revenue Account Outturn, 2010/11 and 2015-16: RSX Service Expenditure Summary; DCLG via gov.uk

b. General Fund Revenue Account Outturn 2010/11 and 2015/16: RO2 Highways and Transport Services, RO5 Cultural, Environmental, Regulatory and Planning Services; DCLG via gov.uk

Wales (Gross Revenue Expenditure):

c. Revenue outturn expenditure, by authority and service, 2010/11 and 2015/16: Gross Revenue Expenditure; Welsh Government via statswales.gov.wales

Scotland (Total Expenditure):

d. Annex A – Service Analysis of Revenue Expenditure and Income, 2010/11 and 2015/16; Scottish government via gov.scot

English deprivation quintiles

e. Computed from 2015 IMD average score for district (file 10) and upper tier (file 11) local authority summaries of indices of deprivation; DCLG via gov.uk

UK and country level data

Price and cost inflation

f. Consumer price index (ONS identifier CHAW); Final consumption expenditure by general government deflator (YBFT); GDP at market prices – implied deflator (YBGB): UK Economic Accounts via ons.gov.uk

Aggregate spending (actual, to 2015/16)

g. UK local government current consumption (ONS identifier NMRH); UK local government gross investment; (ONS identifier RNSM); UK central government current consumption (ONS identifier NMRE); UK gross domestic product (ONS identifier YBHA): via ons.gov.uk

Aggregate spending (forecast, to 2021/22)

h. UK local government current consumption and gross investment; UK central government current consumption; UK gross domestic product: OBR November 2016, tables 2.37 and 1.2, via budgetresponsibility.org.uk

i. Four country net current (or revenue) expenditure: OBR November 2016, table 2.30, via budgetresponsibility.org.uk

LOCAL SERVICES LOCAL SOLUTIONS

PRICE	
APSE Members	£20.00
APSE Non-members	£40.00

Association for Public Service Excellence
2nd floor Washbrook House
Talbot Road, Manchester M32 0FP

telephone: 0161 772 1810
fax: 0161 772 1811