
Contents

| | |
|--|---------|
| Preface | Page 4 |
| Summary | Page 5 |
| Introduction | Page 8 |
| Part 1 | Page 10 |
| The Gender Impact of CCT in the East Midlands | |
| Part 2 | Page 20 |
| Public Costs of CCT in the East Midlands | |
| Part 3 | Page 23 |
| Effect on the East Midlands Economy | |
| Part 4 | Page 29 |
| Importance of Public Spending in the Regional Economy | |
| References | Page 32 |

Preface

UNISON is the leading trades union for manual and white collar staff employed in local authority services. Some 850,000 men and women, almost 70,000 of them working for East Midlands councils, possess a wealth of skills, experience, knowledge and commitment to providing quality services to our communities.

This important Report commissioned by the East Midlands Region Local Government Committee of UNISON demonstrates conclusively the vital role of local authority expenditure in providing investment in our communities and infrastructure, in providing essential services and the creation of jobs, both within council services and in the wider community, to promote economic development and to bring prosperity to the people of the East Midlands.

Yet this Report is published at a time when an impoverished Conservative Government is proposing, not measures to boost investment, employment and prosperity in the local economy, but to continue its relentless policy of undermining our local democracy, our right to expect our local councillors to deliver to us the services we require, by once again underfunding councils and placing restrictions on their ability to raise income and upon how much they spend. 'Counting the Cost' provides conclusive evidence of the damaging effects, the cost, these policies have had on our communities, on our people, in particular women workers in low paid part-time jobs.

The call has rung out, loud and clear, that we need a radical change from the policies that have cost the Region more than 4,000 jobs in the last 5 years, that have cut the earnings of the already low paid, particularly women workers, and done untold damage to our local economy. Though subtitled 'The Case for Increasing Local Government Expenditure in the East Midlands', we acknowledge that there are many more arguments that can be added. We hope this Report will make a significant contribution to the campaign and provide a welcome resource to the many demanding changes, beginning with a Local Authority grant settlement for 1996-97 which will signal a major investment in jobs and this Region's economy.

Janet Hardstaff

Chair of the Regional Committee

John Freeman

Regional Head of the Local

Government Service Group

October 1995

Summary

Job loss for women

- 4,000 jobs have been lost in the East Midlands as a direct result of CCT in building cleaning, education catering, refuse collection and sports and leisure management plus a knock-on effect of a further 600 job losses in the regional economy.
- Women's employment accounted for 96% of the job losses.
- The negative impact of CCT on women's employment highlighted in the national EOC report was mirrored in the East Midlands region.
- Nearly two thousand women workers in building cleaning lost their jobs and many of those that retained employment had cuts in working hours - there was often a deliberate policy to lower hours below the National Insurance lower threshold, thus denying women entitlement to state benefits.
- There has been a substantial increase in the use of temporary staff - in one county council 25% (500) of cleaners are on temporary contracts.
- Job losses were higher in three county council school meals contracts in the East Midlands - 12% compared to 10% nationally.
- Employment of black and minority ethnic people in catering and cleaning was minimal in the region and there had been no significant increase since the introduction of CCT in 1988.
- Staff in community care services in the region were subject to the same pressures - loss of jobs, flexible working hours, increased casualisation.
- DSOs in the region have increased the proportion of contracts won in-house, measured by contract value, which is now well in excess of national performance. This is particularly marked in female dominated services such as cleaning and catering.
- Equal opportunities policies were generally underdeveloped and not applied to the CCT process in many of the regions' s authorities.

The public cost of CCT

- CCT in the East Midlands has cost the Government £56m over the past seven years.

Effect on the regional economy

- There is a marked gender difference in average earnings in the region. Women in the East Midlands have the lowest average gross weekly earnings in Britain but the region is ranked fourth for men's average weekly earnings.
- There would be over 9,000 more jobs in the East Midlands if the Government had not imposed CCT and budget cuts on local authorities.
- The East Midlands region has the lowest estimated net revenue expenditure change for 1995/96 compared to the previous years expenditure - less than a quarter of the average expenditure change for England.
- Local authority reserves in the East Midlands are relatively low in comparison to other regions, particularly in the South East and East Anglia.
- The region is top of the league table in the amount of net surplus on DLO and DSO accounts calculated on a per head of population basis. Five DSOs in the East Midlands accounted for nearly 20% of the £17.4m surplus in the EOC study. Female dominated services accounted for 98% of the surplus in the East Midlands, in contrast to 64% of the surplus nationally.

The importance of local authority spending

- Capital spending is essential to maintain the basic infrastructure of transport, schools, homes and hospitals. Without appropriate facilities, regularly repaired, maintained and heated, public services cannot be effectively and efficiently supplied. Equally important, industry and commerce require well maintained roads and communications and access to adequately trained and skilled staff.
- Revenue spending is essential in order to staff and operate services.
- Local authority expenditure supports further employment in the local economy.

Introduction

This report was commissioned by East Midlands UNISON to examine three key areas associated with the role of local authorities and the impact of changes in public expenditure and Government legislation in the region.

Part 1 examines the gender impact of Compulsory Competitive Tendering (CCT) in local government in the East Midlands. It also examines the impact of changes in community care, particularly in the home help and residential care services, both of which have a high proportion of women workers. It also examines the implementation of equal opportunities policies in these services. This report is based on the recent national research into the impact of CCT on women's and men's employment carried out by the Centre for Public Services for the Equal Opportunities Commission, supplemented by other data.

Part 2 assesses the public costs of CCT in the East Midlands' local authorities and finds that rather than saving public money, CCT has cost the region and country dearly.

Part 3 analyses changes in public spending in the region and its importance in the regional economy.

The region covers five counties - Derbyshire, Lincolnshire, Leicestershire, Nottinghamshire and Northamptonshire and several important cities such as Nottingham, Leicester and Derby.

PART 1

THE GENDER IMPACT OF CCT IN THE EAST MIDLANDS

Introduction

This chapter outlines the impact of compulsory competitive tendering in the region. This Government policy has had a major impact on employment in local authorities and has altered the nature of delivery of many services in the East Midlands. The first part of the chapter gives an up-to-date analysis of the award of CCT contracts in manual services, highlighting the differences between female and male dominated services. The information for the region is also compared with the CCT awards for England and Wales over the same period. The second part details the impact in terms of female and male employment in the region.

CCT came into effect under the Local Government Act 1988 and covered building cleaning, education, welfare and civic catering, grounds maintenance, refuse collection, street cleansing, and vehicle maintenance. The first contracts commenced in August 1989. The Government later added sports and leisure management. These contracts were being retendered from 1993 onwards. CCT has since been extended to white collar services with the first contracts in housing management, legal services and construction and property services to commence in April 1996.

CCT Contracts awarded in East Midlands and England and Wales 1993-1995

The contracts awarded to DSOs in terms of numbers and contract values in the East Midlands region and in England and Wales between May 1993 and June 1995 are shown in Tables 1.1 and 1.2. In terms of the percentage value of contracts won by DSOs, a more accurate reflection of in-house performance than the number or percentage of contracts won, the East Midlands region reflected the national success rate in May 1993.

There was a significant difference in the number of vehicle maintenance contracts awarded in the East Midlands in 1993/94 when a lower proportion of contracts was won in-house than the proportion nationally. However, the difference in value was negligible. The other difference was in civic catering where the percentage value of DSO contracts in East Midlands was considerably higher than the national picture.

However, by June 1995, the region's performance had improved and was substantially better than the national DSO performance, particularly in the female dominated services. The percentage of contract value won by DSOs in the region in building cleaning, education catering and civic catering performance in the East Midlands was 13%, 17% and 19% higher than the national average. In male dominated services such as refuse collection and vehicle maintenance the region's performance was 7% and 5% better than the national percentage. Only in street cleansing and sports and leisure management was the regional performance lower than the national but the difference was marginal.

Table 1.1: Number and value of CCT contracts won by DSOs: May 1993

| Service | East Midlands | | | England and Wales | | |
|-----------------------------|---------------|---------------|------------|-------------------|---------------|------------|
| | % contracts | No. contracts | % by value | % contracts | No. contracts | % by value |
| Female dominated | | | | | | |
| Building cleaning | 42 | 22 | 81 | 53 | 457 | 80 |
| Education catering | n/a | n/a | n/a | 91 | 203 | 97 |
| Civic catering | 72 | 13 | 87 | 77 | 143 | 82 |
| Male dominated | | | | | | |
| Refuse collection | 72 | 28 | 74 | 72 | 265 | 74 |
| Street cleaning | 78 | 31 | 83 | 75 | 257 | 81 |
| Vehicle maintenance | 53 | 17 | 82 | 81 | 183 | 88 |
| Grounds maintenance | 79 | 73 | 83 | 72 | 810 | 88 |
| Mixed services | | | | | | |
| Sports & Leisure management | 88 | 29 | 83 | 84 | 272 | 83 |

Source: Local Government Management Board CCT Information Service Survey Reports

Table 1.2: Number and value of CCT contracts won by DSOs: June 1995

| Service | East Midlands | | | England and Wales | | |
|-----------------------------|---------------|---------------|------------|-------------------|---------------|------------|
| | % contracts | No. contracts | % by value | % contracts | No. contracts | % by value |
| Female dominated | | | | | | |
| Building cleaning | 52 | 31 | 87 | 46 | 479 | 74 |
| Education catering | 77 | 10 | 99 | 76 | 212 | 82 |
| Civic catering | 65 | 13 | 90 | 62 | 136 | 71 |
| Male dominated | | | | | | |
| Refuse collection | 65 | 26 | 73 | 62 | 228 | 66 |
| Street cleaning | 71 | 22 | 72 | 65 | 242 | 75 |
| Vehicle maintenance | 81 | 21 | 88 | 80 | 176 | 83 |
| Grounds maintenance | 65 | 87 | 76 | 59 | 954 | 76 |
| Mixed services | | | | | | |
| Sports & Leisure management | 86 | 36 | 90 | 87 | 384 | 92 |

Source: Local Government Management Board CCT Information Service Survey Reports

The implications of the EOC research for the East Midlands Region

Case Studies

Five out of the 39 local authorities selected for the EOC research study 'The Gender Impact of CCT in Local Government' were East Midlands authorities. These included three county councils out of a total of seven in the sample, and two district councils out of 14 in the sample.

East Midlands was over-represented in the overall sample, particularly in relation to county councils; the sample included three of the five East Midlands counties. Three out of the five East Midlands' authorities had a clear commitment to retain services in-house. One county had, however, actively encouraged competition and had sought to privatise services ahead of the CCT legislation. In the second round of tendering, however, this authority had altered its strategy following a change in political control.

The detailed analysis in the region was only possible for three sectors - building cleaning, catering and community care, which are all county council responsibilities. It was not possible to highlight the findings for the East Midlands in the case of refuse and sports and leisure management since these were district council responsibilities and only two such authorities participated in the research and only one of these had supplied adequate employment data. However, these cases largely reflected the trends identified in the national analysis of the refuse and sports and leisure management sectors (see 'The Gender Impact of CCT in Local Government', Equal Opportunities Commission, 1995).

The main trends highlighted in the EOC report were mirrored in the East Midlands region.

Building Cleaning

In the five East Midlands authorities, four had awarded the contract to the DSO and one to a private contractor - a similar proportion to the 34 building cleaning case studies. The average annual value of these contracts was £3.07m (the average for all the case studies was £3.9m but this included Regional Councils in Scotland which have larger contracts).

Employment change

Almost 2,000 building cleaning jobs were lost in the five East Midlands local authorities during the first round of tendering. This represented a decline of 25%, almost as large as the national employment loss of 29%. As at national level, all the employment loss was amongst part-time staff. There was a tiny increase in full-time posts in the region, but the proportion was much lower than the national trend.

Table 1.3: Employment change by employment status in building cleaning

| | Total employment | | | | Employment change | |
|---------------|------------------|--------|---------------|--------|-------------------|----------|
| | Pre-contract | | Post-contract | | Number | Per cent |
| | FT | PT | FT | PT | FT+PT | |
| Nationally | 278 | 34,092 | 675 | 23,667 | -10,028 | -29 |
| East Midlands | 10 | 7,476 | 12 | 5,600 | -1,876 | -25 |

Base: 20 case study authorities (5 in East Midlands)

The part-time workforce was mainly reduced through Voluntary Early Retirement (VER) schemes, enhanced severance schemes and natural wastage. This was particularly true for the three county councils in the East Midlands which had a very large cleaning staff and were able to shed large numbers of part-timers in the first round of CCT.

Virtually all building cleaning staff in the East Midlands' authorities are women and all the employment loss in the region affected women, mirroring the national pattern. In one of the counties, whilst employment amongst women fell by 19.4% in the first round representing over 500 jobs, employment amongst men increased by 44%, but this only represented 4 jobs.

Employment of black and minority ethnic staff

As at national level the employment of black people in building cleaning was minimal in the East Midlands region. In one of the district councils no black cleaners were employed and in two of the county councils employment of black staff was stated to be minimal, though no accurate records were kept (in one case because the contract was privatised). Only one county council in the region employed over 3% of black staff in the building cleaning service.

Therefore, the proportion of black staff in local authority building cleaning does not reflect the proportion of black people in the region.

Employment of people with disabilities

Detailed employment on staff with disabilities was only available for two out of the five East Midlands authorities. In one of these there were no disabled staff and in another there were only 6 (0.27%) disabled staff out of a total of 2,165 cleaners.

Working hours

In all the five East Midlands authorities, there were major cuts in hours among building cleaning staff. The extent of the cuts was greatest in the county councils where, in two DSOs which had won the work in-house, there was a deliberate policy to lower hours to 15 per week. In the third county the private contractor employed staff for between 10-15 hours a week. This trend was reflected nationally and adopted by many DSO managers. The cut in hours was designed to ensure that the weekly earnings of part-time workers did not exceed the National Insurance Lower Earnings Limit. This saved the authorities money since they did not have to pay employer National Insurance contributions. An additional consequence of the action was that part-time employees did not acquire employment protection rights.

Part-time workers employed below 16 hours a week now have the same statutory employment protection rights as full-time workers following a ruling by the House of Lords in March 1994. They previously had to have worked for more than five years for the same employer in order to get protection.

Pay levels

Three out of the five East Midlands authorities continued to pay cleaners on Grade 1 of the National Joint Council rates, whilst one county had privatised its cleaning service and a district council had introduced a lower local rate. In the case of the privatised contract, pay was identified as the main area of 'saving' under CCT and represented a loss of at least £1 an hour per worker. This case, which was a large rural county council, also had variable pay rates which were as low as £2.00 an hour in areas of high unemployment and £3.00 an hour was paid by the same contractor to women working in urban areas where labour supply for low paid part-time, work was more scarce.

Other pay entitlements

In the five East Midlands authorities no cleaners were paid a bonus following CCT. In one county council the bonus had been cut as a result of the tendering process. Overtime payments, performance related pay and low pay supplements were not applied to cleaners in the five local authorities. In only one district council was there a profit sharing scheme which had been introduced as part of productivity changes. These findings were in line with the national trends identified in the research.

Conditions of employment

In the four cases where contracts were won in-house in the East Midlands, pensions, sick pay, holidays and maternity leave had been maintained following tendering. Out of these four, one county council had reduced essential maintenance work during school holidays and reduced cleaners hours who were paid for only 44 weeks in the year. In the case of the privatised contract none of the local authority conditions were maintained and cleaners no longer received a pension, sick pay, paid holiday, or holiday retainer. Again these findings mirror the national trends.

Employment of temporary and casual labour

There was an increase in the use of temporary staff in all four East Midlands authorities where the DSO had been awarded the cleaning contract. The increase was particularly acute in the county councils. In one county 25% (500) of cleaners were now on temporary contracts. As at national level, the extent of the use of temporary staff varied considerably between councils; however, the move towards increased labour flexibility and cheaper methods of recruitment were common to most local authorities.

Conclusion

The trends highlighted in the building cleaning sector for East Midlands largely reflect the findings across the 39 local authorities nationally. The major changes in employment and hours in the county councils dominate the regional trends, since they are the major employers and have undergone more radical restructuring of services as a result of CCT than many district councils.

Education catering

Out of the 21 local authorities included in the study three were in the East Midlands - all these were county councils. The three counties awarded their school meals contract to the DSO in the first round of tendering. The average value of these contracts was £10.9m and all involved substantial financial savings. Two out of three of the contracts were won without competition from the private sector.

Employment change

Nationally a total of 2,045 jobs were lost in the first round, representing 10% of employment (see Table 1.4). This trend was repeated in the East Midlands where over 700 catering jobs were lost, representing 12% of jobs. 35% of the jobs lost in the two East Midlands authorities were full-time - a much higher proportion than nationally. However, the bulk of the jobs lost were part-time; in the two counties alone almost 500 part-time catering jobs were lost in the first round of CCT. Virtually all of the job loss affected women, reflecting the national picture.

Table 1.4: Employment change by employment status in education catering

| | Total employment | | | | Employment change | |
|---------------|------------------|--------|---------------|--------|-------------------|----------|
| | Pre-contract | | Post-contract | | Number | Per cent |
| | FT | PT | FT | PT | FT+PT | |
| Nationally | 1,276 | 18,649 | 892 | 16,982 | -2,045 | -10 |
| East Midlands | 677 | 5,143 | 424 | 4,673 | -723 | -12 |

Base: 11 case study authorities of which 2 were in the East Midlands

Employment of black and minority ethnic staff

Two out of the three County Councils in the East Midlands had a poor record of black employment in the catering service. There had been no significant increase in the employment of black staff with the introduction of CCT. One county council had no accurate figures for the catering DSO and another had only two temporary black women workers in 1993, an increase from none in 1989. The third county employed almost 6% black staff in school meals pre- and post contract; they were all female, part-time staff. The unemployment rate for black and minority ethnic women in the East Midlands was 14.1% compared to 5.7% for white women (1991 Census).

Employment of people with disabilities

There were very few workers with disabilities in the school meals service in the region, again reflecting the national picture. One county had only one registered disabled female worker who was a cashier and the other two had 'very few' staff with disabilities, either registered, or not registered. Changes in working methods and increased productivity, coupled with 'commercial pressures', has led to fewer opportunities for the employment of people with disabilities. However, it was also apparent that few managers had made any attempt to positively attract staff with disabilities to work in the service.

Working hours

As in building cleaning, the major impact of CCT and associated budget reductions on women working in the school meals service was the reduction in hours and, therefore, earnings. The reduction in hours in the three East Midlands counties reflected the national trend where fifteen out of sixteen authorities reported that hours were reduced. In one East Midlands county all school meals staff were employed on contracts to work 12.5 hours a week and hours were being reviewed every term. In another there had been major cuts in service just prior to CCT and all staff were now on 15 hour contracts. In the third county there was no policy to deliberately employ staff for less than 15 hours, but there had been reductions for some staff. Managers in all three authorities stated that reductions in hours reduced costs and allowed for increased productivity and flexibility of labour.

School meals staff who work below 15 hours a week were, as in building cleaning, excluded from employment protection rights. However, the authority still saves money both by paying for fewer hours and not paying national insurance contributions.

Pay levels

All three East Midlands counties continued to pay school meals staff on NJC rates following CCT. This compares with the national picture where 16 out of 19 authorities had maintained NJC rates and three authorities had developed their own lower local rate.

Other pay entitlements

In the three East Midlands authorities there were no other pay entitlements above basic pay for catering workers either pre- or post CCT ie. no bonus, performance related pay or profit sharing schemes. This mirrored the national picture since only two authorities had introduced profit sharing for school meals staff.

Conditions of employment

Pension arrangements, sick pay, holidays and maternity leave remained unchanged in the three county councils. However, two out of the three had reduced the holiday retainer to 50% prior to CCT resulting in the loss of about four weeks wages based on normal holiday entitlement and a 39 week school year. This has a knock-on effect on the local economy. For example, a £1 an hour pay cut for 1,000 catering or cleaning workers, coupled with the loss of the holiday retainer, results in the loss of £1m annually to the regional economy.

Employment of temporary/casual labour

The use of temporary labour had increased in the three East Midlands local authorities reflecting the national trend, although the proportion of temporary staff was less in the region than nationally. In one county 200 women representing 7.5% of the workforce were on temporary contracts, whilst the use of temporary staff varied considerably in the other two authorities. Agency staff were not used in the three counties.

Conclusion

The changes in the school meals service which accompanied CCT have resulted in significant reductions in staffing levels, hours and earnings for women part-timers in the East Midlands authorities. The changes have resulted in more intensive working and greater pressure on women working in the service. The changes documented in the region were all in DSOs and we are aware that in some cases on retendering, the hours of catering staff have been reduced further, in spite of a low level of competition from the private sector in the region.

Community Care

Introduction

The NHS and Community Care Act 1990 gave local authorities primary responsibility for care in the community, but also sought to change their role from providers of care to enabling agencies. In the East Midlands region the five county councils took over responsibility for the funding of community care services from the Department of Social Security. In one county council, for example, this involved 2,650 elderly and disabled people at a cost of £10.47m. The research for the EOC looked at the residential and home help service in local authority social services departments, since these are the primary employers of manual women, and in particular part-time workers. Out of the national sample of 17 authorities, there were five county councils of which two were in the East Midlands region.

The same quality of information was not available for community care as for the CCT services, partly because implementation of the legislation had occurred at a different pace in different authorities.

Of the two authorities in the East Midlands, one had retained its community care services in-house whilst another had transferred all its residential homes to a trust. Both authorities had been affected by reductions in the social services budget.

Employment change

The great majority of residential and home care workers are women. In the East Midlands, as elsewhere in the country, the demand for home care services in particular has increased over the last five years. Most local authorities have a clear policy to support people in their own homes rather than in residential care. However, employment levels in the two East Midlands authorities included in the sample either remained static or decreased reflecting the national decrease of 13% in the service. Three-fifths of all jobs were carried out by women working part-time in community care, compared to only 24% of men.

Employment of black and minority ethnic staff

Neither of the two East Midlands authorities in the sample could provide a breakdown of black employment in community care services, since the authorities did not record ethnic origin. This was consistent with the national picture; only six out of the 17 study authorities monitored minority ethnic employment in social services. However, it was stated by managers that black women were under-represented in community care in the two authorities and this is consistent with an earlier NUPE survey of home care staff which found that only 1% of respondents identified themselves as black.

Employment of people with disabilities

As at national level, employment of people with disabilities was extremely limited in the residential and home care services in the East Midlands study authorities. Both authorities fell well short of the 3% legal quota. Managers explained that the physical nature of the work was a restriction on improving prospects for people with disabilities. However, neither authority had made positive attempts to attract disabled staff into the service during the period 1988 to 1993.

Grading structures

All home care and residential care workers in the East Midlands were on NJC rates, apart from those transferred to the Trust. This was in line with national trends. Nationally some staff had been transferred from manual grade to the APT&C scales, and there was evidence of this in one of the East Midlands authorities where residential workers were now salaried. This meant that the staff were on flat rate salaries and no longer received unsocial hours or premium rates payments.

Working hours

Staff in residential and home care services in the East Midlands study authorities had not had their hours reduced. As at national level most staff worked part-time for between 20 and 30 hours a week. In one of the county council's all new staff had been employed on more flexible contracts, where staff are expected to work for any five days out of seven. This was intended to improve services and to cover weekends and evening and night cover without paying enhancements. Another council closed three elderly people's homes and reorganised the home care service. Many home care staff left under VER schemes and the council issued new contracts with the result that all new home care staff now work on contracts of 10-15 hours with a guaranteed minimum (sometimes working more than 15 hours). But this still represents a cut in hours.

Pay levels

As at national level, in the East Midlands nationally negotiated rates of pay had been maintained apart from where a Trust had been established for residential services. It is important to note that pay rates for care services are higher in local authorities than in the private and voluntary sector - the average difference in 1994 was 55p an hour (14%).

Other pay entitlements

Bonus payments were not paid to residential and home care workers in any of the 15 case studies, which included the two East Midlands authorities. Overtime was paid after 39 hours in all but one of the 15 authorities. In this remaining authority, which is in the East Midlands, there is only a flat salary and no additional payments are made for unsocial hours etc. This represented a 10-20 per cent reduction in earnings for manual workers. There were no examples of performance related pay and profit sharing in the two East Midlands authorities; this followed the national trend.

Conditions of service

There were no changes in conditions of service for home care and residential workers except in the case of the transfer to the Trust of residential workers where pensions, sick pay and holidays had been reduced following the transfer of staff.

Managers in the study authorities considered that terms and conditions of employment are likely to deteriorate in the future as comparisons are increasingly made between the conditions of employment in the public and private sector.

Employment of temporary and casual labour

Nationally there has been a marked increase in the use of temporary labour over the last five years in residential and home care services. In the East Midlands one of the two county councils reported an increase among all grades of care workers in order to improve labour flexibility and cover arrangements. In the other county there was a decrease in the use of casual staff because most residential work was transferred to a Trust.

Some social services managers indicated that they expect greater casualisation in the service with increased use of temporary, casual and agency staff in the future. Temporary staff usually only get permanent status once they have worked for an authority for over two years. It is also difficult to build up length of service since staff may end up working for relatively short periods in a number of jobs in different establishments.

Continued pressure

The pressure is on local authorities in the East Midlands, as nationally, to reduce community care costs. In addition, the specific requirement for local authorities to encourage the development of the private and voluntary sector is likely to affect large numbers of women workers. The provision of more flexible services, coupled with increasing demands from users of the service under the community care legislation, means that local authorities will have to restructure working hours and staffing rotas. This will particularly affect women working part-time. As in other female dominated services the lowest paid, who are usually women, are being expected to work harder for less financial return (see Part 3).

Implementation of equal opportunities policies

The five local authorities in the East Midlands all had some form of equal opportunities policy covering race, gender, disability, recruitment and selection, and training. The application of these policies in the CCT process was extremely weak in the region. As a result monitoring of changes to employment in the CCT services was also generally poor. In one county there was a large equal opportunities unit, but the staff had little impact on the manual services. In addition, this council did not conduct race monitoring of its staff. In another county council, the equal opportunities staff had no involvement in the CCT services. In the three remaining councils there were no equal opportunities staff and managers admitted that the council structures were very male dominated and that the commercial culture had hindered any systematic application of equal opportunities policies in the DSOs.

The overall conclusion can be made that the application of equal opportunities policies in the regions case study authorities was considerably more limited than in other areas of the country. The political will to positively apply the policies across the council did not appear to be strong.

Summary

- The negative impact of CCT on women's employment highlighted in the national EOC report were mirrored in the East Midlands region.
- Nearly two thousand building cleaners lost their jobs and many of those that retained employments had cuts in working hours - there was often a deliberate policy to lower hours below the National Insurance lower threshold thus denying women entitlement to state benefits.
- There has been a substantial increase in the use of temporary staff - in one county council 25% (500) of cleaners are on temporary contracts.
- Job losses were higher in three county council school meals contracts in the East Midlands - 12% compared to 10% nationally.
- Employment of black people in catering and cleaning was minimal in the region and there had been no significant increase since the introduction of CCT in 1988.
- Staff in community care services in the region were subject to the same pressures - loss of jobs, flexible working hours, increased casualisation.
- DSOs in the region have increased the proportion of contracts won in-house, measured by contract value, which is now well in excess of national performance. This is particularly marked in female dominated services such as cleaning and catering.

PART 2

PUBLIC COSTS OF CCT IN THE EAST MIDLANDS

'Savings' claims

The proponents of CCT still claim that it produces savings. Figures of 20-25% are regularly stated. However, two studies have proved these claims to be spurious. The first study was commissioned by the Department of the Environment which showed that savings in service budgets averaged 6.5% and this was accepted by the Government. The second study (see below) examined the wider public costs of CCT using the first comprehensive employment data available on the effects of CCT. This study calculated that every £1 of CCT savings cost the Government and the public purse £2. The Government is in effect subsidising CCT and the extension of new markets for private contractors. This part of the report calculates the cost of CCT in the East Midlands.

Costs and savings of CCT in the East Midlands

The various costs and savings of CCT in the East Midlands have been calculated using the detailed model developed as part of the EOC study into the gender impact of CCT in local government. A separate research paper examined these costs in detail (Calculation of the National Costs & Savings of CCT, Centre for Public Services, 1995).

The EOC research identified the level of changes in staffing levels, the use of temporary and casual staff, changes in working hours, quantifiable changes in pay, bonus schemes and other conditions of service. The loss of jobs, reduction in hours and wage cuts reduces Government revenue from income tax and National Insurance and increases expenditure on unemployment benefit, Income Support, housing benefit and council tax benefits. Lower spending also reduces VAT and other tax income.

The cost of unemployment was calculated taking into account the cost of unemployment, housing and council tax benefits and the cost of administering them, the cost of employment and training schemes and other measures to mitigate unemployment together with increased health care costs. The calculations also took account of reduced income tax, VAT and indirect tax revenue and National Insurance contributions by both employers and employees. The analysis also took account of the knock-on effect in the local economy of changes in local authority employment. Reduced earnings of staff employed by either DSOs or private contractors, combined with reduced income of staff now claiming unemployment benefit, leads to reduced spending in local shops, pubs and other services. The study used a multiplier of 1.15 rather than the 1.25 normally used in order to take into account of the very large number of part-time local authority workers with relatively low wages.

The national calculations were based on certain levels of benefit entitlement and take-up which erred on the conservative. They included:

- Only 24% (3,000 out of 12,587 case study job losses) of those losing their jobs were assumed to claim unemployment benefit.
- A third of staff (15,000) had a cut in hours from an average of 18 to 15 hours per week thus taking them below the National Insurance Lower Earnings Level thus avoiding employer and employee contributions.
- Only 20% of staff (4,000) who lost the holiday retainer claimed unemployment benefit.
- A 5% cut in wages for half the 46,440 workers employed in the four services in the case study authorities (this included 4,900 employed by private contractors who had up to £1 an hour wage cuts).

CCT employment change in the East Midlands

The East Midlands share of the national value of contracts for each service was calculated using information from the Institute of Public Finance and Local Government Management Board databases. The regional proportion of contracts is shown in Table 2.1. The East Midlands share of the national value of contracts ranged from 4.8% in building cleaning to 7.3% in education catering.

Table 2.1: East Midlands share of CCT contracts

| Service | National contract value £m | East Midlands contract value £m | % of national contract value |
|--------------------|----------------------------|---------------------------------|------------------------------|
| Building Cleaning | 438 | 36 | 4.8 |
| Education catering | 617 | 45 | 7.3 |
| Refuse Collection | 610 | 36 | 5.9 |
| Sports & Leisure | 244 | n/a | n/a |

Source: Institute of Public Finance reports on each service, 1993.

No regional analysis of contract values is available for sports and leisure management although data on the number of contracts shows that of 401 contracts nationally in 1994, 34 (8.5%) were in the East Midlands. This figure has, therefore, been used to apportion employment change in the region.

National employment change in each service together with the East Midlands share of the national value of contracts (see Table 2.1) has been used to determine the employment change in the region. Some 4,000 local authority manual jobs have been lost in the East Midlands as a direct result of CCT in building cleaning, education catering, refuse collection and sports and leisure management (see Table 2.2). Women's employment accounted for 3,840 (96%) of the job losses, based on the East Midlands mirroring the national pattern of employment change. The loss of 4,000 local authority jobs would lead to a further 600 job losses in the private services in the regional economy (based on a multiplier of 1.15), giving a total job loss of 4,600 jobs.

Table 2.2: CCT employment change in the East Midlands

| Service | Local Authority Employment Change | |
|--------------------|---|---------------|
| | National | East Midlands |
| Building Cleaning | -51,385 | -2,465 |
| Education Catering | -15,670 | -1,145 |
| Refuse Collection | -7,805 | -460 |
| Sports & Leisure | +850 | +70 |
| Total | -74,010 | -4,000 |
| Multiplier effect | (1.15) on private employment in the regional economy (-4,000 x 1.15) | |
| | | -4,600 |

Source: Calculation of the National Costs & Savings of CCT, Centre for Public Services, 1995

CCT savings in the East Midlands

The national CCT savings in local authority service budgets has been calculated to be £124m per annum based on average savings of 6.5% (CCT and Local Government, The Impact of the Local Government Act 1988, HMSO, 1993) and a total contract value of £1,909m. The total value of contracts in the East Midlands is £138m or 7.2% of the national total. CCT savings in local authority service budgets in the region are estimated to be £9m per annum.

Even if increased Government corporation tax revenue from private contractors is taken into account (the region had a higher DSO success rate, by value of contract, in the four services compared to the national average thus reducing potential corporation tax revenue) this is estimated to be only £0.33m. A proportion of DSO surpluses are likely to be transferred to local authority general funds although there is no data to indicate the amount of such transfers. Total CCT savings in the East Midlands, both to local authorities and Government, are estimated to be £10m per annum.

A reduction in service budgets should, in theory, lead to a reduction in council spending and thus to a reduction in Government revenue support and council tax payments. Lower council tax payments would leave residents with more money to spend on general consumption thus supporting employment. However, the complexity of local government finance means that a reduction in service budgets does not automatically lead to a reduction in council tax.

Public sector CCT costs and savings in the East Midlands

The national costs of CCT in the four services have been calculated to be £250.1m per annum with the East Midlands share at £18m per annum or £126m in the period since the start of CCT to the end of the current financial year.

Table 2.3 The net effect of CCT in the East Midlands (£m)

| | Annual | Since start of CCT |
|---|-----------|--------------------|
| CCT savings in local authority budgets | +9 | +63 |
| Other benefits from DSO surpluses and corporation tax payments by private contractors | +1 | +7 |
| CCT costs, primarily to central government | -18 | -126 |
| Net effect on the public sector | -8 | -56 |

CCT savings in the region, primarily to local authorities, are estimated to be £70m since the start of CCT. **The net cost of CCT in the East Midlands is £56m since the start of CCT.** Central Government is responsible for 97% of the costs associated with CCT.

Summary

- 4,000 jobs have been lost in the East Midlands directly as a result of CCT in building cleaning, education catering, refuse collection and sports and leisure management, plus a knock-on effect of a further 600 job losses in the regional economy.
- Women's employment accounted for 96% of the local authority job losses.
- Competitive tendering in the East Midlands has cost the Government £56m since the start of CCT.

PART 3

EFFECTS ON THE EAST MIDLANDS ECONOMY

The impact on women workers

Government legislation affecting local authorities, including the Local Government Act 1988 and the NHS and Community Care Act 1990, has had a major impact on employment in manual services in the East Midlands. The employment decline was greatest in building cleaning where a quarter of jobs were lost in the first round of CCT. Employment also fell by 12% in education catering in the region. Both these sectors are large employers of female labour. The greatest impact in employment terms was on part-timers. In some cases there are less part-time staff doing more work; in others part-timers are replacing full-time staff to provide a less costly, and more 'flexible' service.

Hours for part-timers have been cut to reduce costs, since national insurance contributions are avoided and weekly wages are reduced.

Pay and conditions have been maintained in the East Midlands where the DSO still runs the service. However, in the cases of contracting out, NJC terms and conditions have been reduced and local conditions introduced.

There has been an increase in the use of temporary staff and moves towards a flexible labour force. This has been especially easy for employers in areas of the region where local unemployment is high and people have been prepared to work for low wages, given that there is little alternative employment.

The differential between male, usually full-time, and female, usually part-time, manual workers has been exacerbated under CCT both in the East Midlands and nationally. The low status of catering and cleaning staff remains. Many of the financial savings made under CCT of manual services have been achieved through the flexible use of the lowest paid, part-time manual workers. This has been exacerbated in the retendering of manual services and is expected to continue.

The effects of white-collar tendering are also expected to seriously affect women working in the lowest paid grades - administrative and secretarial staff in particular on Grades 1-6 of the APT&C scale. The EOC study estimated that 205,000 white collar and professional staff would be affected by CCT. Just under half of these will be women, of whom 75% will be full-time workers. The further loss of jobs will only exacerbate the position of women workers in the East Midlands economy.

CCT and the regional labour market

The changes in women's employment must be viewed in the overall context of changes in the regional labour market.

In spring 1995 the International Labour Office (ILO) unemployment rate in Great Britain was 2.43m. It is important to note that:

- Total ILO unemployment was 190,000 higher (seasonally adjusted) than the average level of monthly claimant unemployment.
- Female unemployment rose by 38,000 in the same period to 0.86m (326,000 higher than claimant unemployment).
- Male unemployment declined by 10,000 between winter 1994/95 and spring 1995 to 1.57m (135,000 lower than claimant unemployment).

(ILO measure of unemployment is a more accurate measure than the Department of Employment's registered claimant count. The ILO measure refers to "people without a job who were available to start work in the two weeks following their Labour Force Survey interview and had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained.")

ILO unemployment fell by 16,000 in the East Midlands in the year between spring 1994 and spring 1995, a 0.9% fall in the rate (see Table 3.1). However, all other regions except East Anglia and South West, plus Wales and Northern Ireland, had a higher reduction in the rate of unemployment. The current position in the East Midlands would be substantially better if it had not been for the loss of 4,600 jobs as a result of CCT.

Table 3.1: Employment change in the East Midlands

| | Employees | Self-employed | Total | ILO unemployment | ILO unemployed rate |
|-------------|-----------|---------------|-----------|------------------|---------------------|
| Spring 1994 | 1,607,000 | 222,000 | 1,858,000 | 168,000 | 8.3 |
| Spring 1995 | 1,656,000 | 212,000 | 1,896,000 | 153,000 | 7.5 |
| Change | +49,000 | -10,000 | +38,000 | -16,000 | -0.9 |

Source: Labour Force Survey, Quarterly Bulletin, No 13, September 1995.

Earnings in the region

Womens' earnings in the East Midlands are the lowest earnings of all regions at £207 per week, some £40 or 16% less than the Great Britain average of £247 (see Table 3.2). Women's average earnings declined in the period by £12 per week (5.4%) in the East Midlands. Only Wales and Scotland suffered a similar decrease. In contrast mens' earnings increased in all regions, including the East Midlands where the increase was £7 per week (2.3%). The region had the fourth highest level of average gross weekly earnings by June 1995. There is thus a marked gender difference in average earnings in the region.

Table 3.2: Average gross weekly earnings (£): Spring 1994 - 1995

| Region | Women | | Men | |
|----------------------|------------|------------|------------|------------|
| | 1994 (£) | 1995 (£) | 1994 (£) | 1995 (£) |
| Greater London | 314 | 315 | 406 | 416 |
| Rest of South East | 253 | 269 | 390 | 395 |
| South West | 214 | 239 | 305 | 343 |
| North West | 221 | 233 | 303 | 326 |
| Yorks & Humberside | 222 | 230 | 294 | 331 |
| West Midlands | 225 | 228 | 306 | 305 |
| East Anglia | 207 | 227 | 324 | 331 |
| Scotland | 227 | 220 | 333 | 322 |
| North | 219 | 219 | 303 | 316 |
| Wales | 219 | 216 | 285 | 312 |
| East Midlands | 219 | 207 | 327 | 334 |
| Great Britain | 240 | 247 | 336 | 350 |

Source: Labour Force Survey, Quarterly Bulletin, No 13, September 1995.

The local authority spending dimension

According to a recent analysis, the East Midlands region lost £298.5m in Revenue Support Grant over the six year period since 1989 (INLOGOV, 1995) (see Table 3.3). The additional grant could have been used to improve services up to the 'cap' limit of £149.5m and to reduce local Council Tax bills by a similar amount. The study by the Institute for Local Government Studies also concluded that the reduction in Grant, caused by resources being diverted to other parts of the country, would have led to an increase in regional income of £373.13m over the 1989/90 - 1995/96 period. This is equivalent to between 4,000 - 4,720 additional jobs in the region - a similar figure to the 4,600 jobs lost as a result of CCT (see Part 2).

This means that there would be over 9,000 more jobs in the East Midlands if the Government had not imposed both CCT and budget cuts on local authorities. Employment on this scale would enable local authorities in the region to transform the scale and quality of community care, reduce class sizes and improve the quality of education, and enhance many other essential public services. This would also provide a boost for consumer spending in the regional economy.

Table 3.3: The real effect of Standard Spending Assessment (SSAs)

| County | Additional Grant £m | Increase in resources available to spend within the 'cap' £m | Reductions in Council Tax £m |
|------------------|------------------------|--|---------------------------------|
| Derbyshire | 173.3 | 108.2 | 65.1 |
| Leicestershire | 28.4 | 16.0 | 12.4 |
| Lincolnshire | 66.2 | 22.6 | 43.6 |
| Northamptonshire | 13.9 | 2.3 | 11.6 |
| Nottinghamshire | 16.7 | 0.4 | 16.3 |
| Total | 298.5 | 149.5 | 149.0 |

Source: 'Loss of Local Government Finance and its impact on the East Midlands Regional Economy' INLOGOV 1995.

The East Midlands region has the lowest estimated net revenue expenditure change for 1995/96 compared to the previous years expenditure for all regions in England (see Table 3.4). The change was a mere 0.7% compared to the 5.0% in Yorkshire and Humberside. It is less than a quarter of the average expenditure change for England.

Table 3.4: Regional Analysis of Net Revenue Expenditure

| Region | Net Revenue Expenditure £m | Net Revenue Expenditure change over 1994/95 % |
|------------------------|-------------------------------|--|
| Yorkshire & Humberside | 4,474,560 | 5.0 |
| East Anglia | 1,605,760 | 4.3 |
| South East | 17,298,375 | 3.4 |
| North | 2,848,305 | 3.3 |
| South West | 3,731,358 | 3.2 |
| North West | 5,999,289 | 2.4 |
| West Midlands | 4,640,608 | 1.3 |
| East Midlands | 3,303,189 | 0.7 |
| All England | 43,901,444 | 3.0 |

Source: Finance and General Statistics 1995/96, CIPFA, 1995

A comparison of local expenditure on services per head of population in the regions in 1995/96 shows that the £760.50 per person in the East Midlands is the third lowest of all regions (see Table 3.5). Expenditure per head of population provides a more useful guide to spending although it should be noted that it is not necessarily an indicator of quality or efficiency.

The East Midlands figure is some £86 (10%) per head of population lower than the national average. It is in a group of three regions with the South West and East Anglia which have expenditure on services per head of population substantially below the other regions.

Table 3.5: Total expenditure on services per head of population 1995/96

| Region | £ |
|------------------------|---------------|
| North West | 897.64 |
| South East | 893.41 |
| North | 884.79 |
| West Midlands | 882.34 |
| Yorkshire & Humberside | 848.60 |
| East Midlands | 760.50 |
| South West | 731.91 |
| East Anglia | 715.61 |
| All England Average | 846.15 |

Source: Finance and General Statistics 1995/96, CIPFA, 1995

Local authority reserves

The Department of the Environment and the Welsh Office carried out a survey of local authority General Fund Revenue Reserves at 1 April 1995 and this data has been included in the CIPFA statistics. Total General Fund reserves of local authorities in the East Midlands amount to £266m in contrast to the South East region (excluding London) which has £1,093m reserves.

Analysed on a per head of population basis the East Midlands figure is £64.65, the third lowest region. The East Midlands figure is virtually the same as Yorkshire and Humberside and somewhat higher than the lowest at £54.32 in the North West. However, the comparable figures for the South East and Greater London are £100.07 and £120.53 respectively. Apart from the North (£68.80), the remaining regions have reserves exceeding £80 per head of population. Thus local authority reserves in the East Midlands are relatively low in comparison to other regions, particularly in the South East and East Anglia.

The same survey also examined Estimated Revenue Reserves under LMS which has also been converted to a per head of population basis to assist comparison. The East Midlands authorities had £38.6m reserves in this category or £9.39 per head of population. This placed the region in sixth position which was headed by the West Midlands with reserves of £15.15 per head of population.

DSO surpluses

The region is top of the league table in the amount of net surplus on DLO and DSO accounts which has been calculated on a per head of population basis. This is significant given the findings in Part 1. The region has planned for an overall surplus of £1.52 per head of population, virtually double the national average (see Table 3.6).

DSOs in the five East Midlands authorities which participated in the Equal Opportunities Commission study had a total surplus of £3.23m in their trading accounts for building cleaning, education catering, refuse collection and sports and leisure management in 1991/92 according to statistics from the Department of the Environment. This represented nearly 20% of the £17.4m surplus in the same services in the 39 authorities in the national study. Female dominated services accounted for 98% of the surplus in the East Midlands in contrast to 64% of the surplus nationally.

Although there is at present no quantifiable evidence, a substantial proportion of these surpluses could only have been generated by reducing jobs, pay and conditions of service and increasing the price of school meals.

Table 3.6: Net surplus on DLO & DSO accounts per head of population 1995/96

| Region | £ |
|------------------------|-------------|
| East Midlands | 1.52 |
| North West | 1.31 |
| North | 1.22 |
| South West | 0.66 |
| Yorkshire & Humberside | 0.65 |
| South East | 0.65 |
| East Anglia | 0.64 |
| West Midlands | 0.63 |
| All England Average | 0.85 |

Source: Finance and General Statistics 1995/96, CIPFA, 1995

Local authorities have discretion on the use of these surpluses. They can use them to meet DSO capital requirements, transfer them to DSO reserves, distribute part or all of them under a profit sharing scheme, or transfer them from the DSO account to the general fund. We do not have details of how surpluses were used in the East Midlands. However, an increasing number of local authorities, particularly those which have been forced to cut spending, are deliberately planning for DSOs to make surpluses which are then transferred to the general fund. Whilst this may assist a local authority's overall financial situation, it is morally and politically unacceptable that this should be at the direct expense of low paid women workers.

Summary

- There is a marked gender difference in average earnings in the region. Women in the East Midlands have the lowest average gross weekly earnings in Britain but the region is ranked fourth for men's average weekly earnings.
- There would be over 9,000 more jobs in the East Midlands if the Government had not imposed CCT and budget cuts on local authorities.
- The East Midlands region has the lowest estimated net revenue expenditure change for 1995/96 compared to the previous years expenditure - less than a quarter of the average expenditure change for England.
- Local authority reserves in the East Midlands are relatively low in comparison to other regions, particularly in the South East and East Anglia.
- The region is top of the league table in the amount of net surplus on DLO and DSO accounts calculated on a per head of population basis. Five DSOs in the East Midlands accounted for nearly 20% of the £17.4m surplus in the EOC study. Female dominated services accounted for 98% of the surplus in the East Midlands in contrast to 64% of the surplus nationally.

PART 4

IMPORTANCE OF PUBLIC SPENDING IN THE REGIONAL ECONOMY

Why public spending is important

Capital and revenue expenditure are equally important for local government. You cannot have one without the other.

Capital spending for repairs and maintenance, major refurbishment and new construction to replace old and redundant facilities is essential to maintain the basic infrastructure of transport, schools, homes and hospitals. Without appropriate facilities, regularly repaired, maintained and heated, public services cannot be effectively and efficiently supplied. Equally important, industry and commerce require well maintained roads and communications and access to adequately trained and skilled staff in order to manufacture products and deliver services.

Capital spending is very important to:

- Enable the efficient running of the regional economy and to attract new investment;
- Enable the effective running of services that people want and need - teachers cannot teach and children cannot learn if the disrepair of schools affects their use.

Revenue spending is essential in order to staff and operate services. Public services are by their very nature labour intensive. Education and social services require high ratios of teachers and care staff. Class size does matter. Personal care cannot be delivered en-mass. Labour costs thus form a high proportion of service delivery hence the level and quality of service is directly related to the level of expenditure.

Revenue spending is thus very important to:

- Run **cultural facilities** such as museums, theatres, art galleries;
- Provide **education and learning facilities** in the region - teachers in schools, staff in libraries;
- Provide **social and community care** for children, the elderly, physically and mentally handicapped;
- Operate **leisure facilities** - tending open spaces and running leisure centres seven days a week;
- Plan and regulate urban and rural development in the region, to safeguard the environment and ensure it is free of hazards to health;
- Maintain the transport network and keep it open throughout the winter months;
- Promote economic development and employment in the region;
- Improve the environment, minimising waste, pollution and negative effects of urban growth and industrial change;
- Plan and administer local democracy and local government's financial affairs in the public interest.

All these activities and services require adequate funding so that each service can:

- Identify social needs
- Strategically plan the development of the service
- Harness changes in technology and communications
- Monitor and evaluate service provision
- Effectively regulate service provision by other bodies and respond to private sector failures
- Consult with and assess the views of users and potential users
- Coordinate policies within the authority and with other bodies
- Implement corporate policies such as equal opportunities, health and safety and environmental policies

Local authorities have, traditionally, played an important role in the local labour market by setting standards of pay and conditions and best practice employment policies. Although this is being eroded by CCT, it is, nevertheless, important that local authorities try to maintain this role.

Impact in the regional economy

Both capital and revenue expenditure by local authorities, and the public sector in general, leads to spending in the local economy on goods and services. Staff employed by local authorities spend the bulk of their earnings on local, regional and national goods and services. This expenditure supports jobs in private services in shops, garages, pubs and entertainment and other services. The multiplier effect means that local authority expenditure supports further employment in the local economy. It has been calculated that four local authority jobs usually support one additional job in private services in the local economy (a multiplier of 1.25) although this study has used a lower multiplier of 1.15 to take into account the higher proportion of part-time staff on lower than average wages. Cuts in council budgets and staffing levels have the same effect on the regional economy as CCT.

Who decides

Local authorities need to have much greater freedom to determine the level and quality of services over and above the basic services which are agreed nationally. Local communities are in the best position to determine their own priorities. Much greater flexibility is needed in the transfer between budgets and financial years.

The value of public spending

The importance of public spending is emphasised by an analysis of the services which could be obtained for £18m, the estimated annual loss of grant suffered by Derbyshire County Council as a result of the introduction of the Standard Spending Assessment in 1990/91. This is one example which emphasizes the importance of local authority expenditure.

The County Council identified a long list of services which could have been provided with the £18m annual expenditure. They were divided into five categories but only the main items are highlighted below. Each year between 1990/91 and 1995/96 the County Council could have provided:

Schools

- 270 primary and secondary teachers
- A computer and workstation for every primary school in Derbyshire
- Redecorate 50 primary and secondary schools

Social Services

- 200,000 home help hours to support older people in their homes
- Essential structural work to 10 homes for older people
- 65,000 hours of respite care for people providing essential care for elderly or disabled relatives

Libraries

- Reopen all libraries on Saturday afternoon
- Restore the Bookbus - mobile library service for children and young people in deprived areas

Protecting the public

- 4 community based fire safety officers to work with young people on fire prevention
- 4 new fire engines
- 26 alert systems for calling in part-time firefighters

Roads

- 25 kilometres of improved pavements
- 35 kilometres of road repairs and resurfacing
- 10 traffic calming schemes

These are just a few of the 49 items which could have been provided for £18m. The analysis was independently verified by the Institute for Local Government Studies, University of Birmingham.

Total council spending in England and Wales in 1995/96 is £45,600m, some £2,100m more than the Government's Total Standard Spending for local authorities. Following a detailed assessment of need, the Association of Metropolitan Authorities, the Association of County Councils and the Association of District Councils have called for an additional £2,377m, after deducting efficiency and other savings for 1996/97. They have included only top priority items which take account of the growing numbers of pupils and the elderly and the cost of pay and price increases. They conclude that "the post-settlement review of 1995/96 budgets gives clear evidence that the extra costs cannot be met without severe effects on services." (Needs for Local Services and the Extra Costs of Meeting Them, Expenditure Report for 1996/97, AMA, ACC and ADC, 1995)

A full social needs audit would identify a further additional spending requirement for local authorities in order to meet local needs and maintain essential services.

Summary

- Capital spending is essential to maintain the basic infrastructure of transport, schools, homes and hospitals. Without appropriate facilities, regularly repaired, maintained and heated, public services cannot be effectively and efficiently supplied. Equally important, industry and commerce require well maintained roads and communications and access to adequately trained and skilled staff.
- Revenue spending is essential in order to staff and operate services.
- Local authority expenditure supports further employment in the local economy.

References

CCT and Local Government, The Impact of the Local Government Act 1988, HMSO, 1993.

Calculation of the National Costs & Savings of CCT, Centre for Public Services, 1995.

Finance and General Statistics 1995/96, CIPFA, 1995.

Local Economic Review 1993/94, North Derbyshire TEC.

Loss of Local Government Finance and its Impact on the East Midlands Regional Economy, Institute of Local Government Studies, University of Birmingham, 1995.

Needs for Local Services and the Extra Costs of Meeting Them, Expenditure Report for 1996/97, AMA, ACC and ADC, 1995.

Poverty in Nottingham 1995, Nottingham City Council, June 1995.

The East Midlands Economy - Any Sign of Recovery?, East Midlands TUC, January 1994.

The Gender Impact of CCT in Local Government, Equal Opportunities Commission 1995.

Unemployment Figures 1994 and 1995, Central Statistical Office.

Counting
the cost
Counting
the cost

CENTRE for PUBLIC SERVICES

Research • Strategy • Planning • Training

1 Sidney Street Sheffield S1 4RG. Tel: 0114 2726683 Fax 2727066



EAST MIDLANDS REGION 6 Sherwood Rise, Nottingham NG7 6JS

Telephone: 0115 9603522 Fax: 0115 9692135

Print Production: WHO Limited: 151 Huntingdon Street Nottingham NG1 3JR : 0115 941 7667

£10.00