

# Darlington: Emerging Priorities for 2018

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## What a Difference a Decade Makes: Darlington between 2008 and 2018

This report aims to look at how Darlington residents' lives, and the services they receive, have been and will continue to be affected by the economic downturn of 2007/08 and its related pressures; including the central government's subsequent and continuing policy of austerity, demographic pressures, and growing inequality. Inevitably much of the focus will be on increased pressures on public services in terms of financing and growing demand, however the borough also benefits from a number of strengths which will stand it in good stead to face the challenges ahead and these will also be highlighted.

### The Situation

#### The Economy

##### 2008

In 2008 the world was still in the midst of the biggest financial crisis since the Great Depression of the 1930s. The emergence of sub-prime loan defaults in the USA in 2007 sparked the crisis and years of risky loans and over-inflated asset prices in international financial markets building up to the crash exacerbated the situation. Central banks injected billions of dollars into financial markets in an effort to stave off a major downturn, however, with the fall of Lehman Brothers in September 2008, panic broke out in the international banking system. Share prices collapsed and a temporary crisis turned into a full-scale global economic downturn, as international trade dropped, unemployment soared and commodity prices slumped. The UK suffered prolonged recession, beginning in Q2 of 2008 and lasting until Q3 2009.

##### 2018

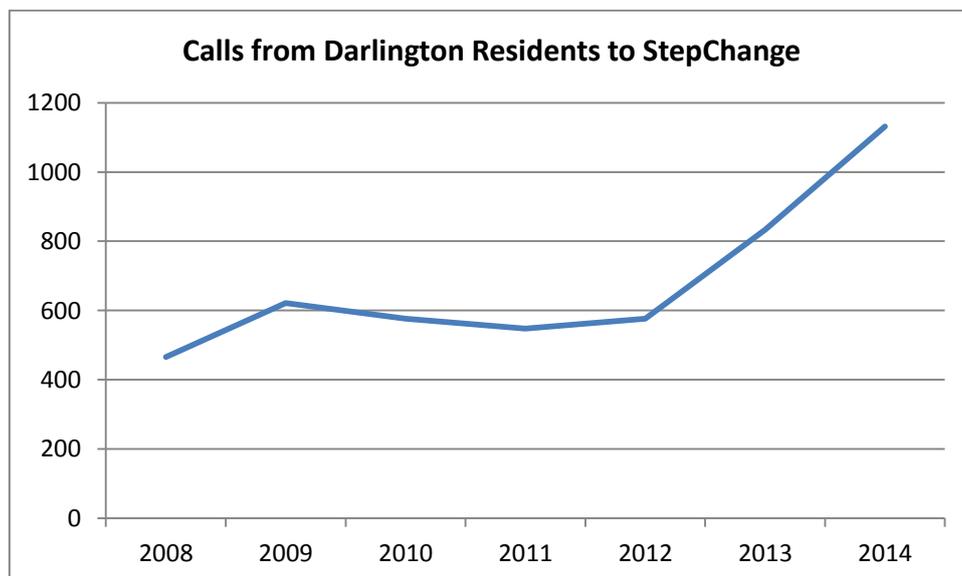
The initial crash progressed from a banking crisis to a sovereign debt crisis as the government bailed out the UK banking system with an estimated £141 billion of public funds and implemented a £31 billion stimulus programme. Public debt skyrocketed and, in response, the newly-elected coalition government embarked on an austerity programme in 2010 to reduce the budget deficit relative to GDP.

Five years on and whilst the budget deficit has fallen from a peak of £104.6bn in 2010 to £59.9bn in 2015, the national debt continues to rise and the original deficit-reduction targets laid out in 2010 have been missed due to consistently disappointing tax receipts reflecting the economy's weak performance, particularly in terms of wages. Borrowing in 2014/15 was intended to be £37bn but turned out to be £90.1bn and, 8 months into 2015/16 borrowing was at £66.9bn against a target for the year as a whole of £68.9bn. Interest rates remain at a historic low and inflation has been between -0.1 per cent and 0.1 per cent since the beginning of 2015. Productivity is facing a major crisis and the economy is still far too dependent on financial services concentrated in the South East. Unemployment is falling, although youth unemployment continues to be a big problem and evidence suggests that many of these new roles are poor quality, forcing people to either work for themselves or part-time on zero hours, temporary contracts. Even though recent low levels of

inflation have allowed real wages to start increasing again after several years of stagnation, standards of living remain below where they were before the crash - an impact keenly illustrated by the staggering increase in demand (to half a million people each year) for food banks over the same period. As the Resolution Foundation has pointed out, unless poor productivity is tackled quickly then recent wage increases are likely to be short-lived, particularly if inflation picks up.

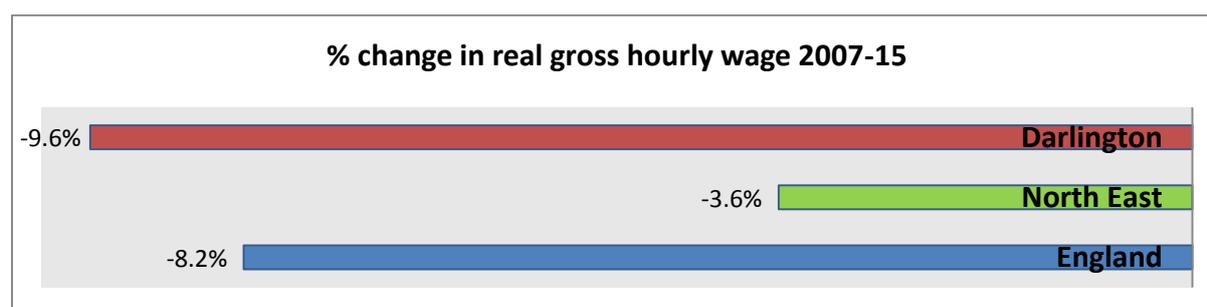
Furthermore, Office for Budget Responsibility (OBR) figures show that increasing debt is not a problem limited to the public sector. UK households moved from a budget surplus of £67bn in 2010 to a £40bn deficit in 2015, expected to increase to £48.6bn in 2018. The economic growth experienced since the crash therefore seems to be dependent upon unsustainable household borrowing, specifically on mortgage debt and the housing market expansion, and heavy increases in the use of credit. Given the current government's determination to reach a net surplus by the end of this parliament, all indications point to this trend intensifying over the next few years as the government takes more money out of the private sector via taxes than it puts back in. Because rich households and businesses are better able to escape their debts, historically whenever governments have transferred public debt to the private sector the burden has fallen disproportionately onto those least able to pay, in the form of middle-class mortgages, payday loans, and other popular household credit products.

This trend is evident in Darlington, as illustrated by data from debt advice providers. A Money Advice Service report in 2013 estimated that 25.5% of the Darlington population (approximately 27,000 residents) were over-indebted, defined as finding keeping up with bills a heavy burden and/or falling more than 3 months behind with credit commitments in the past 6 months. This put it in the top fifth of local authority areas for this metric. The number of Darlington residents advised by just one debt charity, StepChange, also increased; by almost 250% from 2008 to 2014, as illustrated in the table below.



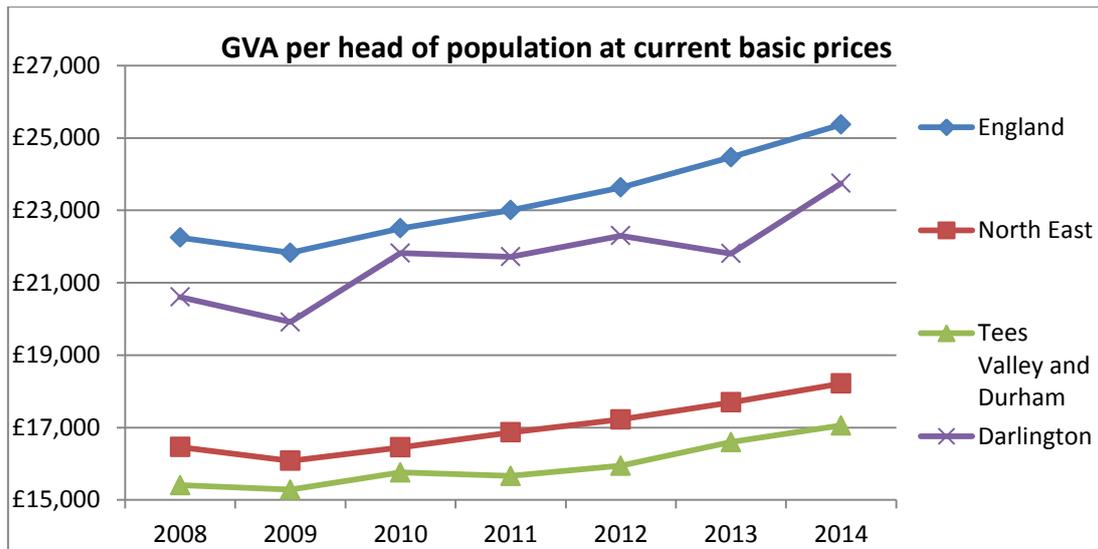
The issue of higher living costs and poor wage growth is also particularly pertinent for Darlington residents, as the table and graph below show.

	2007 hourly pay (in 2015 prices)	2012 hourly pay (in 2015 prices)	2015 hourly pay	% change 2007-2015
England	£12.98	£12.17	£11.91	-8.2%
North East	£11.49	£11.01	£11.08	-3.6%
Darlington	£12.43	£10.41	£11.24	-9.6%
Hartlepool	£11.44	£11.56	£10.61	-7.3%
Middlesbrough	£10.09	£9.90	£10.06	-0.3%
Redcar and Cleveland	£11.28	£9.88	£10.75	-4.7%
Stockton on Tees	£11.94	£11.72	£11.52	-3.5%
Durham	£11.87	£11.43	£11.27	-5.0%
Northumberland	£11.63	£11.19	£11.32	-2.7%
Gateshead	£11.58	£11.17	£11.10	-4.2%
Newcastle-upon-Tyne	£11.62	£10.88	£10.84	-6.7%
North Tyneside	£11.18	£11.06	£11.37	1.7%
South Tyneside	£11.23	£11.25	£10.80	-3.8%
Sunderland	£11.26	£10.83	£10.43	-7.3%



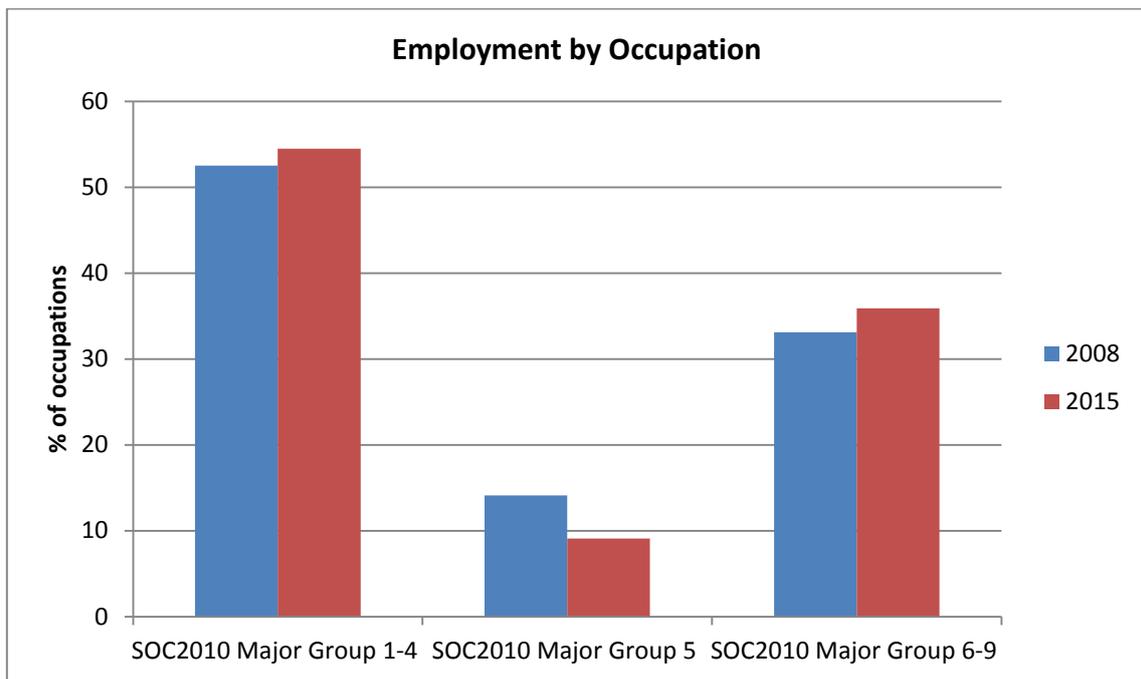
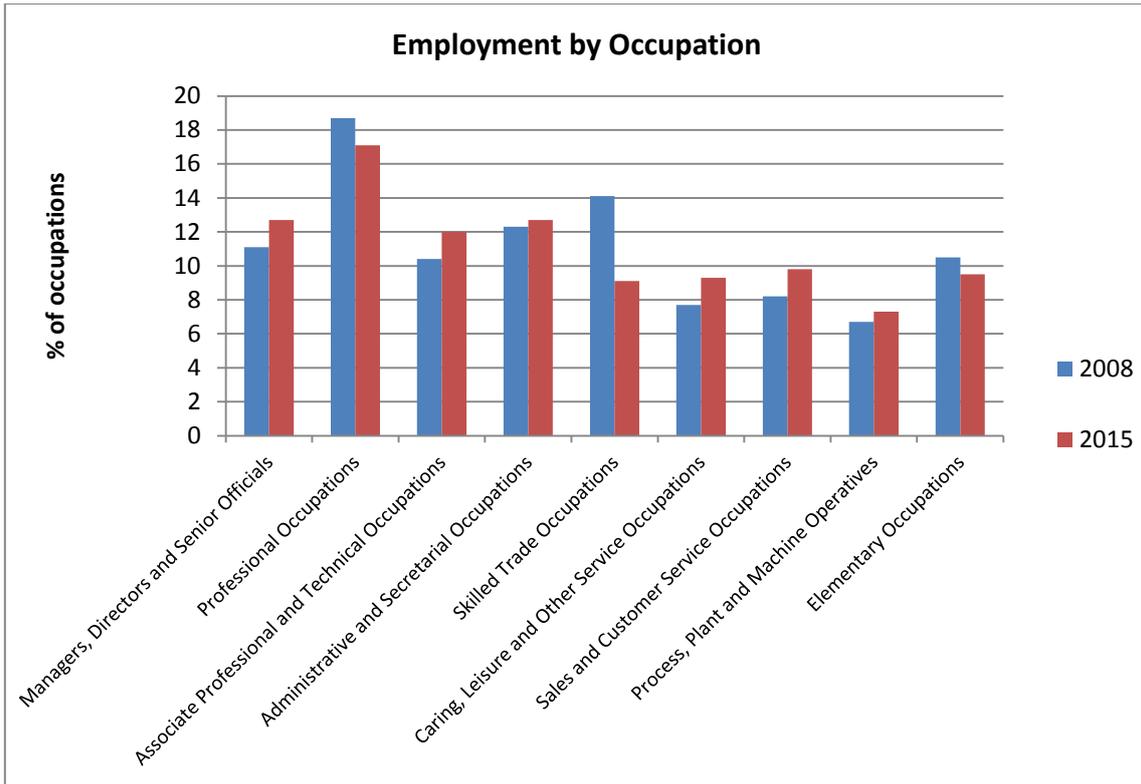
Between 2007 and 2015 real median gross hourly pay in Darlington fell 9.6 per cent, from £12.43 per hour to £11.24. For a 40 hour per week pay packet this represents an effective weekly decrease in spending power of £47.61, or £2,475.72 a year. This decrease is the most dramatic of any north east local authority area and exceeds the national average by 1.4 percentage points. Furthermore, real wages in Darlington have actually made a recovery since 2012 when Darlington, after seeing real wages fall an astonishing 16.42 per cent against a national average of 6.3 per cent, was ranked the top local authority area nationally for the percentage change in gross median hourly pay since 2007.

As mentioned above, the recent recovery in real wages across England is heavily dependent on low inflation and, unless productivity dramatically improves, should not be assumed to be indicative of a new long-term upward trend. There is little to suggest that Darlington's low wage problem will not remain a key weakness in 2018. Despite performing consistently above average for the Tees valley and wider north east for productivity - GVA per head has been consistently growing since 2008 - the borough remains stubbornly below the national average for this measure and the gap is not closing.



Unemployment has recovered over the past few years although, at 7 per cent, it still remains above its 2008 level of 5.9 per cent. Economic growth has also been positive, in a recent Royal Bank of Scotland growth tracker report Darlington was identified as the region’s best performing economy for the third consecutive quarter (2.9% year-on-year growth for Q2 2015), reflecting the borough’s continued ability to attract inward investment like CPI’s National Biologics Manufacturing Centre, the Central Park development and Feethams leisure complex.

The challenge therefore is to ensure that this growth is shared fairly across the borough and does not just benefit the already well-paid and highly-skilled. Analysing type of employment shows that there has been a notable shift – both in terms of type of occupation and the quality of jobs in terms of hours and security. As the chart below illustrates, there has been a pronounced change from the proportion of workers in skilled trade occupations (which has fallen from 14.1 to 9.1 per cent of all jobs in Darlington) and a corresponding increase in more and less skilled occupations, suggesting that the Darlington workforce is becoming more polarised.



The high percentage of employees earning under the living wage (23.3 per cent of 18-64 population in 2013) means that almost a quarter of Darlington jobs are low skilled and low paid, which is significantly higher than the regional and national average for this measure. More needs to be done therefore to ensure that higher value, higher skilled jobs are created within the borough and that existing businesses pay a fair wage and identify progression routes within lower paid sectors such as hospitality and retail.

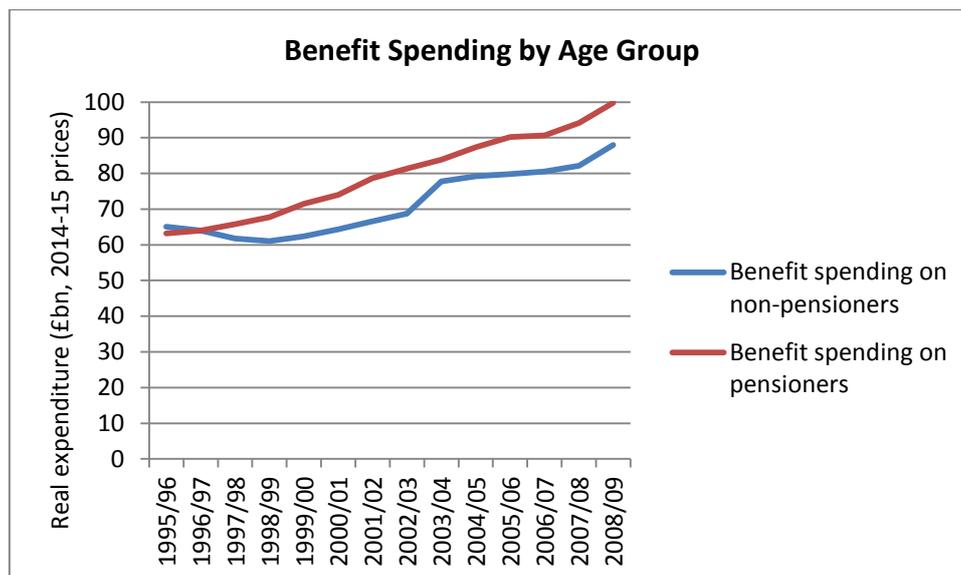
In addition, whilst the number of both full-time and part-time jobs in Darlington increased from 2008 to 2015, the increase in the number of part-time jobs (17.3 per cent) far exceeded that of full-time positions (4.6 per cent) meaning that the ratio of full-time to part-time work in the borough has shifted from 70:30 to 67:33.

## Welfare Reform

### 2008

One of the key trends in welfare spending pre-2008 was growing expenditure on tax credits, which more than quadrupled from around £7 billion in 1997–98 to over £30 billion by 2010–11. Indeed, over two-thirds of the real-terms increase in spending directed at the whole non-pensioner population over this period was driven by higher spending on tax credits. This new spending mostly benefited low-income families with children, both in and out of work, and so represented a significant shift towards means-tested (and away from universal) support for this group, and was a response to slow wage growth amongst this group than in the wider economy and increasing childcare costs.

Spending on older people was another significant growth item in the welfare bill in 2008. 1996/7 was the last time that more was spent on benefits and tax credits for working-age people and children than pensioners, reflecting both the ageing population and the large increases in means-tested benefits for pensioners under the Labour administration from 1997.



### 2018

Expenditure on social security represents by far the largest single area of government spending. It is unsurprising, therefore, that cuts to social security have formed a major part of the government’s plan to reduce the deficit. In making those cuts, the current government has decided to (mostly) protect pensioners while reducing spending on working-age benefits and tax credits by an estimated £20 billion a year by 2015/16 (relative to an unreformed system).

The main measures implemented and announced as of 2016 are listed below. Collectively they already, and will continue to, add to the difficulty that service providers and residents in Darlington find themselves in. With economic recovery as fragile as it has been laid out above, the reduction in

incomes that will result from these welfare reforms are likely to even further increase household debt levels. There is already additional demand for VCS and public services resulting from these changes as needs associated with disability, deprivation and social exclusion increase and this is set to increase further as more savings are made.

### Indexation

From 2011/12 the inflation index used for uprating most benefits, tax credit thresholds and public service pensions changed from the retail price index (RPI) to the consumer price index (CPI) which tends to be lower (in contrast, the state pension has been 'triple-locked' since 2012/13: it is increased in line with whatever is the highest out of average earnings growth, CPI inflation or 2.5%). The coalition government also capped the nominal increases for most working-age benefits and tax credits at 1% for the three years from 2013 in an effort to reduce social security spending by around £3 billion in 2017/18 and the current chancellor has recently announced his desire to pursue a similar policy in 2016 and 2017 in order to save another £3 billion annually.

In Darlington there were 9,890 working-age benefit claimants in November 2014, 8,700 households in receipt of tax credits from 2013/14, and 4,270 local housing allowance (LHA) recipients in February 2015. Whilst it is difficult to dig further into these numbers to determine a definitive total for how many Darlington residents are and will continue to be affected by these uprating changes and freezes, it is clear that a significant number will suffer the equivalent of an 8 per cent cut in their benefits between 2013 and 2020, as calculated by the Institute for Fiscal Studies (IFS).

### Disability Benefits

Economists from Sheffield Hallam University in 2013 estimated that the cumulative impact of welfare reforms in Darlington in 2014/15 equated to a £37m loss annually; a loss per working-age adult of £546. Of this, almost £7m is estimated to be lost annually as a result of the migration of disabled claimants from Incapacity Benefit (IB) to Employment Support Allowance (ESA), with a further £4m estimated to be at risk from the transition of Disability Living Allowance (DLA) claimants to Personal Independence Payments (PIP), perfectly illustrating how welfare reforms are disproportionately affecting disabled people.

In 2011 claims for benefits on the basis of incapacity for work (IB) were transferred to claims for ESA. Entitlement was re-assessed using new, stricter criteria – the work capability assessment – which deemed claimants either fit for work (approximately 19 per cent of outcomes nationally) or entitled to ESA and put into one of 2 groups, the work-related activity group (WRAG, 35%) or the support group (46%). Those deemed fit for work became JSA claimants and saw a weekly decrease in their income of almost £30; over £1,500 a year. Those allocated to the WRAG saw no immediate change to their income, although it was announced in the 2015 Summer Budget to abolish this group's 'premium' so that new claimants allocated to this group will receive the standard JSA rate too. Those allocated to the support group did see a modest increase in their benefits payments but this was nowhere near enough to make up for the losses suffered by the aforementioned groups. Darlington suffered disproportionately from these changes as outlined in the below table, with 5 percent more of those assessed deemed fit for work than the national average.

	Outcomes of claims where functional assessment has been completed – Oct 2010 to Dec 2014		
	Entitled to Employment and Support Allowance:		Fit for Work
	Work Related Activity Group	Support Group	
<b>England</b>	<b>35%</b>	<b>46%</b>	<b>19%</b>
<b>North East</b>	<b>37%</b>	<b>42%</b>	<b>21%</b>
<b>Darlington</b>	33% (860)	43% (1,100)	24% (620)

Re-assessment of DLA claimants for PIP began in October 2015 and the government hope that this will lead to a 20 per cent saving by reducing the number of claimants from a forecasted 2.2 million in 2015/16 under DLA to 1.7 million on PIP. In other words, 23 per cent of people currently eligible for help with their mobility or care will no longer receive benefits for this. In Darlington, there were 5,750 DLA claimants in May 2015 – based on the projections above this means that a total of 1,323 individuals should expect to lose a minimum of £21.80 per week (£1,133.60 annually).

#### Housing Benefit

Housing benefit (HB) increased by a dramatic 28% in the four years from 2008/09 to 2012/13, partly explained by the growing number of households entitled to HB as employment fell and earnings grew more slowly than rents. In 2012/13 66 per cent of social renters and 25 per cent of private renters received HB, up from 59 and 19 per cent respectively in 2008/09. The increase in spending also reflects longer-term trends in the composition of HB claimants. The proportion of HB claimants in the private rented sector has been increasing, from one-quarter in 2008/09 to one-third in 2012/13. This shift mirrors changes in the housing tenure of the overall population: in 2001/02 approximately 30% of renters were in the private sector, but by 2012/13 that figure was over 50%. Since private sector rents are, on average, significantly higher than social rents, the growing share of private renter claimants acts to increase spending. This trend is particularly pronounced in Darlington: as evidenced by the 2011 census 16.6 per cent of households in the borough privately rent, against a regional average of 12.4 per cent and 15.4 per cent nationally. Any cuts to HB over the next few years are therefore likely to adversely impact on a higher proportion of residents than in other local authority areas.

Because HB makes up such a large (and growing) proportion of welfare spending, it has been a particular target for spending cuts. There were a number of measures announced in the 2010 budget and spending review to reduce spend; the basis for setting local housing allowance (LHA) rents from the median (50<sup>th</sup>) to the 30<sup>th</sup> percentile of local market rents, capping weekly LHA rates, uprating non-dependent deductions to reflect recent rent increases and freezing LHA rates for 2012, as well as changing the uprating of rates from RPI inflation to whichever was lower from the CPI rate (which is linked to historical rents rather than current and tends to be lower) or the 30<sup>th</sup> percentile of market rates. In 2013 it was further announced that the uprating of LHA would be changed again, this time by whichever was lower out of the 30<sup>th</sup> percentile of local market rates or 1 per cent and then, in the 2015 Summer Budget, the Chancellor announced that LHA would be frozen for private renters until 2020. There were 4,270 LHA recipients in Darlington in February 2015 who will therefore be at risk of having to fully cover any rent increases from now until 2020.

HB has also been cut by between 14 and 25 per cent for working-age social tenants occupying a property with one or more bedrooms than the government thinks is necessary given their family composition. One in three (some 660,000) working-age claimants of HB in the social rented sector are estimated to be affected by this 'removal of the spare-room subsidy' (or 'bedroom tax') nationally. In Darlington, there were 692 households subject to the bedroom tax in November 2015 suffering an average annual reduction in their HB of £701.32.

The 2015 Summer Budget also set out a proposal to abolish entitlement to HB for the majority of childless, out-of-work 18-21 year olds, which is likely to impact significantly on vulnerable groups such as care leavers unless exemptions are put in place. In Darlington there are currently 149 individuals fitting this criterion that stand to lose an average of £3,867 per annum in HB. Abolishment of the family premium for new HB claimants from May 2016 (and existing claimants where the premium would apply from the same date) was also announced. Furthermore, from April 2017, these individuals are like to be subject to the new Youth Obligation which may make it mandatory for 18-21 year olds to enrol in sector-based work academies, traineeships or to apply for apprenticeships by Jobcentre Plus in order to keep their benefits after 6 months.

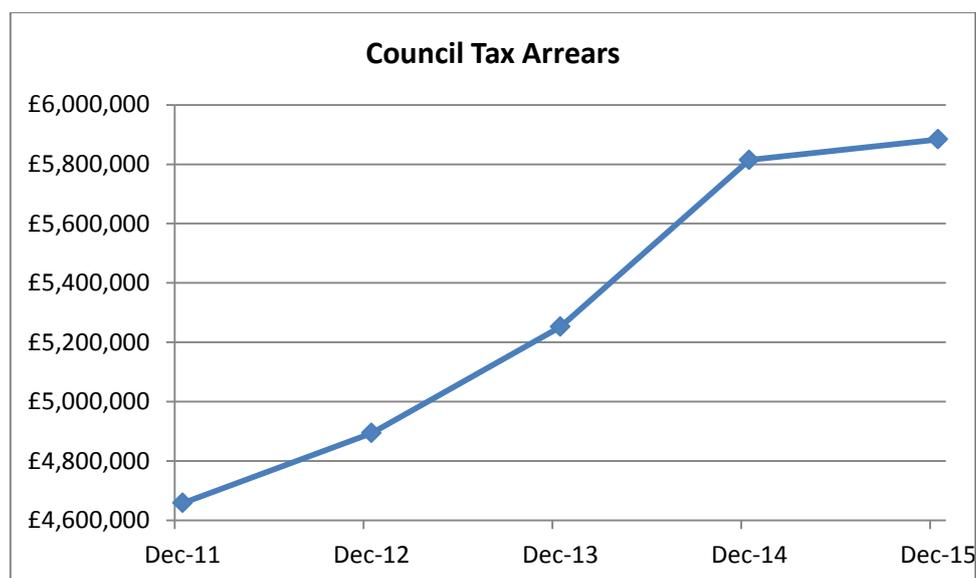
Finally, the benefit cap was introduced as a measure to reduce the HB bill by reducing households' HB by the difference between a household's total income from benefits and tax credits and the cap. The original cap of £26,000 was introduced in 2013 and, to date, in Darlington there has been a cumulative total of 66 households capped, with an average of 26 households capped in any one month. The 2015 Summer Budget proposal to lower the existing cap to £20,000 (a 23% reduction) will put a further 266 households at risk of being capped an average of almost £3,150 each year, 14 per cent of their pre-cap income. The majority of those affected will be lone parents with three or more children living in private rented accommodation and a minimum of 932 children are likely to be impacted.

The current approach of cutting support to those who need of help with their housing costs, rather than supply-side policies to reduce those costs in the first place, mean that the burden of the housing crisis is falling on those on the lowest incomes, who are already struggling to meet their outgoings. The likely impact of these policies on the local authority will be an increase in rent arrears and increased demand for services as homelessness and family breakdown resulting from these policies increase.

#### Council Tax Benefit

As part of the coalition government's welfare reforms, Council Tax Benefit (CTB) was abolished in 2013 and replaced with localised council tax support, which cut funding by 10% but allowed local authorities to design their own schemes for working-age families. In Darlington entitlement for working-age claimants changed from being worked out on 100% of their Council Tax liability to just 80% in an effort to recover the cut in funding. Over 6,000 working-age households across the borough have been liable for paying a proportion of their council tax since 2013 that previously were not. Not unsurprisingly, given that these households are on the lowest incomes, collection rates have been significantly lower than for those with full liability (81.44 per cent in 2014/15 against 95.19 per cent generally). Arrears therefore, which were already increasing before this development, took an upward turn at almost twice the rate of increase of the two years prior. This means that the

Council has not been able to recoup all of the money lost from the CTB grant cut and households on the lowest incomes have also suffered financially from the policy.



#### Tax Credits / Universal Credit

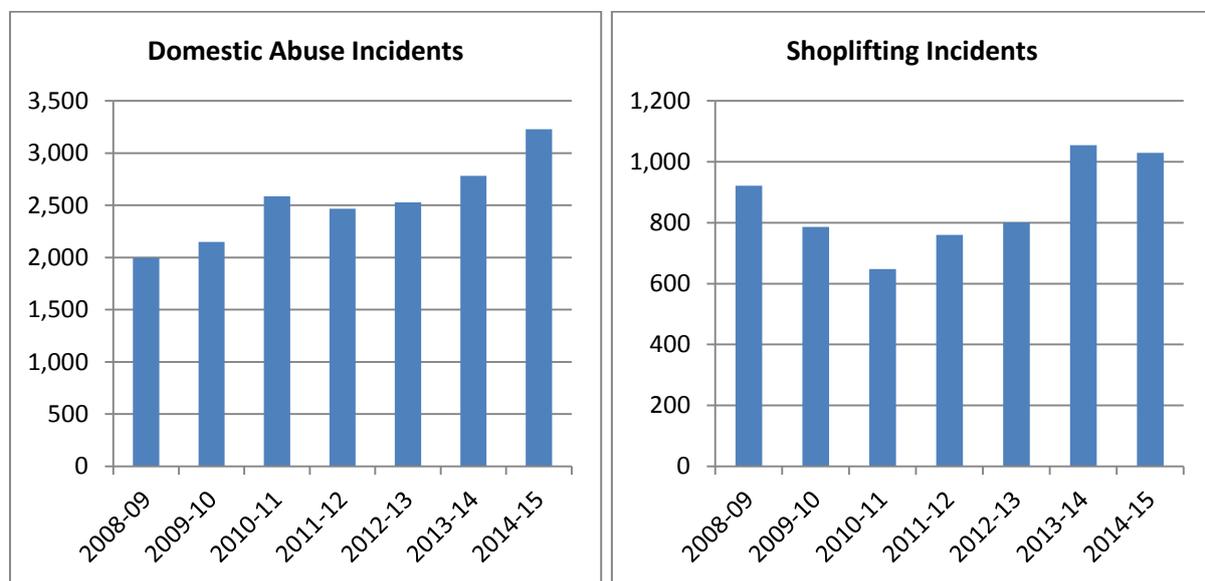
The 2015 Summer Budget set out a number of proposals to reduce the tax credits bill, namely removing a number of additional child-related elements and cutting work allowances. Whilst the Chancellor abandoned the latter of these proposals in the 2015 Autumn Statement, the removal from April 2017 of entitlement for third and subsequent children and the removal of the family element (and the equivalent under universal credit) for new claimants are to go ahead.

It is estimated that there are 1,424 families in Darlington in receipt of child tax credits (CTC) and, of these, 19 per cent receive an average of £3,670 per year to support any third and subsequent children. Although this policy will only apply to new claimants, the likelihood of this policy not affecting a significant number of families and children depends on the assumption that current (working) claimants base their decision to have three or more children on their entitlement to CTC. If this assumption is incorrect this policy will have a significant and adverse impact on the household finances of a considerable number of families in the borough and is likely to be detrimental to the development of those children affected (and their siblings). Furthermore, current recipients with three or more children who stop claiming CTC for more than 6 months and then go back to a low wage will count as a new claim and therefore be paid as if they only have two children, as will anyone who claims for the first time after April 2017 regardless of when their children were born. Theoretically therefore if a parent manages to get a well-paid job and is made redundant they will receive thousands of pounds less in tax credits than they would have had they never been promoted. With regard to the abolition of the family element of CTC, and the UC equivalent, in Darlington there are currently 7,500 CTC claimants receiving £545 a year. Again, this proposal would only apply to new claimants but as households are even less likely to make their family planning decisions on the basis of £10.48 per week than the above proposal it can safely be concluded that a significant number of households will be negatively impacted.

Whilst the chancellor did make a U-turn on proposals to cut working tax credit (WTC) income thresholds and increase the taper rate at which WTC is withdrawn, there was no such move to do

the same for similar proposals to UC and, as George Osborne himself stated during the 2015 Autumn Statement, “tax credits are being phased out anyway”. From April 2016, UC work allowances for disabled people and people with children will be cut to £192 per month if the claimant has housing costs and £397 per month if they do not. For all other claimants the work allowance will be abolished altogether, meaning that individuals will see their benefit reduced by 65 per cent (significantly higher than the 41 per cent taper rate for WTC) as soon as they start earning. This policy will have significant and adverse financial impacts for all Darlington residents who currently claim WTC, of which there are currently 4,500, but will be transferred to UC over the next few years. Those who are not disabled and do not have children who earn over the current WTC income threshold will suddenly find their benefits cut by 65p for every pound they earn, whereas previously they could earn up to £6,420 without seeing their WTC affected and lost just 41p for every pound earned over this. For disabled people and those claimants who have children, although the impact will not be quite as severe, they will still see a cut to the amount they can earn in a year without their benefits being affected of at least £1,656 and the taper will similarly increase by almost a quarter, from 41 to 65 per cent.

Overall, the likely impacts of the economic downturn are myriad; not only do they add pressure to the local public services’ already strained budgets but there is evidence to suggest that households affected are more likely to fall into debt, suffer stress (potentially contributing towards mental health problems), suffer from relationship breakdown and/or greater incidence of domestic violence, and resort to low-level acquisitive crime. Both of the latter crime indicators have increased since the beginning of the downturn, as illustrated by the following graphs, supporting this hypothesis, although there has been a campaign to improve reporting of domestic abuse.

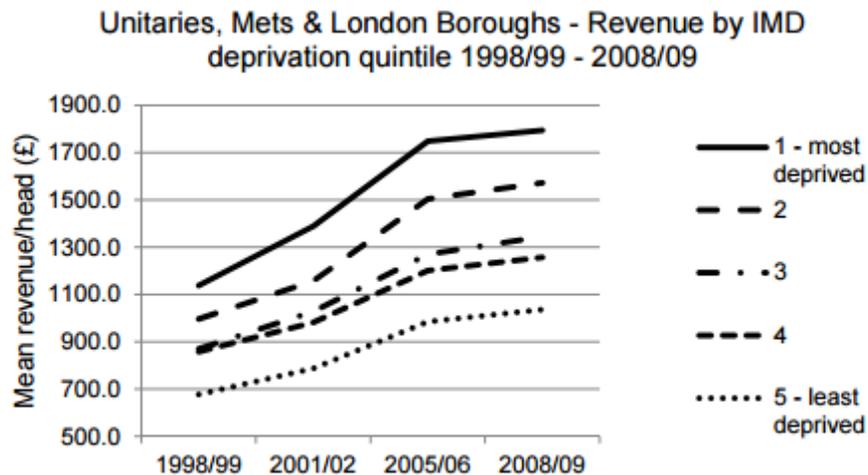


## Public Services

### 2008

From 1997 to 2010 all types of local authorities experienced an increase in their grant funding from central government but the most deprived authorities gained the most. The top 40 per cent of most deprived local authority areas, as defined by multiple deprivation indices undertaken during the period, became relatively better funded compared to the least deprived 60 per cent. The majority of

this shift occurred between 2001/02 and 2005/06, coinciding with the devolution agenda of the time. As Darlington was consistently in the top 27 per cent of most deprived local authority areas, it most likely enjoyed higher than average increases in its grants from central government over this time.



## 2018

The election of the coalition government in 2010 heralded a new era in UK public services, that of austerity. Originally aiming to achieve a balanced current budget by 2015, in 2014 the Treasury extended the proposed austerity period until at least 2018. The programme has largely chosen to cut government spending rather than raise taxes as a way to cut the deficit and, in turn, national debt. Large areas of public spending, including the NHS, education and a number of pensioner benefits, have been largely ring-fenced from the cuts. Local government and other public services, as well as the working-age elements of the welfare budget, have therefore been disproportionately affected, with subsequent significant impacts on those Darlington residents who depend most upon these services and benefits.

Between 2010 and 2016 Darlington Borough Council saw its grant cut by £33.8million in real terms (a total reduction of 42 per cent). 688 jobs (24.3 per cent of the total Council workforce) have disappeared between 2010 and 2015 which, along with years of below inflation pay increases, is likely to further undermine the borough's economic recovery by depressing average household incomes and spending power. At the same time the Council has to meet ever-growing demand for its services, resulting from the economic situation and ageing population - most notably for social care for both children and adults. It is further expected that central government funding will reduce by a further £16.5m by 2020 in real terms, meaning that over the course of a decade the Council will see a total decrease of £50.3m (57 per cent of its core funding). Council tax is the largest single funding stream for local government, representing 44 per cent of all income in 2014/15, and this proportion will rise over the coming years. Unfortunately, annual increases of 1.99 per cent (the maximum allowed without triggering a referendum) have done little to compensate for the dramatic cuts outlined above, particularly in places like Darlington where council tax rates were relatively low to begin with (the second lowest in the region). A 1 per cent rise currently raises revenue by just £380,000.

In 2016, at the time of writing, Darlington Borough Council's approach to making the savings required has largely managed to safeguard key services and therefore minimise direct impacts to service users with the highest needs. Collaboration, integration of services, asset transfers to community organisations have all been utilised to cut back office costs. Furthermore, the Council has pursued a policy of using its reserves and delaying the most severe cuts in order to put measures in place to alleviate their eventual impacts as far as possible. Inevitably however there have been some cuts to frontline services already, most notably the closure of the Arts Centre, the switch to bi-weekly bin collections, and cuts to subsidised transport services for school children and adult social care service users. As adult social care is the largest single area of spend for the local authority, it is inevitable that service users have been the first to feel the impacts of austerity, both by the introduction of more stringent eligibility criteria (the FACS bandings of low and moderate were dropped in 2010) but also in new and higher charges for a number of services. A number of low-level preventative and early intervention services also fell victim to these budget pressures, particularly those for children and young people. As well as potentially causing service users distress and leading to indebtedness, higher charges may also deter them from accessing lower-level, preventative services altogether which runs the risk of costing the Council more in the long-run as their needs become complex and they require expensive care packages prematurely. It is vital therefore that a long-term view is taken when making decisions about services which recognises how early intervention and preventative services, by tackling issues before they require significant and expensive interventions, very often cost considerably less in the long-run than reactionary measures.

It is unlikely that the next round of Council savings (due to be agreed by Members in February) will be able to protect front-line services to the same extent that previous ones have – the scale of the financial situation simply leaves too little room for manoeuvre. The reality is that core statutory services focused on the neediest will be virtually all the Council will be able to afford in 2018 and for the foreseeable future. Many social care services which make a significant difference to residents' quality of life, but which are non-statutory, will be affected. The vast majority of discretionary services, which make Darlington such a good place to live, such as economic development and regeneration, planning, culture, road maintenance, transport and community development can also expect to suffer major cuts at the very least.

Cuts to funding and an increase in demand for services are not the only pressures on public services resulting from central government policy since 2008. Greater administrative responsibilities have also made demands on local public services' resources, such as those linked to the forced sale of social housing and those resulting from welfare reform, including the implementation of universal credit, localised council tax support, and closure of the Independent Living Fund. The possibility of transferring responsibility for administering attendance allowance to local government has also been mooted.

## Demographics

### 2008

An increase in average life expectancy of almost a decade - due to lifestyle improvements and medical advances - and a falling birth rate since the early 1960s has meant that the population of the UK has been ageing for the best part of a century. Between 1901 and 2010, the number of people in

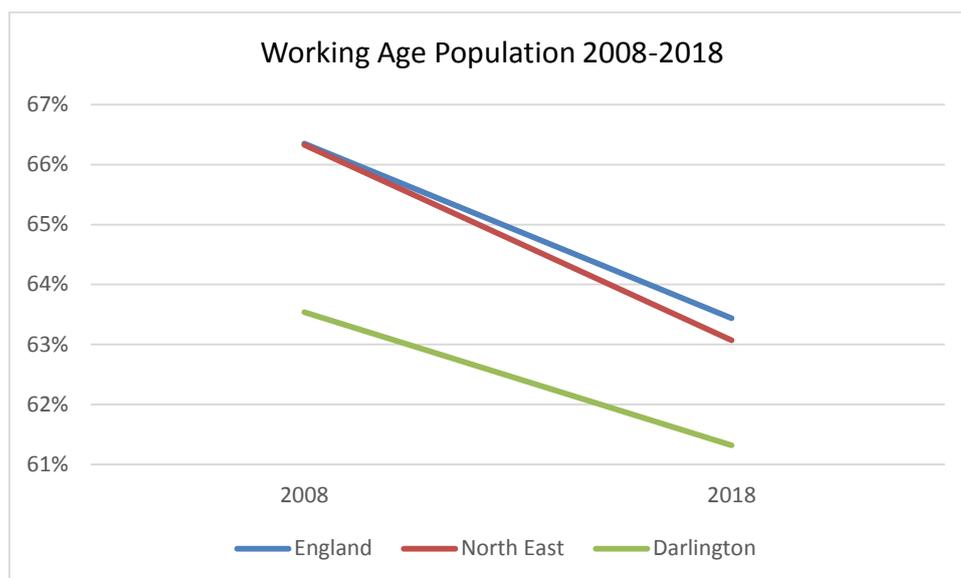
the UK aged over 40 trebled from 9.7m to 30.8m and in 2007 the number of over-65s in Britain exceeded the number of under-16s for the first time ever.

In 2008 there were approximately 17,300 residents aged 65 and older in Darlington, equating to about 17.3 per cent of the total population. Compared to a regional average of 17 per cent for the north east and 16.1 per cent nationally, this meant that Darlington had a slightly higher proportion of older people making up its population than most local authority areas.

### 2018

In 2018 20.45 per cent of Darlington’s population is predicted to be made up of residents aged 65 and over, compared to a regional average of 19.99 per cent and 18.45 per cent nationally. This means that not only will the proportion of older people have increased by almost 20 per cent in Darlington in ten years, but that the disparity with the rest of the country will have also widened. It goes without saying that this will have major implications for service demand and, consequently, local public service providers’ finances.

Demographics also bear a strong relationship with an area’s employment prospects – to put it bluntly, areas with more young and working-age people tend to have more jobs.



As indicated in the above graph Darlington’s disproportionately large old-age population is mirrored by a smaller than average working-age population. The composition of Darlington residents therefore makes the local authority particularly vulnerable during this time of austerity as service demand is likely to be higher than average, relative to its population, and its ability to generate wealth hampered by a smaller than average worker base.

### Inequality

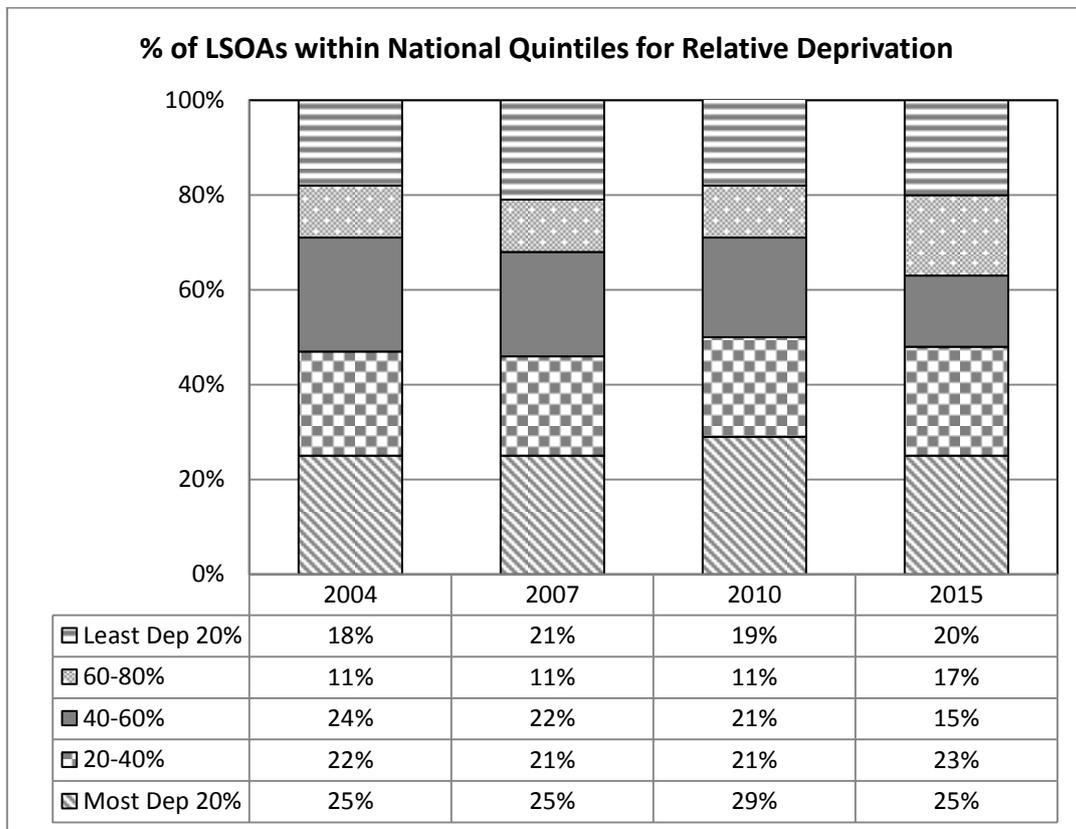
#### 2008

Up until 2008 the UK had enjoyed 15 consecutive years of economic growth, underpinned by the socio-economic reforms of the 1980s which had engineered a shift towards market-based capitalism characterised by financial liberalisation, the erosion of social security and deregulation of the labour market. The benefits of this “boom” however were not equally enjoyed across society and there was

simultaneously a dramatic increase in the number of people living in poverty, which almost doubled, from 7.3 million people in 1979 to 13.5 million in 2008. Since 1975 income inequality among working-age people rose faster in the UK than in any other OECD nation, including the United States. The average annual income in the UK for the top 10 per cent of the population in 2008 was roughly £55,000; for the bottom 10 per cent, it was just £4,700 – a ratio of 12:1. This was up from a ratio of 8:1 in 1985 and significantly higher than the average income gap in developed nations of 9:1.

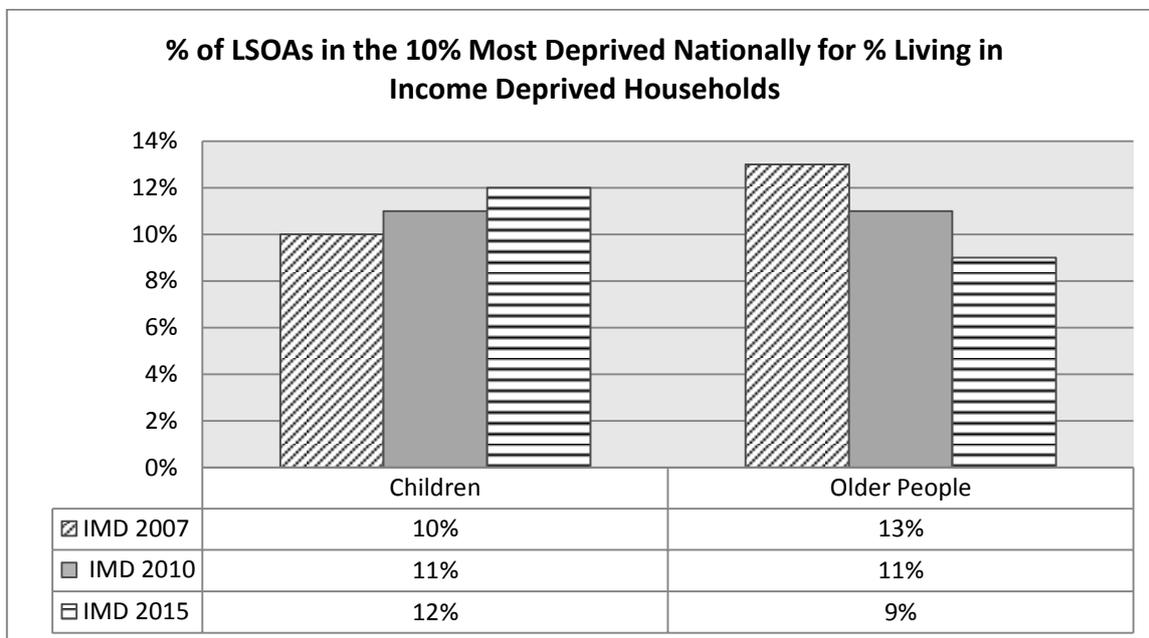
**2018**

The recently released English Indices of Multiple Deprivation 2015 offers a useful starting point for analysing how need has changed in Darlington over the past few years, and also how the type and extent of deprivation varies across the borough, although it is important to note there have been numerous changes to versions of the indices over time and how deprivation is measured.



As the table and graph above show, there was a decline in the proportion of Darlington’s Lower Super Output Areas (LSOAs) in the most deprived 40-60% nationally, from 24 to 15 per cent, which was mirrored by a corresponding increase in the proportion of neighbourhoods in the least deprived 40% nationally, from 29 to 37 per cent. This indicates that, rather than a clear improvement in relative deprivation, Darlington’s most deprived areas have not seen any improvement in their relative standing since 2004. Rather, those neighbourhoods that ranked in the middle 20% - so neither particularly deprived or affluent in comparison to the national average- have become more prosperous, particularly over the last 5 years. The gap between rich and poor within the borough has therefore widened rather than shrunk, and inequality has starkly increased since the beginning of the economic downturn.

Another interesting trend that can be discerned from the 2015 data concerns income deprivation affecting, respectively, children and older people. Comparing the proportion of children and older people living in income-deprived households since 2007 illustrates a clear increase in relative child poverty in Darlington, which is mirrored by a corresponding relative decrease in poverty affecting older people over the same period.

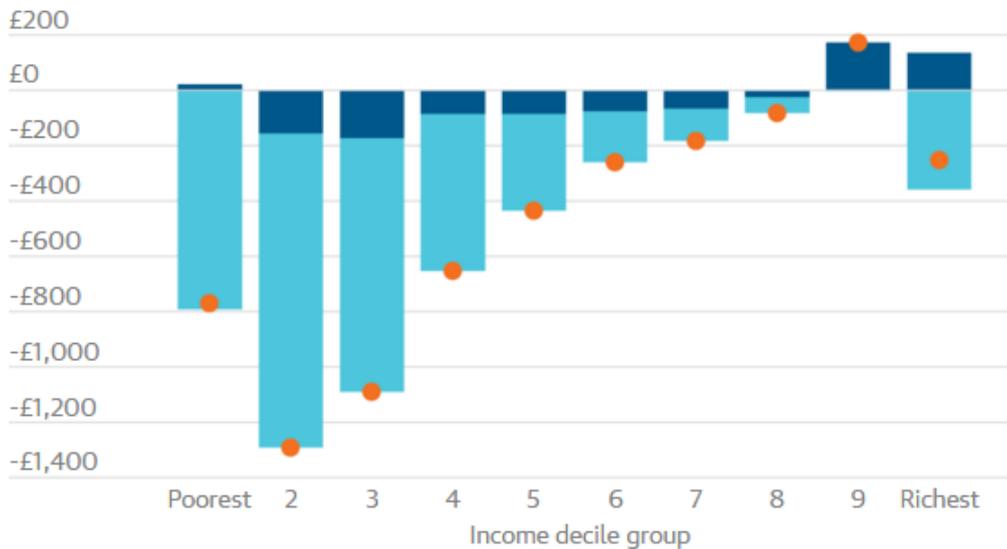


Austerity, including cuts to public services and changes to taxes and welfare, would seem then to have disproportionately impacted on the poor. Nationally, the poorest tenth of the population suffered a 38 per cent decrease in their net income between 2010 and 2015 whilst the richest tenth saw their income fall by just 5 per cent. Even policies designed to increase the share of tax paid by the richest have been watered down, with the government reducing the top rate of income tax on those earning over £150,000, from 50 to 45 per cent. Corporation tax rates have also fallen significantly.

Despite the above, thus far the poorest have actually been protected from the worst effects of austerity by the welfare safety net. Continuing and deepening welfare reform however means that the IFS has predicted, as outlined in the chart below, that inequality will increase again over the next parliament as those on the lowest incomes see their means-tested benefits and tax credits significantly reduced and those at the other end of the income scale benefit from recovering real wages.

## Impact of tax and benefit reforms

Change in annual net household income, April 2015 to April 2019  
Pre-announced measures | Budget measures | ● Net

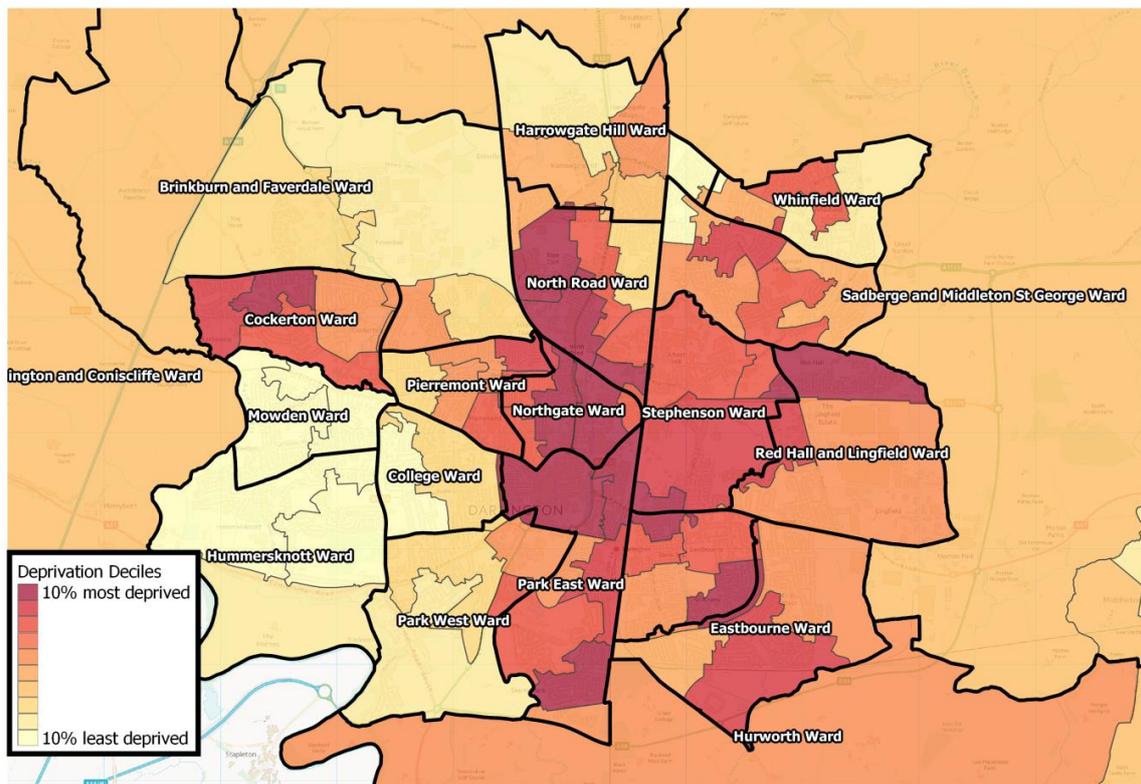


(IFS analysis, graph taken from The Guardian)

Of course inequality is broader than just differences in income – disparities in health and social mobility are just some examples of wider societal inequalities. Income is however a good proxy for wider inequality as those on the lowest incomes are almost certain to suffer from multiple additional social inequalities which tend to be interlinked and mutually reinforcing. Health and gender inequality reflect how these issues are related as disabled people, those suffering from ill-health and women are all groups that, in addition to other disadvantages, tend to suffer from relatively low incomes to start with. Such groups have therefore suffered from worsening inequality as welfare reforms and public spending cuts continue to impact disproportionately on already vulnerable groups by squeezing incomes at the bottom. So, for example, of the £8.1bn in net personal tax increases and benefit cuts, an estimated £5.8bn (72 per cent) will impact upon women. Public service cuts will also exacerbate gender inequality; partially because of comparatively higher representation in the public sector, partially because women typically use public services more than men for a variety of reasons, and partially because they are more likely to be principle carers of other public service users. In 2014, this trend was laid bare when Britain fell from 18<sup>th</sup> to 26<sup>th</sup> place on the World Economic Forum’s Gender Gap Index – lower than almost all of its European neighbours and continuing an a steady decline from the forum’s inaugural table in 2009, when the UK was ranked 9<sup>th</sup>.

In terms of health inequalities, the Marmot Review, ‘Fair Society, Healthy Lives’ (2010) was a key piece of research that persuasively argued that health inequalities are determined by a host of societal factors, including poverty, housing, education, environment, or the ‘conditions in which people are born, grow, live, work and age.’ That life expectancy is 11.8 years lower for men and 9.4 years lower for women in the most deprived areas than in the least deprived areas is therefore not overly surprising.

Where people live is another type of inequality which can have a large impact on individuals' quality of life. The effects of north/south divide nationally have been long cited however even within Darlington where a resident lives can be a significant determinant of where they rank on a whole host of societal indicators. As the map below shows, there are several key pockets of severe deprivation within the town where residents suffer from a myriad of difference types of inequality relating to employment, income, health and disability, and education.



The geographical picture of deprivation has not changed significantly since 2008, and the key neighbourhoods falling under the label of most deprived 10 per cent nationally include those around the town centre and spreading up North Road, Red Hall, West Cockerton, Skerne Park and certain areas of Eastbourne. Efforts to alleviate the effects of poverty in Darlington would therefore do well to target their work at these areas.

Academic research, such as *The Spirit Level* by Richard Wilkinson and Kate Pickett, has persuasively and methodically shown that people and communities have deep-seated psychological responses to inequality and that these manifest themselves in a number of 'costs' to society as a whole. So, greater inequality has a significant and negative impact on areas and issues as diverse as: community life and societal relations; mental health and drug use; physical health and life expectancy; educational performance; teenage births; violence and crime; and social mobility. A reduction in inequality, therefore, would be to the benefit of everybody in Darlington, not just those at the bottom. Given the concentrated nature of the town, as illustrated in the above map, rich and poor often live in relatively close proximity to each other in Darlington, which intuitively suggests that these effects may be particularly strong in the borough.

There are many economic problems associated with high inequality, particularly now that the theory of 'trickle down' has all but been disproven. Research from the International Monetary Fund (IMF) in 2015 showed that raising the income of the poorest fifth of the population by one per cent increases economic growth by up to 0.38 percentage points over five years, however increasing the income share for the richest 20 per cent by the same amount actually reduces growth by 0.08 per cent. This reflects the fact that more money in the hands of the poorest households leads to an increase in demand in the local economy, and thus economic growth, as poorer households have a much greater marginal propensity to consume (MPC) and tend to shop locally. This higher MPC also means that if poor households see their incomes stagnate or fall they have a tendency to borrow more, leading to dangerous build-ups in personal debt. Wages that are seen as fair, such as the living wage, have been shown to benefit employers by reducing absenteeism and increasing productivity and retention. The 'softer' effects of higher incomes, such as improved mental wellbeing, reduced stress, and healthier diets, also lead to economic benefits by reducing the demand for public services. The Boston Consulting Group also found that low social mobility has financial costs - the UK economy alone loses £140 billion a year as a consequence, not including the £13.8 billion paid in income support and tax credit and the money spent on housing assistance.

## Assets

### Voluntary and Community Sector (VCS)

There are 341 registered charities operating in Darlington and, of these, 130 have their base in the borough. The majority of charities operating in the town however are small organisations; 103 of the 341 total have a turnover of less than £10,000 and only 24 have a turnover of more than £1m. Collectively, these organisations provide vital support and services that immeasurably enrich the town and its residents, particularly in relation to adults with social care needs. Other areas, such as the voluntary sector concerned with children is relatively under-developed but a stronger focus on partnership working and the creation of joint ambitions is helping to remedy this.

There is no infrastructure CVS body in Darlington at present but the newly-formed VCS Strategy Implementation Group (SIG), which has secretariat support from the Council, acts as a forum where commissioners, funders and others can meet with the sector and where representation from the sector can be agreed. There is capacity within the Council for limited support to signpost organisations and a funding website has recently been funded by the Council to support the sector; this also provides a forum for sharing information and minutes of the SIG and other groups, in response to capacity issues raised by the sector.

Voluntary and community organisations are similar to public service providers in the current environment, in the sense that they are being asked to do more with less. The current funding situation makes them extremely vulnerable— not only are public grants being reduced, if not cut altogether, but competition is growing for alternative, private funding streams, many of which have themselves been hit by the economic downturn. At the same time, demand for voluntary and community services are increasing as individuals themselves are suffering from the weak labour market, austerity and rising real living costs, the effects of ageing population and cuts to public services.

The situation since 2008 has also impacted on charities' ability to retain good volunteers. Greater work requirements linked to certain benefits and the growing trend of young people undertaking a period of unpaid work in order to gain the necessary experience to join the paid workforce mean that the issue of VCS organisations paying for training and development only to lose volunteers a short time later has intensified. Furthermore, in terms of providing public services, volunteering has limitations. It is only appropriate for certain functions, and is not actually 'free' – volunteers need to be properly trained and managed.

The priorities over the next few years, therefore, regarding Darlington's VCS include:

- Increasing the involvement of individuals and groups in running and managing facilities;
- Using the VCS to engage people needing help to access services in communities;
- Increasing co-design activity with the VCS to provide low-level prevention services;
- Empowering the VCS to develop and to remain sustainable, be resilient and meet the needs of the people of Darlington and helping develop wider funding opportunities with philanthropists and the private sector; and
- Bringing together individual volunteers in localities with VCS organisations and community asset management organisations.

## **Public**

Despite the unprecedented levels of cuts endured by the public sector, Darlington remains well served by a range of high quality and resilient public agencies:

### ***Darlington Borough Council***

Much of the current situation for the Council has already been laid out in the main body of this report. The key message is that services will be significantly reduced and residents will be more likely to be charged for the services which remain. However, the local authority will continue to be a major provider of public services in the town, a significant employer and a keen partner in joint working initiatives aiming to improve the lives of residents.

### ***Health***

Health services and how they are provided has changed dramatically since 2008 in Darlington and elsewhere, with the Health and Social Care Act of 2012 and subsequent creation of local Clinical Commissioning Groups (CCGs) in 2013 amongst the most notable changes. Many of the NHS Public Health responsibilities also transferred over to local authorities and Public Health England in 2013. The NHS in Darlington is working with the local authority to bring together health and social care services to deliver the right support to meet residents' needs and the Better Care Fund is providing resource to enable delivery of this new integrated service with 7 day working, named professional support and a joint focus on reducing unnecessary hospital stays and maintaining independence.

### ***Police***

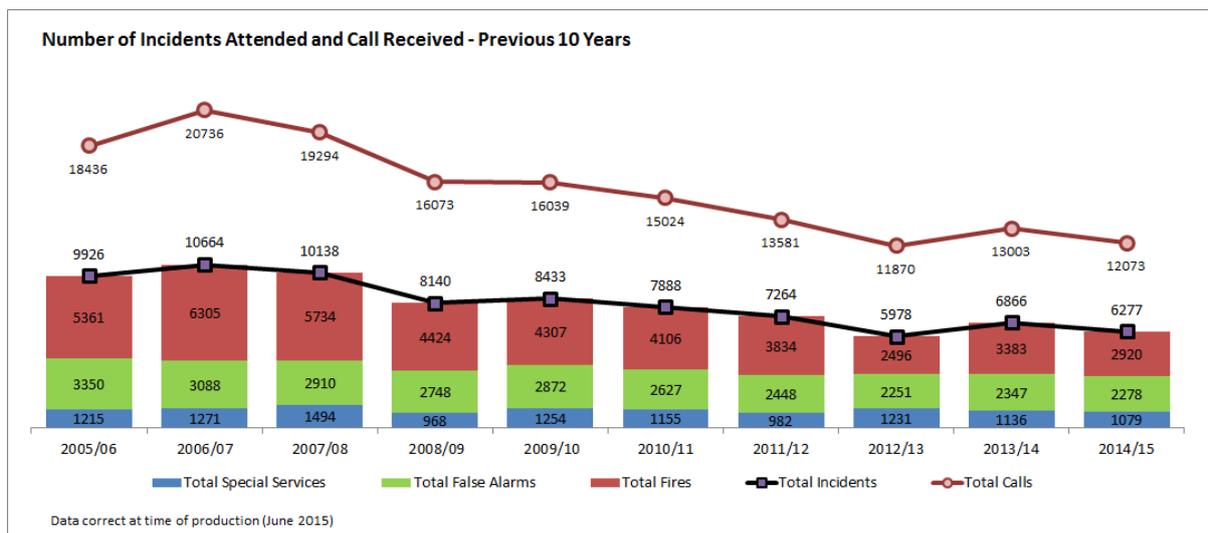
Darlington policing teams and Durham Constabulary more generally, have done an excellent job in continuing to provide an outstanding level of service despite significant funding pressures since 2008. Cuts to police budgets announced in the 2010 Spending Review announced a real-term reduction of 20 per cent by 2014/15. Despite this, Darlington has remained a safe place to live and overall crime rates have fallen consistently since 2010.

Concurrently, greater partnership working has been taking place between the police and other public service providers, most notably in the form of the Darlington Community Safety Partnership (CSP). Made up of six 'responsible authorities' – the Council, the Police, the Clinical Commissioning Group (CCG), the National Probation Service, the Community Rehabilitation Company, and the Fire and Rescue Company – the CSP also links with the local Police and Crime Commissioner to ensure that Darlington continues to be safe. The recently published Community Safety Plan (2015-20) sets out the CSP's priorities over the next five years, including:

- Tackling anti-social behaviour;
- Reducing offending and re-offending;
- Working with families with multiple problems;
- Supporting vulnerable people, with a particular focus on addressing domestic abuse, hate crime and sexual violence; and
- Reducing the harmful effects of drugs, alcohol and tobacco.

### Fire and Rescue

Similar to the picture laid out above for the police service, Darlington's Fire and Rescue teams have performed fantastically well despite the difficult funding environment. Utilisation of an innovative demand reduction programme has allowed them to accommodate budget cuts totalling £4.9m so far in County Durham and Darlington without impacting on service provision or increasing risk, as shown in the below graph:



<https://www.ddfire.gov.uk/>

Effectively engagement with communities to further reduce demand and embarking on a programme of partnership working is how the service is proposing to meet the challenge of future cuts to grant funding expected in 2016/17.

### Education

Darlington has, on occasion, topped national league tables in a number of educational indicators since 2008, although the secondary education offer has seen a decline over the previous three years, with the percentage of 5+ A\*-C GCSEs including Maths and English falling, leaving the borough 1.7 per cent below the national average and meaning that, overall, Darlington has fallen from the 34<sup>th</sup> to

120<sup>th</sup> local authority area for this metric between 2013 and 2015. The proportion of 19 year olds who have achieved a level 2 qualification, however, has improved consistently since 2007 and remains above the regional and national average illustrating the crucial point that the vast majority of children in Darlington do continue to achieve qualifications.

Reception year attendance is higher than the national average and the educational attainment of looked-after children, black and ethnic minority children, children with disabilities and those eligible for free school meals is improving, closing the gap with their peers. Schools@oneDarlington has been set up to allow schools to collaborate in order to improve provision across the borough, across both state and private sectors, and Multi-Academy Trusts link and support schools.

Recognising the impact of the economic downturn on their pupils has led to local schools engaging in collaborative work with local partners to fill the gaps from cuts to services and alleviate the impacts on children of reduced household incomes.

The town has two Further Education providers and Teesside University continues to have a presence in the town.

### **Private**

There have been many recent and ongoing economic developments, including the leisure complex and Central Park, which are cause for celebration and reflect the town's long history of science-based innovation. Despite certain sectors suffering recently (e.g. subsea), a good proportion of the town's businesses remain buoyant including many of the independent small firms based in the town centre. A huge asset for the borough is the joint desire amongst a number of local employers to undertake corporate responsibility activities, which has led to the creation of Darlington Cares.

Darlington Cares is a not-for-profit, corporate social responsibility and employee-supported volunteering partnership of over 20 local employers. They coordinate the volunteering resources, skills, expertise and knowledge of member employers and their employees to community projects where they can have most impact. Their projects deliver tangible benefits for the community as well as workforce development opportunities for employers.

The borough is facing many challenges and Darlington Cares work closely with all public sector bodies and services to address the community needs. By working collaboratively, they help ensure a positive and effective outcome for the local community. They are funded through a combination of public and private sector membership fees and grant funding and their employee volunteers have given nearly 8500 hours of volunteering in less than three years over 70 different projects, helping out schools, community groups, charities and young people in some of the town's most disadvantaged areas.

### **Collaboration and Innovation**

Despite significant cuts to public spending, Darlington already has some excellent examples of multi-agency working and collaboration between the public, private and voluntary and community sectors to provide valuable services, as evidenced during the implementation of the Better Care Fund:

Since October 2014, once a month at each of our 11 GP surgeries, a meeting takes place that involves doctors, social workers, community matrons, and critically, the voluntary and community

sector. Their input into these Multi-Disciplinary Teams (MDTs) has helped reduce unplanned admissions to hospital by almost 3%.

More than 250 referrals have been made through the voluntary sector “brokers” who attend the MDT meetings, to driver services, family support group, RVS, CAB, Macular Society, Stroke Club and a wide range of carer services. Age UK Darlington alone has well over 300 volunteers, and more than 750 “Good Friends” (informal volunteering which encourages people to commit just a few minutes a day or week to improving the life of a disadvantaged neighbour).

Other longstanding collaborations include the Council’s Housing Service and Age UK which uses locations in sheltered and extra care facilities to run lunch clubs and other activities to address social isolation.

The VCS meets regularly with commissioners through the VCS Strategic Implementation Group, which provides a forum for broader engagement with organisations of all sizes and range, including Community Safety, the Health and Wellbeing Board, and Darlington Partnership, and a link to Darlington’s strategic planning and delivery route – the Unit of Planning.

## Summary of Impacts

The experience of Darlington residents to some extent depends on their demographics, with the key likely effects on certain groups having been identified as follows:

### Children

- Facilities – cuts to cultural services mean that children in Darlington will enjoy less free and subsidised educational and cultural services than in 2008. The Arts Centre has already been closed and libraries and the Head of Steam are all still at risk of closure. Reductions in provision from local Community Centres, particularly early years and opportunities such as crèche and childcare have all significantly reduced and are likely to fall further under current proposals. There have also been changes to youth services and some key venues around the town since 2008 in this area have disappeared.
- Child poverty – falling real wages and cuts to benefits and tax credits mean that children, even those from in-work households, will be more likely to be in child poverty than had they been born a decade earlier. The effects of poverty on children are many and well-documented but some of the most important include those affecting their physical and mental health and development, and, linked to this, their educational aptitude.
- Social mobility - exacerbated by cuts to early intervention and preventative services, along with falling household incomes particularly at the lower end of the scale. Children from poor homes can be safely assumed in 2018 to be more likely to be relatively disadvantaged in terms of health and nutrition, school readiness, and aspiration and, hence, less likely than earlier generations to end up economically better off than their parents.

### Young People

- Employment – quality jobs for qualified school leavers and university graduates are still hard to find in the borough and there are issues around skills/vacancies match-up and opportunities to acquire work experience, particularly for those without much financial support. Young people often have to choose between moving away to find a suitable job

that matches their skills or taking a position, for example in the retail or hospitality sector, which does not make the best use of their qualifications and with little chance of progression.

- Income – University fees have almost tripled since 2008, to £9,000 a year, whilst, simultaneously, the number of graduate roles available has contracted and average starting salaries have not significantly increased. Young people therefore face having high levels of student debt before they even start their working life, without even the guarantee of a graduate-level position at the end of it. Today's young people also face significantly higher housing costs than their parents ever did and even higher house price and rent inflation elsewhere means it is harder for young people to move to other areas of the country with more employment prospects. Young people are also disproportionately disadvantaged by welfare reform measures – in 2018 their eligibility for a number of benefits will have been severely contracted and they will also not benefit from the introduction of the higher minimum wage which will only apply to workers aged 25 and over.

### Disabled People

- Cuts to Services – local social care services for children and adults have already seen some contraction and this is likely to be repeated before 2018.
- Income – Disabled people are suffering from significant pressures on their incomes. Already a relatively poor group, those on benefits are seeing their incomes cut by the changes outlined above and are also being required to meet more stringent criteria in order to qualify for welfare. Higher charges for services will also have an impact on their finances. The local welfare rights service, which used to advise individuals on their benefit entitlement and support appeals, has also recently ceased meaning that already vulnerable individuals have less support to navigate the increasingly complex benefits system.

### Families

- Income – The overwhelming difference felt by families in Darlington will be in terms of their finances. Falling real wages, cuts to benefits, higher living costs, combined with less secure work and worse working conditions will all act to make it much harder for households to manage their budgets. Likely effects of this include even higher levels of household debt, negative effects on health (both physical and mental), increased instances of family breakdown, and being less able to meet basic needs such as heating and food.

### Older People

- Income – Older people have been relatively well protected from the cuts thus far but cuts to social care services and higher charges will see many older recipients economically disadvantaged compared to 2008. Many pensioners who own their own homes but who rely on a state pension for their sole income, whilst technically asset-rich, will be relatively cash poor and may struggle to maintain their homes and keep up with rising costs of living, such as utility bills and transport which have risen at a higher rate than inflation.
- Isolation – Older people in Darlington self-report feeling increasingly isolated. With an ageing population and people living longer more elderly people are living alone. Those most at risk of social isolation include:

- Those who live in their own homes and do not receive any care services (likely to be exacerbated by cuts to services and higher charges);
- Those who are otherwise isolated from their friends and families by distance or by poor communication channels,
- People aged over 75, particularly men;
- Veterans;
- Those who live in rural communities;
- People with disabilities or dementia (the link between isolation and poor mental health and wellbeing is also well documented).

## Conclusions and Implications

As we move towards 2018 the agenda facing Darlington is dominated by increasing levels of poverty. The impacts of the economic downturn are being disproportionately borne by families, children, young people and the disabled. Poverty is increasingly not only the plight of the unemployed – being in-work but on low pay and/or working limited hours is becoming the norm for increasing numbers of households. Impending further cuts to in-work benefits and tax credits will only serve to further intensify this trend. For disabled people the already bleak situation is exacerbated by withdrawal of services as public funding continues to contract. And, though incomes for older people have been relatively well-protected to date, they will also suffer as the availability of services and activities are reduced (whether through service cuts or prohibitive charges) and the risk of increasing isolation and its attendant dangers is very present.

There are some encouraging signs of a flourishing economy in Darlington which will help the borough weather the continued economic environment better than elsewhere; however a key priority must be to ensure that economic growth is enjoyed across the whole borough and that the ambition of One Darlington does not get forgotten. For Darlington to become a town divided by inequality would be to the detriment of everyone who lives and works in the town.

The public sector continues to contract and whilst, to date, public sector agencies have effectively minimised the impact to the public of service cuts, as funding continues to be withdrawn it will be impossible for services to be continued to be delivered at current levels. The economy will also have to rise to the challenge of transitioning away from its reliance on public sector employment.

Creative partnership working and cross sector collaboration, which is already helping meet community needs, will become more important than ever and the potential for more continues to emerge.

## One Darlington Partnership

The Partnership will need to continue to explore and articulate the issues affecting Darlington and its people and utilise relationships with local partners to address needs as they are identified.

With initiatives like Good Friends the Partnership has already demonstrated how a multi-agency, cross sector approach can be an effective solution and, with continued pressure on public sector resources, the Partnership will need to be evermore creative in the solutions it develops and look to the community and private sector more to help devise sustainable approaches.

Specifically, then, the Partnership will want to focus on:

- Alleviating poverty and its impact on families, children and the disabled;
- Tackling isolation of the elderly and vulnerable;
- Continuing the work that Darlington Cares and Foundations for Jobs does in improving the employment prospects of young people and securing CDCF funding focused on this area;
- Responding to the growing issue of in-work poverty by advocating an economic policy which creates jobs which offer equitable pay rates and are accessible by the local workforce;
- Improving the skills, qualification and employability of local people, particularly young people.