

# Centralisation Meets Austerity

LOCAL SPENDING IN ENGLAND DURING THE FIRST  
PHASE OF AUSTERITY 2009–2019

by Josh Shepherd and Dave Goswell





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# FOREWORD



by Simon Duffy

**Citizen Network Research has been lucky to benefit from several interns who have helped carry out new research and hopefully been able to benefit personally from making a contribution to our mission. But over the past 12 years of our existence this is the most significant piece of pro bono research by an intern, Josh Shepherd, with the support of a Fellow, Dave Goswell, we've yet seen. The work they have done together is of great value and hopefully will provide the foundation for further work. My thanks go out to both Josh and Dave.**

This report covers many different themes, but its central innovation is to identify what we call Local Spending. Local Spending means the spending which we can clearly align with local authority areas. It may seem surprising that this concept is such an innovation, but it is an innovation, because most public expenditure is not controlled locally, is not accountable to local people and is not even aligned with local authorities. In fact most public expenditure is controlled in Whitehall and is totally free from democratic accountability.

Although this may seem merely a matter of accountancy it is much more important than that. If there is no clarity about how public money is being used and how it is aligned to local areas then we cannot have meaningful policies on regional inequality and all talk of 'levelling up' is liable to be no more than a sham.

Public resources should be open to public scrutiny and to democratic accountability. However in the UK more than 50% of public expenditure cannot be tracked back to a local area and about 90% of all public expenditure is actually controlled in Whitehall and Westminster without any local scrutiny.

Of course this transparency deficit is also a function of our democratic deficit. There is no constitution, no regional democratic autonomy and no truly local or neighbourhood democracy. The local government systems that do exist cover too large a population and are too weak and vulnerable to resist pressure and control by central government.

It is perhaps not surprising that ongoing policies of hyper-centralisation and austerity go hand-in-hand. Local government is too weak to protect itself from cuts, just as people on low incomes and disabled people are too weak to protect themselves from similar attacks. Austerity has targeted the weakest people and the weakest institutions. Politicians at the centre don't make this clear, because the injustice of these policies would be all too obvious. Instead they make false claims that these cuts are necessary (they are not) and that the burden of cuts is shared fairly (it is not). These false claims are easy to make when there are few structures within government, civil society or the media that can afford to effectively challenge them.

It is for this reason that Citizen Network Research, which has been very active in challenging austerity, came to the view that justice demands a change, not just in how money is distributed, but in how power is distributed. It is for this same reason that we helped establish the UBI Lab Network, with its campaign for a basic income for all. It is also why we support campaigns for radical constitutional reform and regional devolution such as the Neighbourhood Democracy Movement.

But the price of centralisation is not just an acceleration of austerity. Centralisation also undermines our citizenship and our communities. This is why we have shared this data using open online systems so that citizens can see for themselves what local expenditure looks like.

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For it is also important to think about how public expenditure is used at the level of the neighbourhood and the community. This is not just so that we can compare levels of spending between communities - it is also so that we can begin to ask whether this money could be spent better. For instance, we know that social care spending has been cut and is totally inadequate for our current needs; but just increasing social care expenditure will not necessarily make things better. For most social care expenditure is spent on residential and institutional care that is of a poor quality and it is organised in a way that encourages asset-stripping by organisations not based in our communities.

We need to work together to create inclusive and supportive communities. Local spending on social care needs to be an investment in the community and it needs to support local people to come together, support each other and to build shared local solutions. Disabled people need budgets that are flexible and which enable people to live productive lives in their neighbourhoods as active citizens. Getting clear about what resources should belong within our communities is an important first step to helping communities 'take back control' of their own destinies.

This is one of the reasons why we are also working to establish Citizen Network as a global community. We want to see a world where people can be active citizens and where local communities can both develop better solutions to meet their needs and hold



public services accountable for their work. It is one of the strangest features of the UK's political system that both advocates for public services and also those who seek to cut public services seem united in their unwillingness to make public services truly public. We are treated as passive service users or consumers, not as citizens.

At the end of 2021 the Centre for Welfare Reform changed its name to Citizen Network Research. This is our first major research report with our new identity. Our goal is, as it was before, to create a world where everyone matters. This means creating a welfare state which serves to support citizenship and it means supporting citizens to hold the state to account.

We hope this report shows what is possible when citizens come together to try and make the system more accountable. All of this work has been done for free - for love of the welfare state - and we very much hope that others will join us to help create ongoing systems to increase data transparency and equip citizens to act as citizens.

# EXECUTIVE SUMMARY



Data on public expenditure is opaque and confused. This report is the first ever analysis of Local Spending in England: a breakdown of all public spending within a local authority area, not just the spending by local authorities. We believe that it should be a central function of a modern democracy to make Local Spending transparent to local citizens.

Local Spending is the public expenditure that can be tracked to a local authority level. It includes benefits and other centrally managed services, as well as spending by local government. Since 2010 there have been severe cuts to Local Spending in England. Measured as a percentage of GDP, and excluding the triple-locked state pension, Local Spending has been cut by 22%. In addition, over 55% of government spending is not trackable to a local authority level and so is very hard to account for.

The Austerity programme is made up of different elements. The most severe cuts have been to community services, followed closely by cuts to benefits and the incomes of disabled people and people in poverty. There have also been cuts in health spending, although reorganisation of the NHS obscures some of this data. Spending on education has remained largely static.

Local Spending is higher in the North and in London. However given that these figures exclude 55% of the total of all government spending then the true picture is hard to evaluate. Moreover, much of the spending that lies outside Local Spending and which can be tracked to a regional level seems to favour London and the South. All of these inequalities in public expenditure are further exacerbated by extremes of general economic inequality of England. England has the most unequal regional economy of any comparable country. Austerity has also been more damaging in areas with higher levels of deprivation.

It is important to understand that Local Spending means that the money is spent locally; it does not mean that the money is controlled locally. Instead most spending is controlled by central government and is subject to tight controls and changing rules. Fluid and overlapping boundaries make accountability near impossible.

The variations in Local Spending are very high with a range from £6,862 to £4,077 per head. The variation in the impact of austerity at a local level is also very high. There are even some places that have seen growth in Local Spending, whereas in others the cuts are far deeper than the average figures. The primary targets for per capita cuts have been benefits for disabled people and people on low incomes and cuts to a wide range of local community services.

Our analysis also shows that there is a surprising disconnection between levels of local need and levels of funding. Apart from the case of benefit expenditure, the relationship between deprivation and local spending is weak and there are many cases of affluent areas that seem to do much better than poorer areas.

Although there is an explicit commitment by central government to address the extreme levels of regional inequality in England there are many reasons to be sceptical. The fact that more than 50% of public spending is not part of Local Spending makes accountability near impossible. In addition current plans to make deprivation less important in shaping public spending seem likely to entrench, not reduce, inequality. The centralisation of power in England means that it is more than likely that Levelling Up will follow the pattern of earlier devolution reforms and achieve nothing other than increased centralisation.

The data used for this report is also available in an online dashboard which can be accessed here: [www.citizen-network.org/library/local-spending-in-england.html](http://www.citizen-network.org/library/local-spending-in-england.html)

Our hope is that we can build on this work to provide even more effective data and support for citizens in the future.

## Public Expenditure over time

A summary of public expenditure based on publicly available data  
Data has been broken down to show per capita values at upper tier

### Summary for 2018-19

All monetary values 'Real terms' e.g. adjusted for inflation

**£359B**

Total spend

**55M**

Population

**£6,508**

Per capita spend  
*Overall average*



	FY 09-10	FY 12-13
Grand Total	£368.5B 100%	£379.4B 100%
Benefits	£155.3B 42%	£164.4B 43%
Health	£93.5B 25%	£101.5B 27%
Council	£78.7B 21%	£68.7B 18%
Other	£41.0B 11%	£44.7B 12%

### Per capita broken down by year and spend area

Size relates to population

	FY 09-10	FY 12-13	FY 15-16
Grand Total	£6,974	£7,141	£7,141
Benefits	£2,917	£3,057	£2,931
Health	£1,826	£1,966	£1,442
Council	£1,475	£1,286	£1,242

Explore the map at:

[www.citizen-network.org/library/local-spending-in-england.html](http://www.citizen-network.org/library/local-spending-in-england.html)

# 1. Austerity and Local Spending

Data on public expenditure is opaque and confused. This report is the first ever analysis of Local Spending in England: a breakdown of all public spending within a local authority area, not just the spending by local authorities. We believe that it should be a central function of a modern democracy to make Local Spending transparent to local citizens.

Local Spending is the public expenditure that can be tracked to a local authority level. It includes benefits and other centrally managed services, as well as spending by local government. Since 2010 there have been severe cuts to Local Spending in England. Measured as a percentage of GDP, and excluding the triple-locked state pension, Local Spending has been cut by 22%. In addition, over 55% of government spending is not trackable to a local authority level and so is very hard to account for.

Our new research is born out of previous public finance research in the Yorkshire region by Citizen Network Research, which previously attempted to document and assess the true levels of public spending at a local authority level in Calderdale, Barnsley and Sheffield (Duffy & Hyde 2011; Duffy, 2017; Shepherd, 2020). Local Authority sizes vary from area to area, some consist of two tiers – county/shire (upper tier) and district/borough/city councils (lower tier). Other LAs have a single tier and are defined as a Unitary Authority. In this research, the term Local Spending refers to government spending on a wide array of services and benefits both by central and local government in a LA area.

One of the central innovations in this report is the effort to distinguish Local Spending from the more general concept of public expenditure. Public expenditure is often used when discussing national spending on services and social security; while this data is useful for examining the impacts of austerity at a macro level it doesn't inform the public of the actual level of public spending in their local area. The concept of Local Spending allows expenditure on services and social security to be tracked to local economies specifically and shows how they have been affected by government policy since 2009-10.

This work is more ambitious than previous research by the Citizen Network Research and attempts to map Local Spending for the whole of England from 2009-10 to 2018-19 in four key spend areas:

- **Benefits**
- **Local government services** – including social care

- **Education** - Nursery, primary, secondary and special schools, both LA maintained and academy schools
- **Health** – Primary Care Trusts (PCTs) and Clinical Care Commissioning Groups (CCGs) which account for around 70% of all health expenditure

**This entails two key lines of inquiry:**

1. Examining and analysing levels of local expenditure over time. Firstly on a national and a regional level based on aggregated LA level data, and then on a local authority level.
2. Exploring the link between local expenditure and deprivation.

The last two decades has witnessed a growth in commitments to provide open information about government spending around the world and openness is viewed as a “pillar of good governance” in theory promoting greater accountability and more efficient allocation of resources (Carlitz, 2013, p1). Despite this, governments in many countries are still not necessarily forthcoming about how public money is spent (ibid). As mentioned above, in the UK, data on all public expenditure is accessible at both a national and regional level. However data on how government spends money in the local areas (LA level) where people live and in the services that they interact with on a daily basis is sparse and extremely opaque. Important data is obscured in countless spreadsheets scattered across various departmental government websites, almost out of sight.

This makes it very difficult for ordinary citizens to know whether their local area is receiving its fair share of government expenditure and assess the impact that austerity has had locally. Indeed, one of the key challenges in producing this research was the difficulty in finding, cleaning and collating all the available data on expenditure for local areas. This research, through this report as well as in the accompanying interactive dashboard, aims to enhance public access to important information. Hopefully it will provide a tool that individuals can use to monitor government spending in their local communities, and empower them to lobby central government, challenge spending decisions, increase accountability and strengthen democracy. Although how people use this research for effective collective action is beyond the immediate scope of this report.

In response to the 2008 financial crisis the UK Labour Government embarked on a unprecedented state intervention, providing emergency stimulus packages and bank bailouts totalling over £1 trillion at its peak in order to avoid a severe financial crash of the economy (National Audit Office 2011a). The effect of which was to turn a financial crisis in the private sector, driven by the American housing bubble and extreme risk taking in the global banking system, into a sovereign debt crisis. Austerity was then deemed to be the most appropriate policy action to tackle this issue according to the newly elected Coalition Government in 2010 (Gray & Barford 2018, Farnsworth and Irving 2018). This led to a systematic programme of cuts to public expenditure, in conjunction with tax rises aimed at reducing the budget deficit and public debt following the crisis. Even though this approach had been criticised by a plethora of economists, political scientists and NGOs, the response to the crisis was not challenged significantly by the broad UK public (Fairclough, 2015). This is partly due to the way in which the crisis was framed as the result of state overspending, resting on a common-sense view of the economy as a household that must live within its means and pay off its debts (Fairclough, 2015). Indeed, Mullen’s study of British media response to the financial crisis found that the political and economic elite were successful in terms of reframing key themes and debates to reflect their interests and allowing blame to be re-directed from the banking system to the state, presenting expenditure cuts as ‘necessary’ and ‘unavoidable’ (Mullen, 2018).

At the time of the crisis some academic research was especially influential in policy decisions. Some argued that austerity policies were needed to reduce public debt to GDP ratios in order to increase growth and that once public debt reached 90% of GDP economic growth would contract (Reinhard & Rogoff, 2010). Others suggested that cutting public expenditure would increase private sector confidence and help growth (Alesina & Ardagna, 2009). As Gray and Barford note these arguments were:

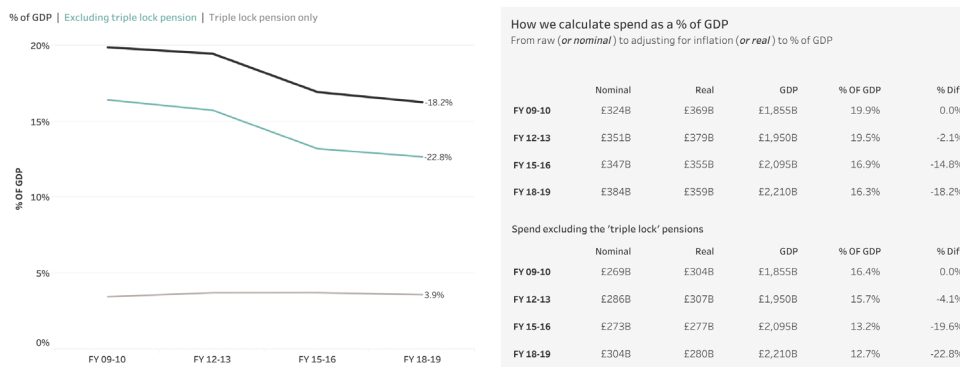
*“extremely influential as they were embraced by politicians, financial analysts and especially international economic institutions, who pushed many countries to either willingly or unwillingly adopt austerity policies.”*

(2018, p 543)

In the UK context, the 2008 crisis and policy recommendations based on controlling public debt, and the deficit that followed, reinforced the ability of conservative and neoliberal policy makers to pursue their project of creating a smaller state in the hope that private markets would become the primary drivers of economic growth (Farnsworth & Iriving, 2018; Gray & Barford, 2018). Since the Chancellor of the Exchequer George Osborne’s infamous budget speech in 2010, there has been a significant withdrawal of public expenditure in local places, reflected by the findings below (see Figure 1).

Fig 1: Decline in local spending as a share of GDP

There has been an 18.2% overall since 2009-10 and this is more pronounced when the triple lock pension is taken out.



**FIGURE 1.** Decline in Local Spending as a Share of GDP

Local Spending in four key areas of benefits, local government, education and health totalled £324bn in 2009-10 compared to £387bn as of 2018-19. On the surface this seems to suggest a healthy level of growth in public expenditure over the years; however these are ‘nominal’ figures which does not take into account inflation or the growth of the economy and are not an accurate way to track public expenditure over time. Once the figures are adjusted for inflation, ‘real term’ local expenditure has reduced by £6bn, from £369bn to £363bn. Moreover, local spend as a percentage of Gross Domestic Product (GDP) has shrank from 19.9% in 2009-10 to 16.4% in 2018-19, a significant cut of around 17.6%.



The cut in Local Spending becomes more stark once the protected triple-locked state pension is excluded (that is the government policy of increasing state pensions by the highest of either earnings, inflation or 2.5%, so that pensions do not lose value in real terms). Using this approach, 'real terms' Local Spending has in reality decreased by £21bn since 2009-10 from £304bn to £283bn - resulting in a fall of Local Spending as a percentage of GDP from 16.4% to 12.8%, a cut of 22.0%. Spending per capita (aggregated) on local places has also decreased in real terms on average by 5.5% from £6,953 in 2009-10 to £6,570 in 2018-19, or £383 per person in England, for the four spending areas examined.

It's important to note the figures above do not cover all government expenditure and there are many services and benefits that people rely on that cannot be included in this analysis. This is mainly due to difficulties in finding consistent and accurate data on a LA level for the following spending areas for 2009-10 to 2018-19. Figures from HM Treasury's Public Expenditure Statistical Analysis (PESA) (HM Treasury, 2019a).

**The following elements of public expenditure are therefore excluded from our figures for Local Spending (2018-19):**

- **Defence** = £40.2bn
- **Public order and safety** – includes spending on police, fire, law courts, prisons = £32.4bn
- **Economics affairs** - includes spending on Transport, research and development, general economic, commercial and labour affairs and on agriculture, forestry, fishing and hunting = £60.1bn
- **Environmental protection** – includes spending on waste management = £11.2bn
- **Other Education** – includes post-secondary non tertiary and tertiary education, subsidy services to education and education not defined by level = £14.42bn
- **Other health** - includes non CCG spend by NHS England and Department for Health and Social Care = c. £40bn
- **Capital expenditure** – includes expenditure on maintaining or building new assets such as schools, hospitals and roads and new equipment for government services = £80bn

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An interesting finding was the discrepancy between spending in local places (Local Spending) and overall UK public expenditure. The total amount the government spends is known as Total Managed Expenditure (TME) – which is split into two components. Firstly, Departmental Expenditure Limits (DEL) which refers to the amount government departments have been allocated to spend set out in spending reviews. Secondly, Annually Managed Expenditure (AME) which includes spending that is not controlled by government departments and includes spending on pensions, social security and other things such as debt interest payments.

In 2018-19 the UK government TME was £810bn according to HM Treasury (2019a), However as noted above – based on available data spending in local places in England only totalled around £369bn, a large discrepancy of £441bn (55%). This discrepancy maybe somewhat inflated (but only marginally) because TME includes spending for the whole of the UK, not just England which is the focus of this research. It is likely the case this 'missing' public expenditure is being spent in local places somewhere in England but it is difficult to ascertain exactly where due to ways in which the government publishes



spending data on a LA level. However, we do know that when it comes to transport and capital expenditure London and the South East benefit from significantly more funding than northern regions (HM Treasury, 2019b).

Despite living in the age of 'big data,' whereby increasingly every area of public and private life is quantified, it is difficult to understand why such large amounts of public money cannot be traced back to local economies. It would seem to suggest that the process of spending public funds is insufficiently transparent. Furthermore, even when the government does publish LA level spending data (which formed the basis of this research), it is just presented in large volumes of data rather than providing any meaningful context or information that could be easily understood by the average person. As Kerry et al point out in order to ensure transparency public expenditure needs to be communicated intelligibly to people:

*“the core notion of transparency about public expenditure is in making underlying realities visible... it is not enough to simply produce and distribute data, as transparency needs an audience with the capacity to understand the data.”*

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(2015, p 50)

## 2. Constructing Austerity

The Austerity programme is made up of different elements. The most severe cuts have been to community services, followed closely by cuts to benefits and the incomes of disabled people and people in poverty. There have also been cuts in health spending, although reorganisation of the NHS obscures some of this data. Spending on education has remained largely static.

As Figure 2 below illustrates, the impact of austerity varied between different kinds of Local Spending significantly.

Fig 2: Change in types of local spending

Comparing spend as a % of GDP between 2009-10 and 2018-19

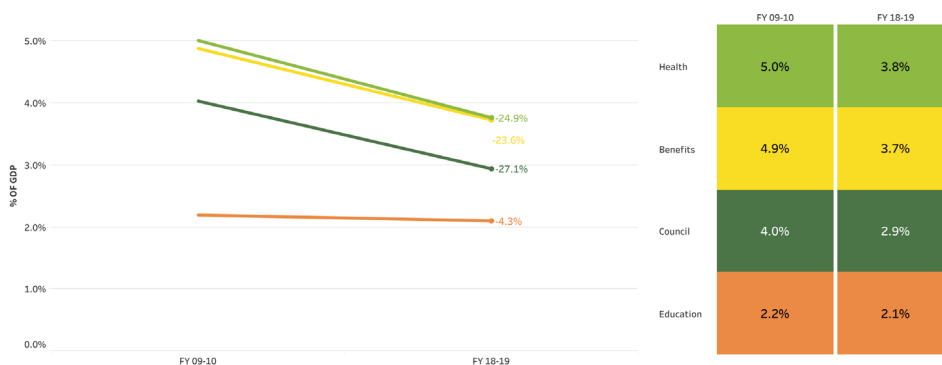


FIGURE 2. Change in Types of Local Spending

### Benefit spending

Benefit expenditure in local places once adjusted for inflation, saw a real term decrease from £91bn in 2009-10 to £83bn in 2018-19. Moreover, spending as a percentage of GDP fell from 4.9% to 3.7% during this period, a substantial cut of 23.6%. Reforms to tax credits are not included as there was no LA level data available. These cuts are the result of a number of policies that have been implemented since 2010 and which target cuts on social security in both the Coalition Government 2010-2015 (e.g. Welfare Reform Act 2012) and post-2015 governments (e.g. Welfare Reform and Work Act 2016).

**These cuts include, but are in no way limited to:**

- **2011** - Child Benefit freeze for 3 years, instead of rising with inflation; Housing Benefit – maximum rents introduced.
- **2012** - Housing Benefit local allowance – age limit of people sharing a room under local housing allowance increased
- **2013** - Housing Benefit ‘bedroom’ tax – reduction in housing benefit for social housing tenants; benefit cap introduced for working age benefits whereby households could not receive more than the average wage; Personal Independence Payment begins to replace Disability Living Allowance, with more stringent medical testing for eligibility; Employment Support Allowance begins to replace incapacity and related benefits, more medical testing and greater conditionality.
- **2014** - 1% increase of main working age benefits, instead of inflation for three years, this also applied for two years for child benefit and local housing allowance.
- **2016** - Benefits freeze for working age benefits, rather than rising with inflation; benefit cap also lowered again.

Low-income working age families have been disadvantaged the most by the rollback of social security and have seen substantial reductions in household incomes. For those at the lower end of the socio-economic ladder, after accounting for housing costs benefit reforms by 2023-2024, incomes for the poorest households are expected to have been cut by 17% (a loss of £1,500), compared to a 1% loss for the richest households (Gardiner, 2019). It is unsurprising therefore these reforms seem to have contributed to a substantial increase in child poverty since 2012, which is now forecast to be a record high (Corlett, 2019). The effects of these reforms on the poorest and most vulnerable are even more bleak once other measures are examined. Destitution, defined as a lack of access to basic human essentials for life (shelter, food, heating and clothing etc.) or extremely low or no income has sharply risen in recent years. According to the Joseph Rowntree Foundation, in 2019 2.4 million people in the UK experienced destitution at some point, an increase of 54% since 2017. More than half of people living in destitution were sick or disabled, as well as over 500,000 children (Fitzpatrick et al. 2020).

The United Nations Special Rapporteur on Extreme Poverty and Human Rights, Philip Alston lamented that the UK social safety has been systematically eroded since 2010, raising concerns of the evaporation of the British social contract and questioning whether the government is even now meeting its human rights obligations. Alston states:

*“... considering the significant resources available in the country and the sustained and widespread cuts to social support, which have resulted in significantly worse outcomes, the policies pursued since 2010 amount to retrogressive measures in clear violation of the country’s human rights obligation.”*

Alston (2019, p 6)

## Council spending

Local government spending on services, once adjusted for inflation, saw a real terms decrease from £79bn in 2009-10 to £71bn in 2018-19. Moreover, spending as a percentage of GDP by councils fell from 4.0% to 3.1%, a cut of 22.5% during the period. This is the biggest reduction in GDP terms for any spend areas examined in this research.

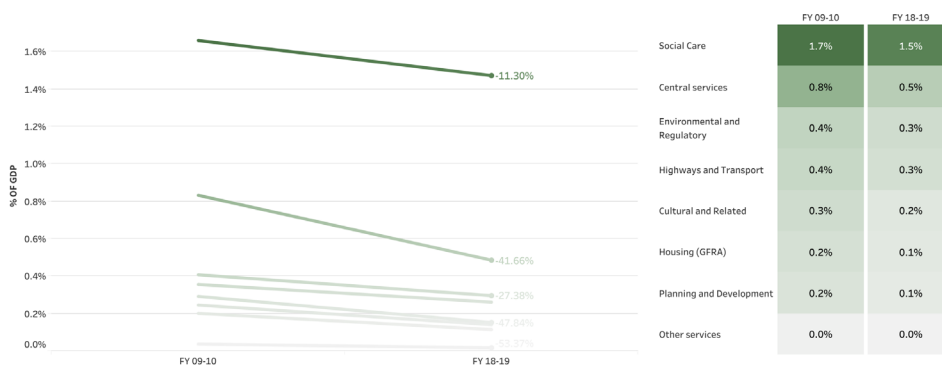
The large reductions in spending on services is not surprising given that the ministry of housing communities and local government (MHCLG), which is responsible for allocating grants to local governments saw a real term 86% reduction in departmental spending (Arnold & Sterling, 2019). As a result central government grants since 2010 to local authorities have “borne the brunt of national austerity” (Arnold & Sterling, 2019, p5). Although councils have the means to raise some revenue locally through Council Tax, Business Rates (the tax levied on the occupiers of commercial properties) and other forms of income there is rarely any capacity to offset the enormous reduction in central grants (Johns, 2020; Arnold & Sterling, 2019; Harris et al. 2019). And to be clear, the data shared above is based on an analysis of all Local Spending, which includes services funded by both central and local revenue sources.

One potential knock on effect of this new system is that, unlike in the past, when central grants made up a larger proportion of council income, local authorities are now even less resistant to economic shocks and are much more reliant on the health of their local economies “without real power to respond” (Johns, 2020, p4). This issue is further exacerbated by the fact that under current rules local government is forbidden from borrowing money in order to finance day-to-day spending on services (Johns, 2020). This reflects the extreme centralisation of the UK national state, where local governments have little autonomy in general. Indeed, the UK historically is a highly centralised state with limited and conditional devolvement of power and has one of the most centralised funding systems in the OECD (Gray & Barford 2018).

The reductions in grants from central government since 2010 have forced local government to make social care spending a priority at the expense of other services (Harris et al. 2019). This is reflected by social care expenditure as a percentage of overall council expenditure on services increasing from 41% in 2010 to 50% in 2019, despite significant reductions in spending overall and in social care specifically.

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Fig 3: Changes in Council spending over time  
Comparing spend as a % of GDP between 2009-10 and 2018-19



**FIGURE 3.** Changes in Council Spending Over Time

## Health spending

Local health organisation allocations, once adjusted for inflation, saw a real terms decrease from £94bn in 2009-10 to £83bn in 2018-19. Allocations as a percentage of GDP for local health organisations fell from 5.0% to 3.8%, a reduction of 24.6% during the period. However, during this time local health service organisations were re-structured from Primary Care Trusts (PCTs) and Clinical Care Commissioning Groups (CCGs) from 2013 onwards as a result of the Health and Social Care Act 2012. It appears the large fall in real terms allocations is largely as a result of this change. This is reflected in the data, where from 2012-13 (PCT model) to 2015-16 (CCG model) there was a real terms £24bn decrease in allocation money for local health organisations. Previously, under the PCT model allocations rose from 93bn in 2009-10 to 101bn in 2012-13 – a 3.26% growth of spending as a share of GDP.

It is hard to discern if the large fall in expenditure is due to stealth cuts via re-organisation or whether CCGs have significantly different health care responsibilities for local areas than those of PCTs previously and therefore require different levels of funding. For example, Primary Care Trusts were previously responsible for public health services but then those became the responsibility of local councils once they were abolished, rather than CCGs taking over this role. However, whilst it is difficult to see the impact of austerity on local health organisations due to re-organisation if we look at public spending on all aspects of health (not just PCT/CCG allocations) it does appear health spending has seen a decline - Although real terms spending has increased from around £140bn to £160bn from 2010 to 2019, public sector spending as a % of GDP actually fell from a record high of 7.6% to 7.2% during the same period (The Health Foundation, 2019).

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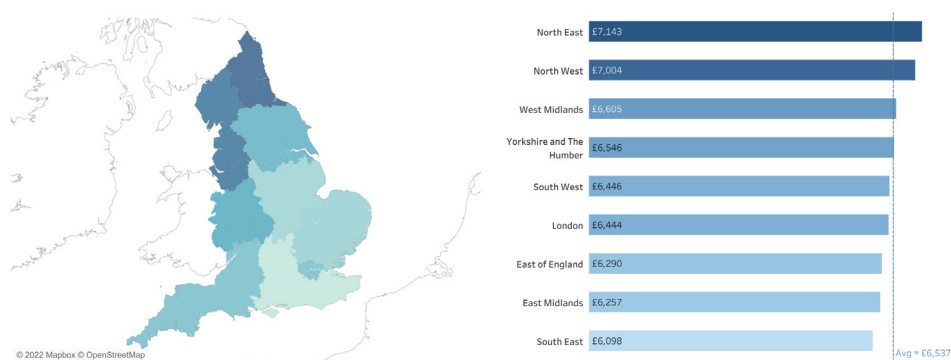
## Local education spending

For local education there has been an increase in expenditure from £41bn in 2009-10 to £46bn in 2018-19. However, whilst we see fairly large amounts of growth in expenditure, local education spend as a percentage of GDP has in reality flat lined at around 2.1% during the same time period. Compared to other spending areas in this research, spending by schools themselves appear to be less affected by government policy since 2010. However, similarly to health if we look at public spending on all aspects of education, spending as a % of GDP peaked at 5.5% in 2010 to around 4% in 2019 (Bolton 2020). This followed the continuous growth of education spend as a % of GDP since the late 90s during the New Labour governments (Bolton, 2020).

# 3. Regional Variations

Local Spending is higher in the North and in London. However given that these figures exclude 55% of the total of all government spending then the true picture is hard to evaluate. Moreover, much of the spending that lies outside Local Spending and which can be tracked to a regional level seems to favour London and the South. All of these inequalities in public expenditure are further exacerbated by extremes of general economic inequality of England. England has the most unequal regional economy of any comparable country. Austerity has also been more damaging in areas with higher levels of deprivation.

Fig 4: Regional variation in local spending  
Comparing per capita spend at a regional level in 2018-19



**FIGURE 4. Regional Variations in Local Spending**

With the exception of London, the more southern and eastern regions of England appear to be worse off under the current arrangements. Indeed, the South East on average receives over a thousand less per capita (-14.6%) spend compared to the North East. The South West and East of England has -9.8% and -11.9% lower per capita respectively compared to the North East.

This is due to a number of factors. When it comes to LA level council and education spend southern regions spend less compared to the national average (see Figures 5 and 6). Moreover, a crucial reason is that in our data set benefit spending is responsible for around 44% of overall Local Spending, therefore the data is slightly skewed to show higher spend in the North and London which in general have more deprived LAs compared to the south and therefore receive greater benefit expenditure. Nevertheless, the high levels of per capita expenditure in the London, North East and North West relative to southern regions found in this research is consistent with the HM Treasury's own data (2019b).

It is noteworthy that although our data appears to show equitable and even sometimes higher spend compared to the national average for northern regions, this is only for the four spending areas the research covered. As discussed above, some spending was excluded from this analysis due to lack of available LA level data which may paint a slightly different picture of how spending is distributed across England regionally. To illustrate, in regards to capital expenditure which is money the government spends to build and maintain assets such as hospitals, schools, roads and new equipment, which are important for high quality public services, there are fairly large disparities in spending between London and south east and northern regions (Atkins et al. 2020). For example according to the HM Treasury's numbers for 2018-19, London benefits from significantly higher levels of spend at £1,456 per person compared to the North East (£906) and the North West (£954) (2019b). Capital expenditure in Yorkshire and Humber (£694) and East Midlands (£621) is less than half that of London. Moreover, the South East (£944) has higher levels of capital spend of all northern regions with the exception of the North West.

In addition, there are further disparities in relation to transport spend. London spends £903 per person on transport which is significantly higher than the North East (£486), North West (£412) and West Midlands (£467). Transport spend in the Yorkshire and Humber (£276) and East Midlands (£268) spend is less than a third of spending in London (HM Treasury 2019b). This reflects years of chronic underinvestment in the North's infrastructure by central government (Raikes, 2019). This is also despite years of Northern Powerhouse rhetoric that promised, amongst other things, to improve transport, boost productivity and growth in the North (Raikes & Johns, 2019). The creation of some regional mayoral roles with transport budgets may start to reverse these long-term trends; but it is far too early to tell (Raikes & Johns, 2019; Raikes, 2019).

## Current regional disparities

This spending data alone does not fully capture the regional imbalances between the North and South, with stark regional disparities across a number of important metrics.

Productivity, measured by GVA per hour in northern regions such as Yorkshire and Humber (85.2), North East (89.2) and North West (92.2) is lower than London (133) and the South East (108) (ONS 2019a). As Raikes et al (2019) note the UK is the most regionally unequal country of its size and development with respect to productivity with only some eastern European countries, far smaller countries and countries with dominant industrial regions performing worse.

In addition in terms of GDP output the North East, North West, Yorkshire and Humber as well as the rest of the country are considerably behind the South East and London (ONS, 2021). Britain is now more lopsided economically than Italy, Spain, France and even Germany. Despite the fact that since reunification Germany, which has worked to redistribute power and resources towards the East, GDP per head in the East was only 60% of that in the West 25 year (Hazeldine, 2020). But the UK is now more unequal than Germany.

This regional imbalance is very new. After the World War I the south east and London were roughly similar in GDP output to the North. Today's large disparities reflect the fall of the North as an industrial power and "successive rounds of uneven development and the biases of official policy" (Hazeldine, 2020 p1).



Regional disparities in productivity and GDP are also reflected in inequalities in disposable income with the North East (£16,995), North West (£18,362), Yorkshire and Humber (£17,655) all having lower disposable income per compared to the whole of the south, most notably in London (£29,362) and South East (£24,318) (ONS 2020). Similar to productivity, Raikes et al (2019) analysis of disposable income (5 year average) in OECD nations found the UK is the most unequal country for its stage of development and even one of the most unequal overall.

Relative poverty, defined as a household with income below 60% of median income, also varies by region significantly. After housing costs Yorkshire and Humber (24%), North West (22%), North East (25%) and West Midlands (25%) all have higher levels of their population in poverty compared to the South East (19%) and South West (19%) in the years 2017-20 (Francis-Devine, 2021). Moreover, Johns found that between 2009-12 and 2016-19 there was 400,000 more children living in relative poverty, a rise of 12.5% with half of these children living in the north of England (Johns, 2020).

London, despite being the region with the highest levels of productivity and GDP also has the highest levels of relative poverty in England, illustrating the fact that whilst being a prosperous region it is a place defined by inequality (Francis - Devine 2021).

All of these economics facts raises the question - considering the massive disadvantages the North face - is the current level of spending and investment high enough to change the current imbalance?

## Variation over time

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As Figure 5 shows, once adjusted for inflation, all regions have seen a significant real term decline since 2010. The previous section showed that northern areas and London have the highest per capita expenditure, with the south receiving less per person. However, when it comes to spending reductions overtime no pattern clear regional pattern emerges. The largest reductions in per capita spend have been in London (-10.1%), East Midlands (-5.8%) and the North East (-5.6%). All regions have received at least a -4.5% reduction in per capita spend since 2010.

Fig 5: Change in regional local spending over time  
Comparing per capita spend between 2009-10 and 2018-19

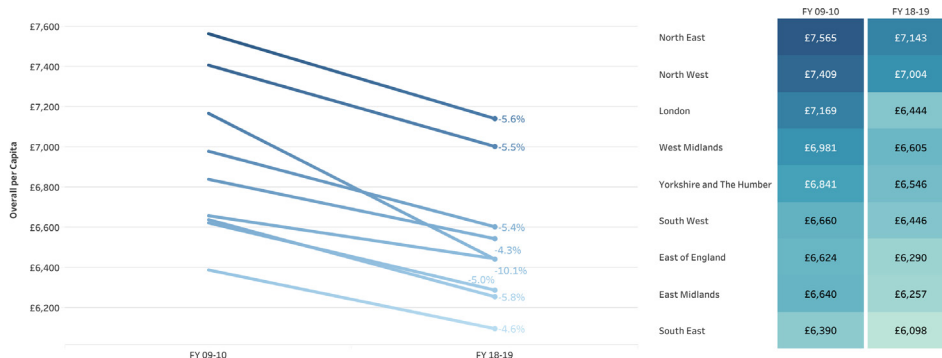


FIGURE 5. Changes in Regional Local Spending Over Time



## 4. Centralisation

It is important to understand that Local Spending means that the money is spent locally; it does not mean that the money is controlled locally. Instead most spending is controlled by central government and is subject to tight controls and changing rules. Fluid and overlapping boundaries make accountability near impossible.

The current funding system works as follows:

**Benefit spending** – The benefit and tax system is centralised with policy and allowances for individual social security entitlements determined by the Department for Work and Pensions (DWP) and Her Majesty’s Revenue and Customs (HMRC). Money reaches citizens through an array of benefits, tax allowances and rebates.

**Health spending** – Services such as urgent and emergency care, mental health and community care are organised locally via CCGs, made up of GPs, nurses and other clinicians who decide local priorities and spending. However, allocations for CCGs are determined centrally by NHS England (with the NHS budget also determined by central government) who use various statistical formulas in deciding the distribution of spend amongst CCGs. NHS England also closely monitor CCG spending decisions to ensure resources are being spent ‘efficiently’. CCGs that overspend can be required to undertake efficiency savings and in some cases will be required to submit a financial recovery plan which require “difficult choices to be made” for services (NHS England, 2020a; 2020b). Hence, while some decisions on health and spending are made locally, they are highly constrained, closely monitored and not democratically accountable to local people.

**Education** – Allocation grants for LA maintained and academy schools are centralised and are distributed by the Department for Education (DfE) based on a statistical formula. Technically some of the grant money is spent by local government, but in reality it has little control and is merely an intermediary between central government and schools.

**Local government** – Local government spending is made up of three main components, centralised government grants (31%), business rates (17%) and council tax (52%) (Atkins, 2020). Compared to other areas of spending, spending decisions on services such as social care and housing are determined by local councils themselves, although due to variations in local governance models – how democratic these decisions are can vary. For example, some local governments have a Strong Leader model whereby the majority of important spending decisions are made by the council leader or individual members of the cabinet therefore excluding a significant amount of democratically elected councillors from the decision making process. Until recently central government grants used to account for the majority of funding for local government, but these have seen substantial cuts as a result of central government policy, with local councils having little ability to challenge this approach. So they have been forced to make difficult decisions on how to target cuts to local services and community groups.

## Boundary confusion

One feature of the UK's highly centralised system of power is the tendency for boundaries to be fluid, overlapping and poorly aligned with democratic bodies.

For the purposes of this research various adjustments had to be made for the complexity of the boundaries and the opacity of the data. In most cases it was possible to attribute spend at the aggregate level of Upper Tier Local Authority (UTLA) which then enabled our per capita analysis. For example, 3 Lower Tier local Authority (LTLA) areas may sit within a single UTLA and so spend could be aggregated up to the relevant UTLA.

It was more challenging to roll down expenditure from a higher level than UTLA, for example a combined authority level. In that case we apportioned the aggregated spend to the UTLAs in proportion of the population. For example, in Greater Manchester, Stockport accounts for around 10% of the total population and so we have therefore apportioned spend to Stockport at this percentage of total spend.

More challenging still was the health spending for CCGs, as boundaries were constantly changing over the 10 year period. In most cases this was straightforward, i.e. when boundaries were coterminous to UTLAs, however in some cases CCG straddled UTLA and LTLA boundaries in a way that it was not possible to confidently attribute spend. We feel this is an area that we will spend more time on in the next iteration of the data, particularly as CCGs merge into Integrated Care Systems from 2022.

## 5. Local Variations

The variations in Local Spending are very high with a range from £6,862 to £4,077 per head. The variation in the impact of austerity at a local level is also very high. There are even some places that have seen growth in Local Spending, whereas in others the cuts are far deeper than the average figures. The primary targets for per capita cuts have been benefits for disabled people and people on low incomes and cuts to a wide range of local community services.

For a detailed look at all local areas in England you can use Citizen Network Research dashboard, which you can find here:

[www.citizen-network.org/library/local-spending-in-england.html](http://www.citizen-network.org/library/local-spending-in-england.html)

Indeed, Local Spending in local places varies significantly. For example, Blackpool which has the highest per capita spend in the country (£6,862) is substantially higher than spending in Wokingham (£4,077) which receives the lowest per capita spend in the country. The story of public expenditure in local places in England is one of variation, illustrated by Figure 6 which shows spending for areas which have the highest (top decile) vs lowest (bottom decile) levels of local expenditure.

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Fig 6: Top and bottom per capita spend

Comparing spend for the top decile Vs. the bottom decile in 2018-19 (excl health spend due to issues of attribution at a LA level)

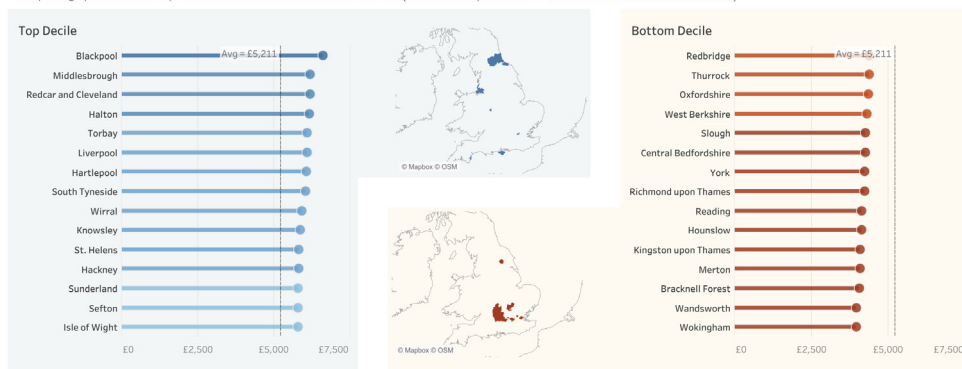
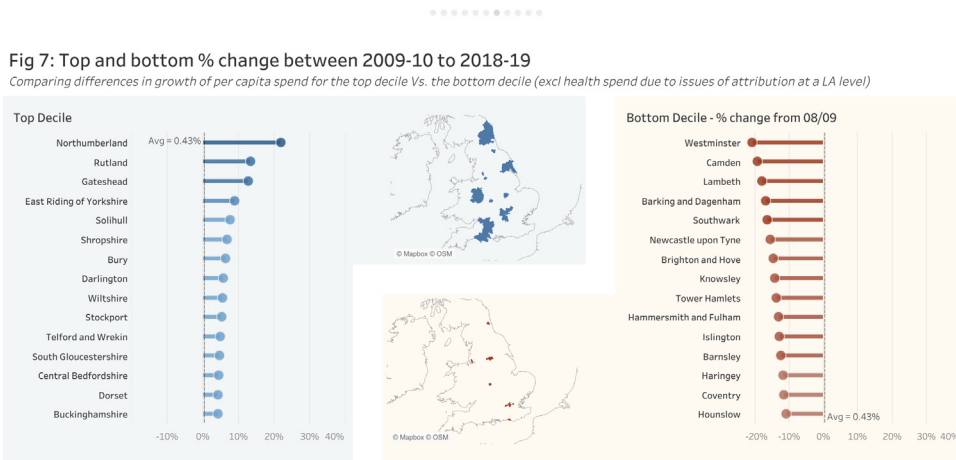


FIGURE 6. Top and Bottom in Per Capita Local Spending

Unsurprisingly, the high levels of variation in spend in 2018-19 between local places is also mirrored by the cuts in spending. Or in other words, austerity does not have an even geographical impact across the country. Some places have been less affected by spending decisions and a few have even seen significant growth in per capita spending; whereas

others have been much less fortunate and have borne the heaviest burden of cuts. This is illustrated in Figure 7 below.

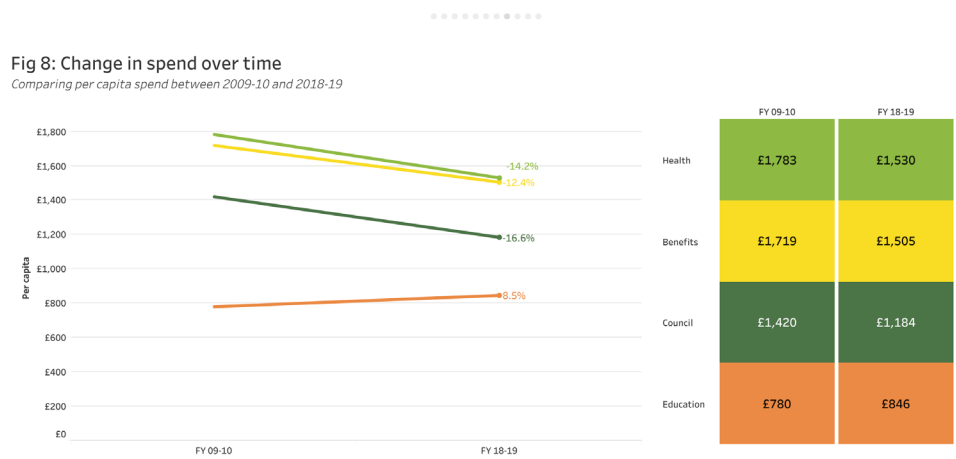


**FIGURE 7. Changes in Local Spending by Local Area**

## Individual spend areas

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As illustrated in Figure 2 previously, there has been a significant reduction in Local Spending as a percentage of GDP since 2009-10. However, it is also the case that local places have seen significant reductions in per capita spending across benefits, local government and health as well – as shown by Figure 8 below, which shows the national average figures. Local places will differ in terms of per person increases or decreases for each spend area and those figures are displayed on our interactive dashboard.



**FIGURE 8. Change in spend over time**

## Benefit spending

There was an average decrease of 12.4% in per capita terms across local places in England from 2009-10 to 2018-19, or £214 per person.

However this does not fully take into account reforms to Tax Credits since 2010 and other reforms that will not be reflected in the data in 18-19. Our figures are therefore likely to underestimate the size of the cut. Research by the Centre for Regional, Economic and Social Research seems to suggest the loss could actually be much higher - around £620 per working age adult as of 2021 (Beatty & Fothergrill, 2019). Although the increased expenditure on welfare due to COVID-19 will likely have changed that forecast.

Whilst overall benefit spend saw a substantial decrease in per capita terms, conversely our data suggests expenditure on the state pension increased by 18.9% from £1,210 in 2009-10 to £1,438 in 2018-19 as a result of the triple-lock policy. Pensioners have been largely been protected by cuts to social security since 2010 (Gardiner, 2019). In essence the government is doubling down on previous demographic shifts by “pushing up the share of spending on pensioners” (Gardiner, 2019 p5).

## Council spending

Local council spending has also seen the biggest reduction in per capita terms, with an average per person decrease of 16.6% from 2009-10 to 2018-19 in England on services, equating to £236 per person.

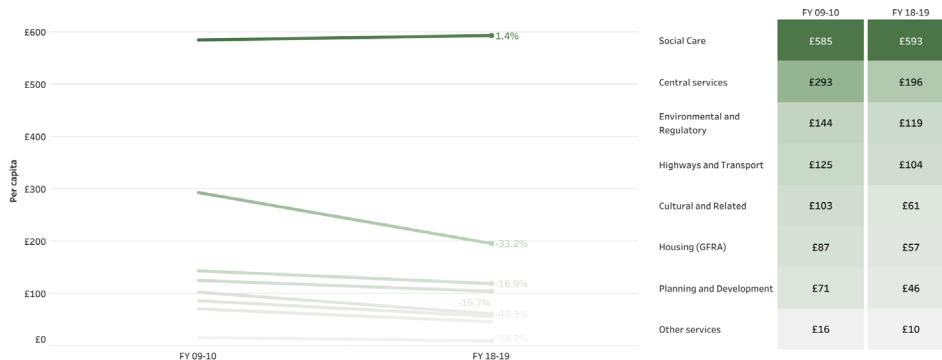
Previous research by Johns shows a similar decrease in local government expenditure on day-to-day services in England for the same time period – albeit Johns found a slightly smaller reduction of 13% per person (Johns, 2020).

Other research has used a different method of measuring cuts to local government service spending, by taking into account the incomes councils receive for their services from charges. This appears to show an even bigger reduction in per person terms. Harris et al (2019) found that from 9-10 to 19-20 ‘net’ spending on services actually fell 23% or £300 in monetary terms.

However, Ogden and Phillips note some cause for optimism for local government finances with councils “core spending power” (essentially council tax, business rates and main grants) expected to increase by 4.5% for 2021-22. However, this rise is expected to be attributed to increases in Council Tax rather than substantial increase in grants from central government (Ogden and Phillips, 2020).

As illustrated in Figure 9, the only council spend area that did not see a substantial decrease in per capita spend was social care which had a modest per person growth of 1.4% or in monetary terms £8 (adult and children) between 2009-10 and 2018-19. Although whether this is enough growth in local expenditure to keep up with a growing older population, increasing numbers of working age adults with disabilities and rising demand for children social care services is highly questionable. Moreover, other research which takes into account council’s income received from fees and charges of services (net expenditure) found that social care services have in reality seen a 5% reduction in per person spending from 2009-10 to 2018-19 (Harris et al. 2019). This is also reflected in the data for the number of people supported by social care, which for adults, has seen a sharp decline. In 2009 Adult Social Care supported 1.8 million people, today it supports 1.0 million, a cut of 44% (Duffy & Peters, 2019).

**Fig 9: Change in Council spend over time**  
 Comparing per capita spend between 2009-10 and 2018-19



**FIGURE 9. Changes in Council Spending Over Time**

Indeed, if we look at social care spending as a percentage of GDP, it fell from 1.7% in 2009-10 to 1.5% in 2018-19 – an 11.3% reduction based on data in this research (Figure 3). The 16.6% decrease in service spending found in this research appears to mask the cuts to a number of other important council services. Non-social care services overall saw a 29% reduction in per capita spend. Once council incomes are factored in this figure increases significantly to 44% reduction according to Harris et al (2019).

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- **Central services** - There has been a 33.3% reduction in spend, £97 per person. This includes expenditure for policy making costs and activities relating to governance and representation of local interests as well as costs relating to running the authority. It also includes expenditure on local tax collection, elections, some court services and retirement benefits.
- **Environmental and regulatory services** - There has been a 16.9% reduction in spend, £25 per person. This includes expenditure on cemetery, cremation and mortuary services as well as trading standards, water and food safety, environment protection related to noise and nuisance, housing standards, pest control, public conveniences, licensing, community safety related to crime reduction and safety services, flood defence and waste management.
- **Highways and transport** - This saw a 16.1% reduction, £20 per person. This includes maintenance of highways and roads, traffic management and road safety, parking services, public transport and transport planning, policy and strategy costs.
- **Cultural and related** - There has been a 40.3% reduction, £40 per person. This includes spending on culture and heritage such as archives, art development and support, museums and galleries, theatres and public entertainment; also spending on recreation and sport such as community centres and public halls, sports development and community recreation, sports and recreation facilities, open spaces, tourism and library services.

- **Housing** - There has been a 34.6% reduction, £30 per person. Includes expenditure on housing strategy, private sector housing renewal, homelessness, housing benefits and housing welfare.
- **Planning and development** - 34.9% reduction, £25 per person. This includes spending on building and development control and planning policy which entails; economic development, economic research, business support, community development and environmental initiatives.

### **Local Health Spending**

In per capita terms, CCG allocations on average saw a 14.5% reduction in allocations compared to the PCT model, equivalent to £259 per person. Again, as mentioned previously it is hard discern if the reductions are due to cuts or to the changing responsibilities of CCGs compared to PCTs.

### **Local Education Spending**

Education spend, including local authority and academy spend in local places grew on average by 8.5% in per capita spend from 2009-10 to 2018-19, this is the only spend area examined that grew in per capita terms.

## 6. Deprivation

Our analysis also shows that there is a surprising disconnection between levels of local need and levels of funding. Apart from the case of benefit expenditure, the relationship between deprivation and local spending is weak and there are many cases of affluent areas that seem to do much better than poorer areas.

In addition to identifying Local Spending and changes to Local Spending during the first phase of Austerity we have also analysed the correlation between Local Spending and deprivation. Deprivation has seven domains, which are weighted and combined to create the index of multiple deprivation; these are:

- Income
- Employment
- Education
- Health
- Crime
- Barriers to Housing
- Living Environment

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It's important to note, deprivation is not equivalent to poverty, however it is usual that individuals living in the most deprived areas tend to have lower incomes than people living in less developed areas (Wyatt & Parsons 2021). In this research, levels of deprivation for each local authority are based on a ranking of the average LSOAs within each local authority, with deprivation scores split into five quintiles from 1-least deprived to 5-most deprived.

Public spending, in theory, is planned to benefit categories of individuals and enterprises irrespective of their location (HM Treasury, 2019). Education, health and local government funding are determined by spending formulas which distribute spend according to where resources are most needed, for example areas with higher populations and higher levels of deprivation. The use of funding formulas has grown substantially over the years as they have become applied to more public services and levels of government (Talbot & Talbot 2020). However they are incredibly complex and opaque, as they take into account numerous factors in order to produce 'objective' decisions on how spending should be distributed that are supposedly free from political interference.

In reality these formulas are open to manipulation by governments and frequently these formulas seem to be changed to benefit the political interests of the Party in power (which since 1945 has largely been the Conservative Party) (Talbot & Talbot, 2020). For example, a recent Conservative review of local government funding downgraded deprivation as a factor in adult social care funding which means Labour councils lose substantial money for services whilst Conservative councils would gain more resources (Talbot & Talbot, 2020). Moreover, the National Audit Office previously reviewed funding formulas role in funding decisions for health, education and local government (2011b). Interestingly, they found, despite formulas being designed to allocate money to local bodies based on

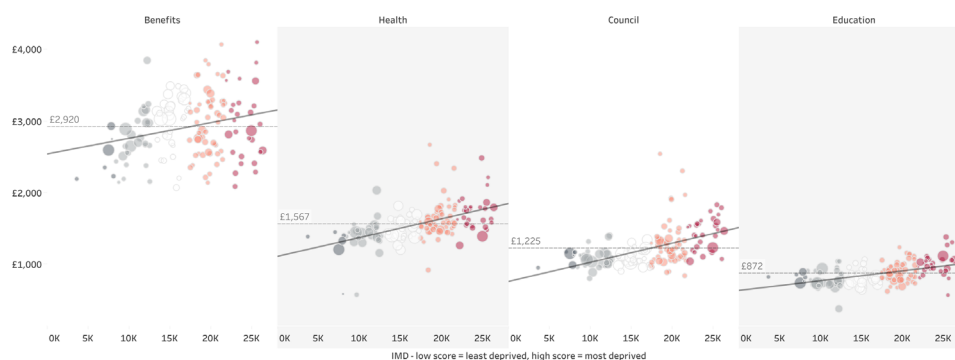


their relative needs, “the extent to which they have done so varies” with political decisions and judgement constraining “the extent to which funding formulae are responsive to calculated needs” (ibid, p6).

Statistical testing show a statistically significant link between deprivation and Local Spending for all spending areas ( $p < 0.005$ ).

Fig 10: Relationship between spend and deprivation

Per capita spend and index of multiple deprivation in 2018-19



**FIGURE 10.** Local Spending and Deprivation

In terms of benefit spend (excluding pensions) the link appears to be the strongest, with an R squared value of 0.73, meaning that 73% of the variation in Local Spending can be explained by deprivation. However, deprivation appears to play less of a role (although it is still important) in other parts of Local Spending. When it comes to council expenditure (R-squared 0.31), 31% of the variation in Local Spending is explained by deprivation. This is followed by Health spend (R-squared 0.24) where 24% of the variation is explained by deprivation. In this case the age of the local populations will likely play a larger role relative to deprivation. Lastly, education expenditure seems least influenced by deprivation (R-squared 0.20), with 20% of the variation explained by deprivation – again age will play a larger role.

LAs in the 5th quintile (most deprived ‘neighbourhoods’), on average have higher levels of per capita spend compared to LAs in the 1st quintile (least deprived ‘neighbourhoods’) (Benefits 71% higher, Council 54%, Health 24%, Education 25%). Higher levels of public spending for deprived areas have been previously observed by Harris, who found that despite austerity policies, per capita expenditure for the most deprived councils was still higher compared to the least deprived councils (Harris, 2019).

On our analysis we only find a close correlation between deprivation and Local Spending when we restrict ourselves to benefit expenditure, especially when it comes to education spend, this is visually illustrated by the trend lines in Figure 10. Whilst it is the case that the ‘most deprived’ LAs (5th quintile) receive greater public resources compared to more ‘least deprived’ (1st quintile) areas on average, this correlation does not exist for a large number of local areas, and we also see extremely affluent areas receiving similar or more public resources than poorer areas in quite a significant number of cases across local health, council and education expenditure, despite the fact public resources are arguably needed more in deprived communities (see Figure 11).

Fig 11: Comparing the least and most deprived UTLAs

Per capita spend and index of multiple deprivation in 2018-19



FIGURE 11. Per capita spend most versus least deprived

## Local health spend and deprivation

To illustrate, health expenditure per person (CCG) for a number of highly deprived (4th quintile) and most deprived (5th quintile) LAs is lower than the national average (£1,567). For instance this applies to: Bradford (£1,267), Birmingham (£1,393), Tower Hamlets (£1,477), Leicester (£1,509), Newham (£1,518), Waltham forest (£1,533) and Southwark (£1,540). Barking and Dagenham (£1,580) and Haringey (£1,570), despite having very high levels of deprivation, are only slightly above the national average spend.

This is in comparison to a number of areas with low levels of deprivation in the 1st and 2nd quintiles such as Dorset (£1,673) and North Yorkshire (£2,030) who are above the national average and who receive a significantly higher level of public expenditure. Moreover, affluent areas such as Kingston upon Thames (£1,556), Hampshire (£1,448) and Windsor and Maidenhead (£1,448) have similar levels of spend compared to highly (4th quintile) and most deprived (5th quintile) areas. Remarkably, Wokingham (£1,386), the least deprived area in England has similar levels of per capita spend to both Bradford and Birmingham. It's also important to note this data does not include private health expenditure which will also likely be skewed towards more affluent areas.

CCG allocations are based on a 'impartial objective formula' which calculates a target fair share of the national budget for local areas, the aim of which to support equal opportunities in accessing services by those with equal needs and to contribute to a reduction in health inequalities. More resources are supposedly directed to areas which are estimated to have higher health needs or where inequalities can be reduced – i.e. larger populations, more older people, people with worse health, higher mortality, excess deaths and deprivation. Deprivation has been used in formulas since the 1990s to allocate resources to local providers (Harker, 2019). In 2014-15 there were adjustments made to the funding for CCGs with NHS England announcing 10% of total funding would be based on deprivation levels to reflect unmet need, the aim of which is to help CCGs tackle

the impact of health inequalities in local areas. Furthermore, small adjustments to the formulas in 2016-17 led to more money in CCG areas with a combination of greater age and deprivation (Harker, 2019).

Despite deprivation being included as a factor for CCG allocations, our data shows a number of local authority areas with high levels of deprivation that have Local Spending on health at levels which are lower than the national average or only slightly above. It may be that age is playing more of a role in determining how much is allocated to a CCG and this is something which could be explored in future research.

Nevertheless, given the well documented link between deprivation and poor health and that individuals from deprived communities are more likely to access some services (Wyatt and Parsons 2021), an argument could be made that deprivation needs to play a much greater role in funding formulas if greater equitable health outcomes are to be achieved – which is a key policy objective of the NHS. This argument seems more pertinent since COVID-19 with deprived communities in particular being more affected, with higher levels of illness and death rates, and more likely to suffer from the wider economic impacts of the pandemic, such as job loss and financial hardship, which also have a negative impact on people's health (Fisher et al. 2020).

## Council spend and deprivation

As we have seen for health expenditure, there is a similar pattern for local council expenditure a plethora of LAs being classed as highly (4th quintile) or most deprived (5th quintile) spend less than the national average per person (£1,457) or only slightly higher. This applies to Bradford (£1,127), Rochdale (£1,250), Salford (£1,324), Leicester (£1,457) and Blackburn with Darwen (£1,495), some of which have comparable levels of spend to areas with low levels of deprivation in quintiles 1 and 2 such as Surrey (£1,262), Cambridgeshire (£1,282), West Sussex (£1,302), Bath and North East Somerset (£1,371), Dorset (£1,454) and East Riding of Yorkshire (£1,584).

Current changes to grant allocation formulas through the fair funding review (started in 2016, implement after 2021), may weaken the positive relationship between deprivation and spend even further. This will be of significant concern to councils with high levels of deprivation. As it stands it is not clear whether deprivation is going to play a bigger role in determining the size of grants to local authorities (Atkins 2020). Indeed, the local Government Association (LGA, 2020) analysis of current proposals in the fair funding review suggested over £300m a year could be redirected from deprived areas in the north to shires in the South East.

The cuts councils have faced over the last ten years are substantial; however the reduction in central grant funding is not always reflected perfectly in reductions of spend for services for all local councils due to variations in local government's ability to raise revenue locally and ability to draw from reserves to offset reduction in central grants (Gray & Barford, 2018; Harris et al. 2019). However, deprived councils are more reliant on central grants and don't have the revenue raising powers when it comes to council tax and business rates compared to more affluent areas; there is also less opportunity for local councils in deprived areas to rent or sell assets for profits to offset grant reductions due to lower property values (Gray and Barford 2018, Harris et al 2019). This means deprived councils in particular are more adversely affected by government policy. Since 2010, spending cuts per person in the most deprived tenth of councils have averaged at the much higher rate of 31% (£432) compared to cuts to the least deprived tenth at 16% (£134) according to Harris et al (2019).

## Local education spend and deprivation

Finally, in relation to education expenditure LAs classed as highly deprived (4th quintile) or most deprived (5th quintile) such as Knowsley (£571), Blackpool (£807), Nottingham (£856), Islington (£904), Kingston upon Hull (£906) spend under or just above the national average per person (£872).

This is similar to spending levels seen across a significant number of areas with low levels of deprivation in the 1st and 2nd quintiles including; Wokingham (£819), Richmond upon Thames (£821), Windsor and Maidenhead (£860), with Buckinghamshire (£888), Central Bedfordshire (£892), Bromley (£915), Herefordshire (£936), Trafford (£960) and Solihull (£1,040) all above national average per capita spend for education. It's also important to note this data does not include private school expenditure, which will also likely be skewed towards affluent areas and families.

The school funding formula in England is designed to provide greater levels of funding to deprived areas in order to help narrow the achievement gap between rich and poor students (Sibieta, 2020). In this research, spend in most deprived LAs (5th quintile) was 25% higher on average compared to least deprived LAs (1st quintile).

However, as shown above, in a number of cases this adjustment does not appear to have happened. Moreover, previous research appears to point towards a reduction in the advantage of spend for deprived schools, with Sibieta finding the positive relationship between spend and deprivation has decreased over the years since 2009-10 with deprived schools previously having a 35% advantage compared to a 25% advantage now. Sibieta also notes it is extremely difficult to ascertain why the positive relationship between spend and deprivation has decreased over the time. This may be due to a number of factors, such as the cash freeze in the pupil premium and changes in funding formula for LA maintained schools, whereby the share of funding allocated based on deprivation was only 8% between 2014-15 and 2018-19. However, the most significant factor could be the changing nature of deprivation across local authorities, with faster falls in deprivation in London, and the funding system not adjusting this for this change meaning resources are not being as effectively distributed based on need (Sibieta, 2020).

As with council spending, planned changes to funding formulas seem likely to reduce the link to deprivation even further. In 2018 the Government announced significant changes to education funding through the national funding formula (NFF). The formula is based on several factors such as pupil number, number of people from deprived backgrounds and number of pupils with low prior attainment and other factors (Sibieta, 2020). A 'soft' version was introduced for 2018-19; but is not going to be fully implemented until after 2021. However, it appears these changes will likely further reduce the advantage deprived schools currently receive with most deprived schools seeing a lower a real terms increases (4.8%) compared to least deprive schools (8.6%) between 2017-18 and 2021-22 (Sibieta, 2020), thereby pupils from more affluent backgrounds are attracting lager increases to funding rates compared to those from more disadvantaged backgrounds (Educational Policy Institute, 2021).

This is at the same time as the attainment gap between rich and poorer students is likely to have widened due schools closures during the COVID pandemic, as pupils from deprived backgrounds were less likely to have less access to technology, spend less time learning and have less support from their parents or carers compared to their peers (Lally and Bermingham, 2020).

# CONCLUSION

Although there is an explicit commitment by central government to address the extreme levels of regional inequality in England there are many reasons to be sceptical. The fact that more than 50% of public spending is not part of Local Spending makes accountability near impossible. In addition current plans to make deprivation less important in shaping public spending seem likely to entrench, not reduce, inequality. The centralisation of power in England means that it is more than likely that Levelling Up will follow the pattern of earlier devolution reforms and achieve nothing other than increased centralisation.

As illustrated by the findings in this research, austerity has had a profound impact on people and local places since 2009-10. Real term Local Spending in the spend areas examined fell by £20bn (excluding pensions) resulting in a fall of Local Spending as a percentage of GDP from 16% to 12.5% - a cut of 21.65%. Per capita spend per region declined by at least 10% for all regions of England, with London (-12.5%) seeing the biggest reductions since 2010. Moreover, per capita spend in local authorities has also decreased real terms on average by around 10% or £629 per person. However, as mentioned previously, places themselves vary significantly in how they have been affected by government policy in the last decade.

Significantly, it was also found there is a large discrepancy between how much the UK government spent overall in 2018-19 (£810bn) and how much money is being spent in local places based on available data (£369bn). This missing £441bn of public expenditure is being spent somewhere in the UK; but it is extremely difficult to ascertain where, due to the ways in which the government publishes spending on a LA level. The fact that such large amounts of public money cannot be traced back to local economies raises profound concerns of the opaque nature of public finances, suggesting the process of spending public funds is insufficiently transparent.

The COVID-19 pandemic led to a large increase in public spending through increased borrowing – including an extra £127bn on public services such as health, transport and local government (Pope et al. 2021). Other measures also included more money for Universal Credit claimants and an unprecedented intervention in the private sector through the furlough scheme, where the government paid 80% of the wages of millions of the employees at an estimated cost of £65bn (up to May 2021) (Francis, Devine & Powell 2021). Whether the pandemic will lead to a shift in attitude by the Conservative government to maintain high levels of public spending seems doubtful. It is also possible, as with the 2008 financial crisis, that people and places will have to bear the cost of this crisis by similar spending cuts to welfare and services, as described in this research.

In his first speech as UK Prime Minister, Boris Johnson declared that one of the centrepieces of the Conservative government was to “level up across Britain” and pledged to “answer the plea of the forgotten people and the left behind towns.” ‘Levelling up’, in part is a policy reaction to the long term processes that have led to geographically uneven

social and economic development in the UK between London and the South East and other regions, reflected by inequalities in GDP, productivity, income and wealth between the North and South as well as within regions and towns across the country (Jennings et al, 2021).

While it is a key policy of the government, how it is manifested in concrete terms remains to be seen. As Jennings points out there has been concerns about the incoherent nature of the agenda and scepticism whether it will lead to a transformation of the economy and society or a few token actions and symbols will be used to “frame a narrative of success” such as civil servants moving up north or a few infrastructure projects in ‘left behind’ places (Jennings et al. 2021:303). Davenport and Zarako (2021) suggest one way the levelling up policy could be realised is through increasing public spending (Davenport & Zarako, 2021). As they argue:

*“public spending is a policy lever that could be pulled relatively quickly. It will not form the entirety of a ‘levelling up’ programme but it will be a major plank of one”*

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(ibid, p 346)

This research shows that while deprived LAs had higher levels of public spending to least deprived LAs **on average** (Benefits 71%, Council 54%, Health 24%, Education 25%), there are still many places where spending seems surprisingly low.

One way this variation could be rectified by the government is to make deprivation more of a priority in spending decisions which would help the levelling up agenda to be realised. However, under current plans, changes in spending formulas mean that deprivation will play a reduced role, meaning that deprived areas may even see a reduction of public expenditure when it comes to education and council expenditure over the next few years. This seems unlikely to help the left behind places that are supposedly at the heart of the ‘levelling up’ agenda.

Also, the fact that there are no political or democratic structures to effectively hold central government to account for its Levelling Up strategy means that there seems very little prospect that its intentions will survive the short-term objectives of the party political system and the ideologies which have so far shaped Government policy.



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## About the Authors

**Josh Shepherd** has a keen interest in promoting social justice and equality through being raised in a progressive household with strong socialist values.

Joshua is a recent MA graduate in social science research methods from Sheffield Hallam University, where his focus was primarily on examining how technology (re) shapes social relations and its implications for identity, belonging and how it challenges assumptions of what the concept 'community' means.

Joshua's previous research role at the Centre for Regional Economic and Social Research (CRESR) in Sheffield gave him the opportunity to explore his broad social policy interests where he assisted in personally rewarding and worthwhile research related to: improving the lives of children and young people, alcoholic recovery integration and democratising low carbon energy transitions in poorer communities.

**Dave Goswell** is a Business Analyst with 15+ years of experience in a range of sectors. He has an MSC in in Public Policy Research and is a Tableau Certified Professional. Dave brings expertise in using data to help understand systems and organisations. Throughout his career Dave has spent time understanding business problems, figuring out if data can be used to shed light on these, and presenting his analysis back to enable action.

As analytics tools have matured, Dave has specialised in Tableau data visualisation software to help business users see and understand their data. This resulted in a move to consulting, where he helped embed analytics across organisations for Interworks Europe, and more recently within the NHS.

In the past, Dave has worked in Social Care Commissioning teams where he had the opportunity to help commissioners make decisions on care provision. Quantifying return on investment was a key theme in his work, including an MSc thesis on the cost and benefits of Extra Care Housing. Dave championed supported living for people with a learning disability by working to reveal cost and outcome data during the campus re-provision.

Five years in public health gave Dave exposure to systems thinking, rigorous statistical analysis, and an appreciation of preventative approaches to health. Data visualisation proved critical in influencing the wider health system as a way of persuading decisions makers in partner organisations to take account of public health issues. Data story telling is now a big part of Dave's current work.

## Citizen Network Research



The Centre for Welfare Reform was established in 2009 as an independent think tank, based in Sheffield, UK. In 2016 the Centre founded Citizen Network. In 2020 Citizen Network Osk was registered as a global non-profit cooperative registered in Helsinki Finland.

At the beginning of 2022 the Centre changed its name to Citizen Network Research and integrated its work and website into the work of Citizen Network.

We produce a monthly email newsletter, if you would like to subscribe to the list please visit: [www.citizen-network.org/about/citizen-network-research](http://www.citizen-network.org/about/citizen-network-research)

## Citizen Network



Citizen Network is a movement to advance equality and justice around the world. We started Citizen Network because we need to celebrate human diversity and stand up for human equality.

We need to work together and to behave like citizens, reject division and create more inclusive communities that welcome people with all their different gifts.

To join us visit: [www.citizen-network.org](http://www.citizen-network.org)

## Neighbourhood Democracy Movement

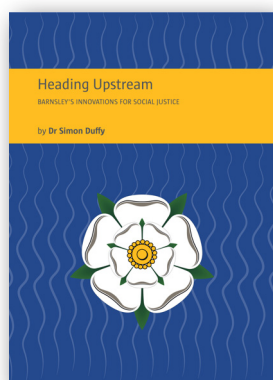


NDM is a movement to create real democracy in every community and a real shift of power to local people. We believe everyone has a unique contribution to make to their community and that people must have more power to make decisions on the issues that affect them at every level.

We need a deeper democracy, led from neighbourhoods. By coming together, sharing what works and what doesn't, we can support each other to flourish.

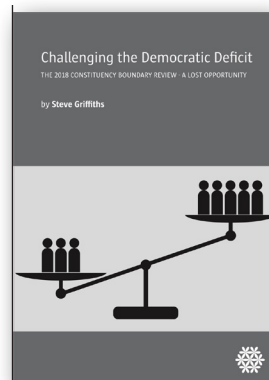
To join in visit: [www.neighbourhooddemocracy.org](http://www.neighbourhooddemocracy.org)

## Relevant Publications



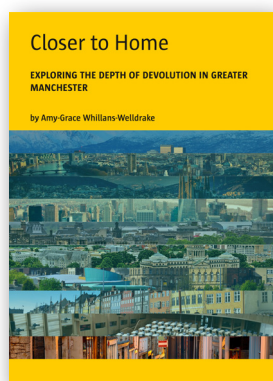
### HEADING UPSTREAM

Simon Duffy describes how Barnsley Council have been increasing social justice by redistributing power and resources to local citizens, families and communities.



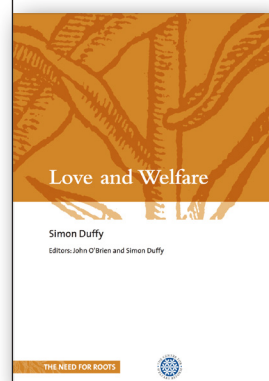
### CHALLENGING THE DEMOCRATIC DEFICIT

Steve Griffiths examines the Government's proposals for boundary reform and finds they make the current electoral system even more unfair.



### CLOSER TO HOME

Amy-Grace Whillans-Welldrake reports on the progress of Greater Manchester devolution and the possibility and desire for even deeper devolution.



### LOVE AND WELFARE

Simon Duffy argues that there is a spiritual tradition that has been forgotten, which offers us a much more positive and loveable vision of the welfare state we need.



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