

10 YEARS OF AUSTERITY

Eroding resilience in the North

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June 2020

SUMMARY

Ten years after it was first introduced, new research finds that austerity has had a disproportionately damaging impact upon the North of England's resilience and its capacity to deal with the social and economic impacts of the Covid-19 pandemic.

CONTEXT

On 22nd June 2010, George Osborne, the Chancellor who would later coin the phrase 'The Northern Powerhouse', delivered his now infamous austerity budget with its programme of significant cuts in public spending. At the time, Osborne stressed that the pain would be shared: "we are all in this together" and the government would "protect the most vulnerable in our society".

Ten years on, our analysis of the impacts of austerity shows how the North of England has been disproportionately affected by spending cuts, particularly those to local government. The North now faces one of the most serious social and economic crises in living memory, but austerity has significantly reduced the region's resilience and in doing so, its capacity for recovery.

IMPACTS ON LOCAL GOVERNMENT AND PUBLIC SERVICE

RESILIENCE

Public sector employment has fallen in the North whilst being centralised in Westminster

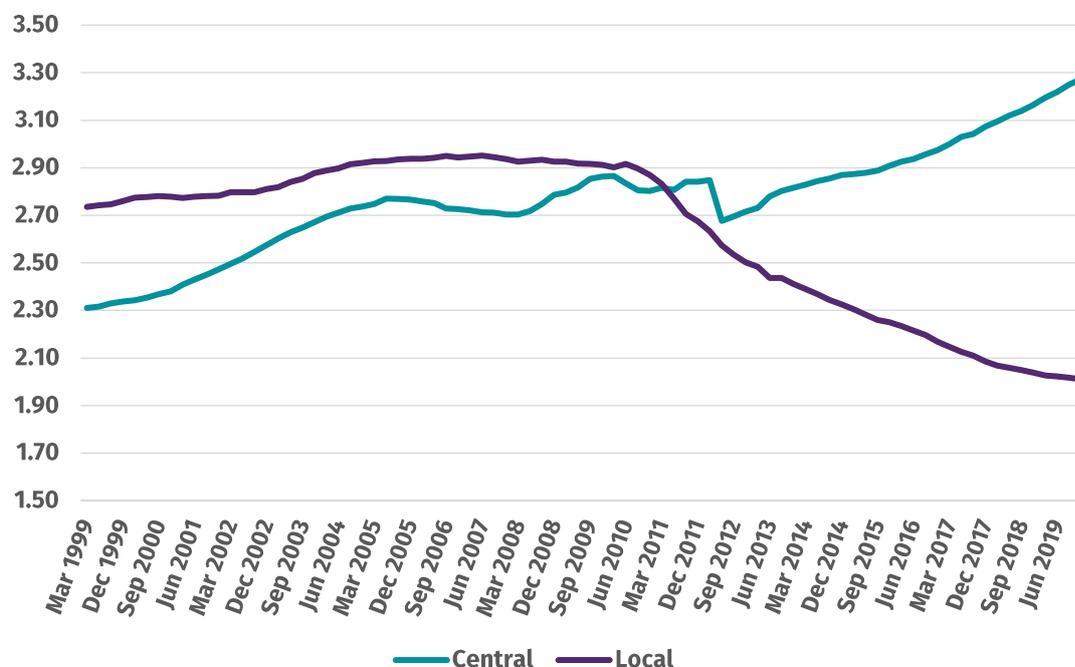
Public sector employment fell by 19 per cent in the North (more than the English average of 16 per cent). In this case, austerity came hand in hand with centralisation as shown in Fig.1. London saw a smaller 10 per cent reduction, and the share of public sector jobs that are based in London rose slightly (ONS 2020e).

This loss of capacity in the North and its concentration in central government has undermined resilience and the ability of the public sector to respond to events like a pandemic or a recession.

FIGURE 1: CENTRAL AND LOCAL GOVERNMENT EMPLOYMENT SINCE 1999

Public sector employment has concentrated in central government since 2010, reducing local government capacity

Headcount of employees (millions), quarterly from March 1999 to December 2019



Source: ONS 2020e

Centralisation of spending on economic affairs also undermines regional resilience

[Government support is a crucial ingredient in regional economic resilience \(Cox, Raikes and Carella 2016\)](#). A significant part of the initial phase of the Northern Powerhouse agenda focused on boosting the North's productivity alone, and the rhetoric around 'levelling up' is similar.

Yet, public spending on economic affairs (excluding transport) has concentrated on London and the South East. The combined share of economic affairs investment for these regions rose from 29 per cent in 2009/10 to 37 per cent in 2018/19; the same period saw the North's share *fall* from 29 to 25 per cent (ONS 2019a).

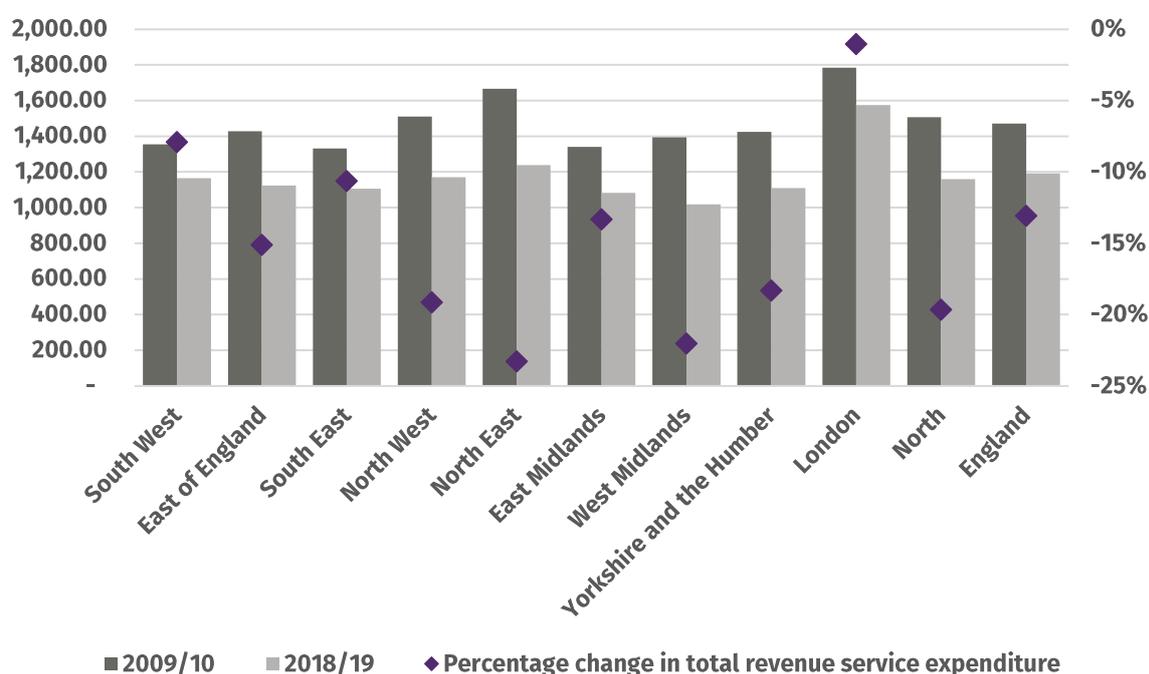
[This has exacerbated the UK's severe regional inequalities in productivity and disposable income \(Raikes, Giovannini and Getzel 2019\)](#).

Local government spending on services is significantly reduced

FIGURE 2: CHANGE IN LOCAL GOVERNMENT SPENDING PER HEAD 2009/10 TO 2018/19

Council spending on services fell by 13 per cent across England between 2009/10 and 2018/19. Local government spending in the North has been significantly reduced where it fell by 20 per cent, equal to £346.94 per person. This compares to a 13 per cent total fall in England, equal to £278.53 less per person.

Total revenue service expenditure by local authorities per head in 2018/19 prices excluding education, public health, fire, and police¹.



Source: Author's analysis of MHCLG 2019 and ONS 2020c

Local authorities get most of their funding from three main sources: grants from central government, council tax and business rates. However, local government income from investments in land, property, and business has accelerated in the last decade.

¹ In all instances - we have only included Councils (ie District Councils, County Councils, Metropolitan Districts, London Boroughs, Unitary Authorities) and not other types of authority. In our calculations, we have focused on revenue (ie day-to-day) expenditure only. Because of changes in responsibility with regards to public health particularly, but also education - these have been excluded from our expenditure on services measure. Moreover, we have also excluded fire and police (and would have excluded education again) as much of this money is not controlled by the local authority, but is held by or passes through local authorities on behalf of other organisations. We have closely followed methodologies of the National Audit Office and the IFS. This measure is primarily a measure of the provision of services by a local authority and not of financial sustainability. We chose to explore this, because services are the main way that residents interact with and observe their local councils.

Cuts to central government grants mean that locally raised revenue (council tax, business rates, and local authority investments) account for a larger proportion of councils' income. As a result, they depend more on the performance of their local economies and are less resilient to economic shocks without real power to respond.

Councils in the UK are not allowed to borrow to finance day-to-day spending and their revenue raising options are severely limited (Raikes, Giovannini, and Getzel 2019). Additionally, the centrally designed council tax system creates stark regional inequalities from differences in house prices across the country.

Central government grants to local authorities have shouldered the heaviest cuts, and the Ministry of Housing, Communities, and Local Government (MHCLG) took the largest departmental reduction of all, cutting 86 per cent of its spending between 2009/10 to 2018/19 (Arnold and Stirling, 2019).

Inevitably cuts on this scale have a major impact on the sustainability of services and the lives of citizens. Covid-19 has created enormous demand for council services and significantly harmed councils' incomes. This has placed unsustainable pressure on local authorities and some are actively exploring issuing Section 114 notices, which is essentially local authority bankruptcy. Councils like Leeds, Liverpool, and Cumbria are currently exploring this (see Golding 2020 and Calkin 2020)

Ten years of cuts to councils, which have been passed onto their spending on services, has created an environment in which local authorities simply do not have the financial resilience to weather this crisis.

HUMAN IMPACTS

Social care is under increasing pressure

Social care is a key area of local government expenditure and the Covid-19 pandemic has heralded renewed calls for an adequate funding settlement for social care in the future. Austerity, coupled with increasing demand, has created enormous pressure. One clear sign of the impact of this is delays in transfers of care from hospital into social care settings and significant variations in this remain.

Despite improvements across England, the North has seen a large rise in the number of delayed transfers of care attributable to social care. The average number of delayed transfers of care per 100,000 people *rose* by 29 per cent in the North between 2010/11 and 2018/19, compared to a *fall* of 20 per cent across England (NHS Digital 2019).

Health inequalities are growing

In his 2020 Review of health inequalities, Sir Michael Marmot found that austerity has had a major impact (Marmot et al 2020). This can be seen for example in life expectancy where gains have been uneven across England's regions. Places such as the North East and the West Midlands have seen particularly slow growth (ONS 2020d).

At the same time, inequality in life expectancy has increased in most places outside London; the North East, Yorkshire and the Humber, and the East of England have some of the starkest rates. And while a drop in mortality rates for people aged under 75 is seen in all regions, it lags the English average in parts of the North and Midlands (ONS 2019b).

This has made the North particularly vulnerable to the impacts of Covid-19 with the most deprived areas disproportionately affected by the pandemic (ONS 2020b).

Life chances have for children have been reduced

Austerity and its impact have reduced opportunities for the very youngest northerners to get a good start in life.

For example, the number of nursery and primary school pupils per teacher in the North rose from 21 to 27, against a rise across England from 20 to 26. The region with the highest number of pupils per teacher is now Yorkshire and the Humber with 28. Yorkshire and the Humber and the North East also have the highest ratios for secondary schools (at 20) (Author's analysis of DfE 2019a and 2019b).

The number of children looked after by local authorities has risen by 39 per cent in the North, compared to a 28 per cent rise nationally. 88 out of every 10,000 children aged under 18 are now looked after by their local authority, 23 more children per 10,000 than in 2009. Rates are especially high in the North East, where the figure has risen by 40 per 10,000 since 2009 to a total of 101 per 10,000 in 2019 (DfE 2020).

Cuts to council budgets coupled with rising numbers of looked after children has placed significant pressures on children's services departments throughout the North. The national crisis in children's care, which routinely sees in-year overspends in council budgets, has been well publicised and a 2019 report by the NAO highlighted that Ofsted had judged 58 per cent of local authority provision of children's social care as 'inadequate' or 'requires improvement' (NAO 2019).

Meanwhile, after housing costs, between 2009/10-2011/12 and 2016/17-2018/19 there were 400,000 more children living in relative poverty across England, an increase of 12.5 per cent. Half of these children are in the North—with 200,000 more children living in relative poverty in the North of England since austerity began, an increase of 22 per cent (ONS 2020d).

Children with special educational needs in the North have been adversely affected too. Adjusted for inflation, the per pupil figure for the High Needs Block in the North in 2019/20 is 33% lower than it was in 2013/14. It is now £17,003.13 per pupil versus £25,409 in 2013/14. At the England level, the fall was 29% and is now at £17,737 (IPPR North analysis of DfE 2019c and 2019d).

Most recently, the Covid-19 lockdown has given rise to widespread concern about the impact of the crisis on children because of the closure of educational settings—with implications for learning, welfare and safeguarding (McNeil et al

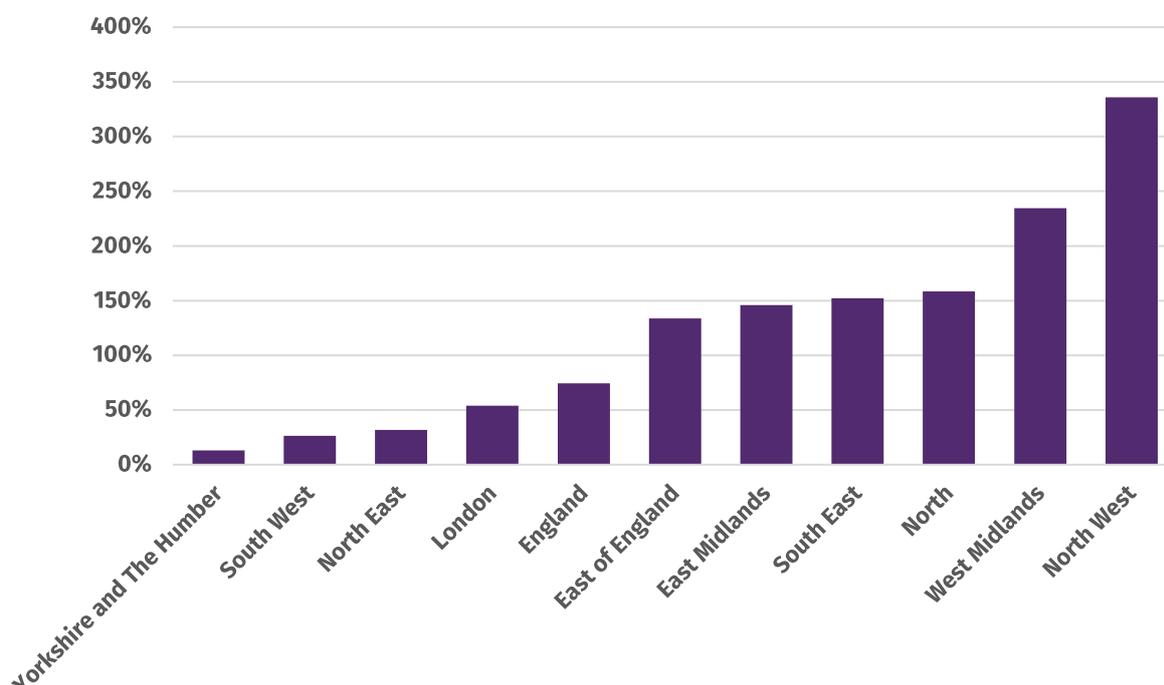
2020). This current crisis is exacerbated by ten years of lost opportunity to improve northern children’s life chances, time spent instead eroding resilience in this area.

Homelessness and rough sleeping has risen

FIGURE 3: CHANGE IN THE NUMBER OF HOUSEHOLDS IN TEMPORARY ACCOMMODATION

The North West has seen the highest increase in the number of households in temporary accommodation.

Percentage change from 2010 quarterly average to the 2019 quarterly average



Source: Authors’ analysis of MHCLG 2020

The number of households in temporary accommodation² has risen dramatically since 2010, especially in the North West where the number of households in temporary accommodation has risen from around 2,000 in 2010 to around 3,875 in 2019. All three northern regions have seen increases and there were 5,165 households in temporary accommodation in the North in 2019. Over half of these households include children (MHCLG 2020).

² Local authorities are required to secure accommodation for those who are owed duties under the Housing Act 1996 and the Homelessness Reduction Act 2017 which can be temporary in nature. Temporary accommodation refers to accommodation that does not carry a permanent tenancy and is used to house households until a final offer of accommodation can be made by the local authority. For example, it includes bed & breakfasts, hostels, and some private rental sector accommodation.

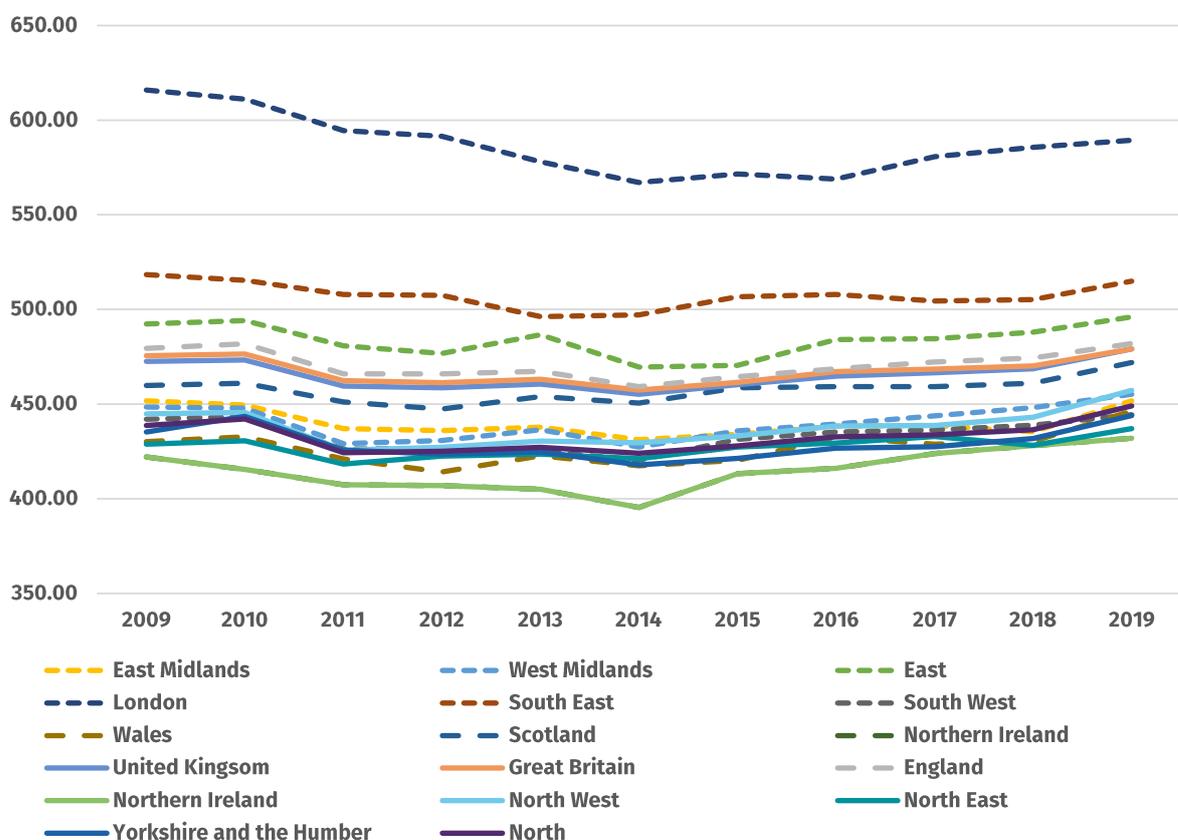
The total number of children in temporary accommodation more than doubled between 2010 and 2019, rising from around 1,840 children to 5,635. The North West saw the highest growth in the country by 402 per cent, taking the estimated number of children in temporary accommodation in the North West from around 910 in 2009 to 4,580 in 2019 (ibid).

Pay and quality of working life has stagnated

FIGURE 4: WEEKLY PAY FROM 2009 TO 2019

Median weekly pay in the North has grown by less than two per cent since 2009 and is only estimated to have passed its 2009 level in 2019 after a lost decade in pay

Median weekly pay by nation and region in 2019 prices from 2009 to 2019



Author's analysis of ONS 2020a

[The North faces an ongoing job-quality crisis](#), with stagnant real wages as shown in Fig.4. In-work poverty is an issue that has grown over the course of the austerity decade. This is because much of the North's jobs growth has been in those jobs that do not pay living wages, and this has been accompanied by declining quality of work, such as fewer opportunities for training and progression (Johns, Raikes, and Hunter 2019). Austerity has severely harmed the quality of life of the most vulnerable and reduced institutional capacity to help. Meanwhile, the concept that work is a route out of poverty or hardship has become severely tested.

As this analysis of the human impacts of austerity shows, life has become harder for many of the North's most vulnerable people and routes to improve this – from work to help from local authorities— have been severely reduced. Alongside the human cost of this is a significant erosion to the resilience of the region over the last decade.

Currently, Covid-19 is having a very significant impact on how we live and work. Local authorities are having to respond at pace and at scale to deal with the challenges in their communities with no guarantee from central government that the full cost of the response will ever be met. Austerity has made this situation worse because successive cuts have reduced the capacity of places to absorb the economic and social impacts of Covid-19. There is little chance of a so-called 'bounce-back' in areas such as Pendle, Burnley, or Barnsley where local authority service spending has fallen by 53 per cent, 51 per cent, and 35 per cent over the decade in real terms (Author's analysis of MHCLG 2019).

LEARNING THE LESSONS OF AUSTERITY: REBUILDING NORTHERN RESILIENCE

Austerity has had a disproportionately negative impact on the North of England with serious consequences for the most vulnerable.

We have seen public expenditure fall across England, but this has been felt differently within it. Crucially, nobody benefitted from it and London was particularly affected too. Over the last decade, across total public expenditure, the North saw a fall of £777 per person, £73 above the English average and London saw a fall of £1,634 per person (ONS 2019a).

Here in the UK, political power is [more centralised than in any comparable country \(Raikes, Giovannini and Getzel 2019\)](#). Over the last decade, that power has been used to impose austerity on regions like the North of England. This has left places vulnerable to a global pandemic and the recession that will follow, in addition to other significant challenges, not least a climate emergency, an ageing population, technological change and significant regional inequalities.

The Covid-19 crisis, with enormous calls on local authority services and rapid loss of income sources, has highlighted the extent to which local authority resilience in particular has been severely undermined by the austerity agenda since 2010.

Whether it is '*levelling up*' or the Northern Powerhouse, any attempt by the government to provide policy substance to its rhetoric must recognise that despite the North's considerable potential, a decade of austerity has significantly increased the scale of the challenge. There is an urgent need to stabilise local government finances to build the foundations of an effective and sustained recovery and future.

Regions like the North cannot afford for government to pursue strategies for economic 'bounce-back' which pursue growth at any cost. The North needs and deserves the chance, the power, and the investment to fulfil its latent potential.

'Levelling up', or any policy aimed at improving England's regions can only be achieved if the Government learns lessons from the past and:

- **Reverses austerity** in recognition that investing in people is [not a cost, but a benefit](#).
- **Oversees a Devolution Parliament**, four years of devolution to empower regions, towns and cities across England, in recognition that resilience is built in empowered local places. We have seen welcome progress on devolution since 2016 through the creation of combined authorities and metro mayors, transport for the north, and the development of the NP11. But devolution must go further, faster and be fairer if we are to build resilience for the challenges ahead.
- **Invests in the North**, putting its money where its mouth is and spades in the ground to protect and create jobs, and to build a greener, more just economy that makes the most of the potential and opportunities of the North. What we need is an investment programme and action, rather than empty rhetoric on 'levelling up'.

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This paper was first published in June 2020. © IPPR 2020

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