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@TheIFS

Need, funding and geographical inequalities



Economic
and Social
Research Council

Background and context

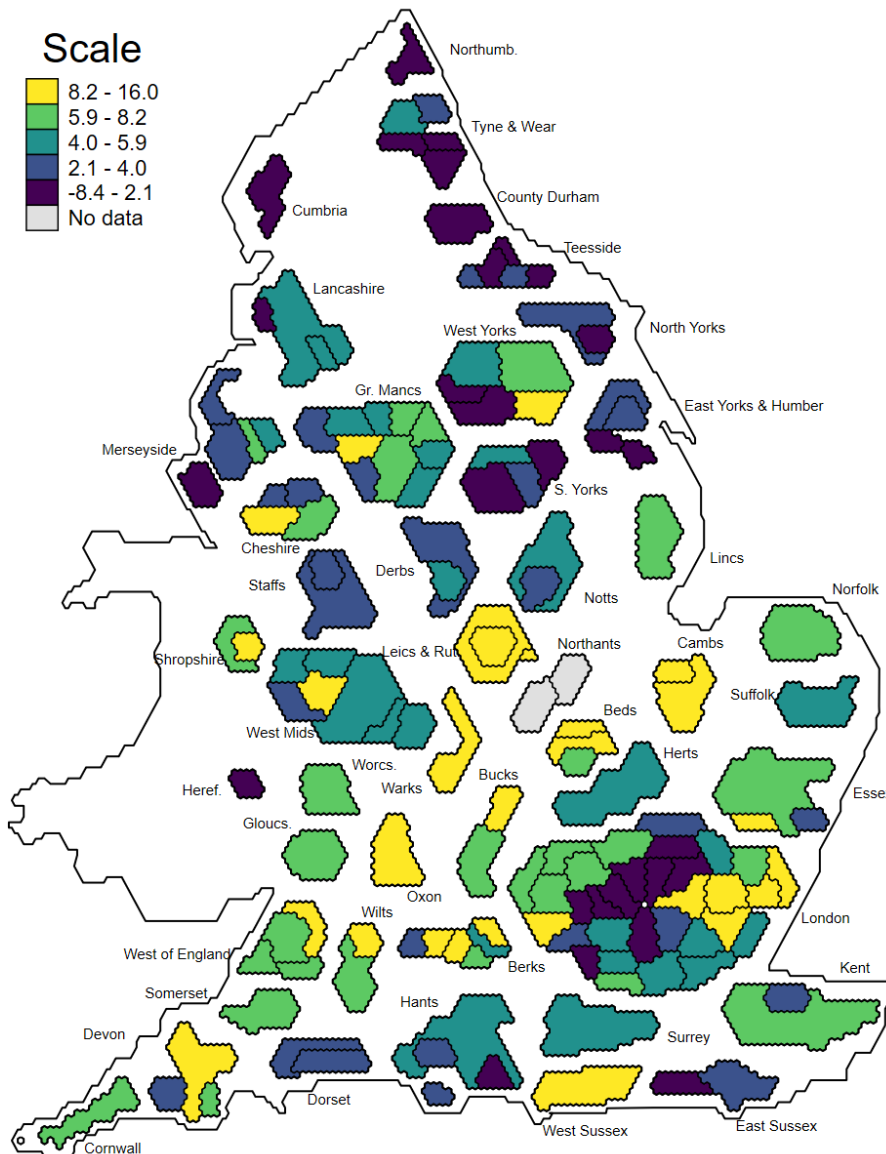
- £400 billion spent on public services specifically for England per year is around 100 times the amount spent on specific 'levelling up interventions'
- Robust evidence that funding levels matter for outcomes, especially in health and schools, especially for those from more disadvantaged backgrounds
 - Health, wellbeing and life chances all depend on an array of services
- Ensuring funding is allocated between places in a way that reflects differences in needs and provides additional support to disadvantaged people and places is perhaps the most direct lever for 'levelling up'
- IFS is conducting a multi-stage project on how funding is allocated across England and the implications for local populations
 - Looked at systems as of 2019-20 in report last October
 - Publishing updated and extended analysis next month

Key issues with current system



1. Lack of updating of needs assessments for local government, police and public health for a decade – with underlying data from as far back as 1990s!

Population change: 2013 to 2022



Eg. Fall by 8% in Kensington & Chelsea, Westminster and Camden

e.g. Grow by 16% in Tower Hamlets, Peterborough and Bedford

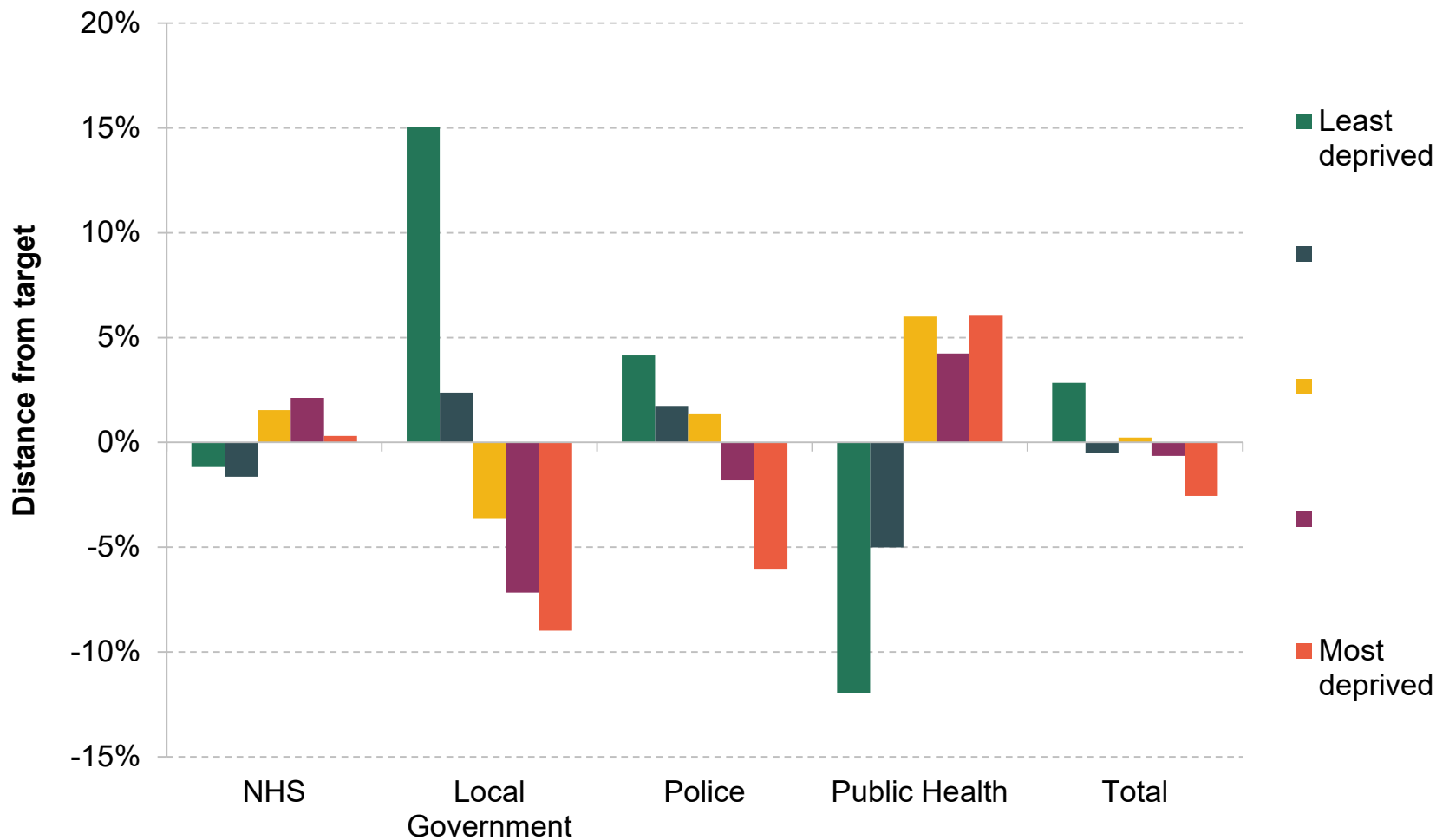
Note: provisional 2022 estimate produced by IFS using 2021 mid-year estimate and the latest projected rate of population change between mid-2021 and mid-2022.

Key issues with current system



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2. While NHS funding has specific top-up funding to reduce health inequalities (on top of addressing differences in demands and costs), deprived areas with high needs receive a below-needs share of funding for local government & police.

How funding shares compare to share of assessed needs



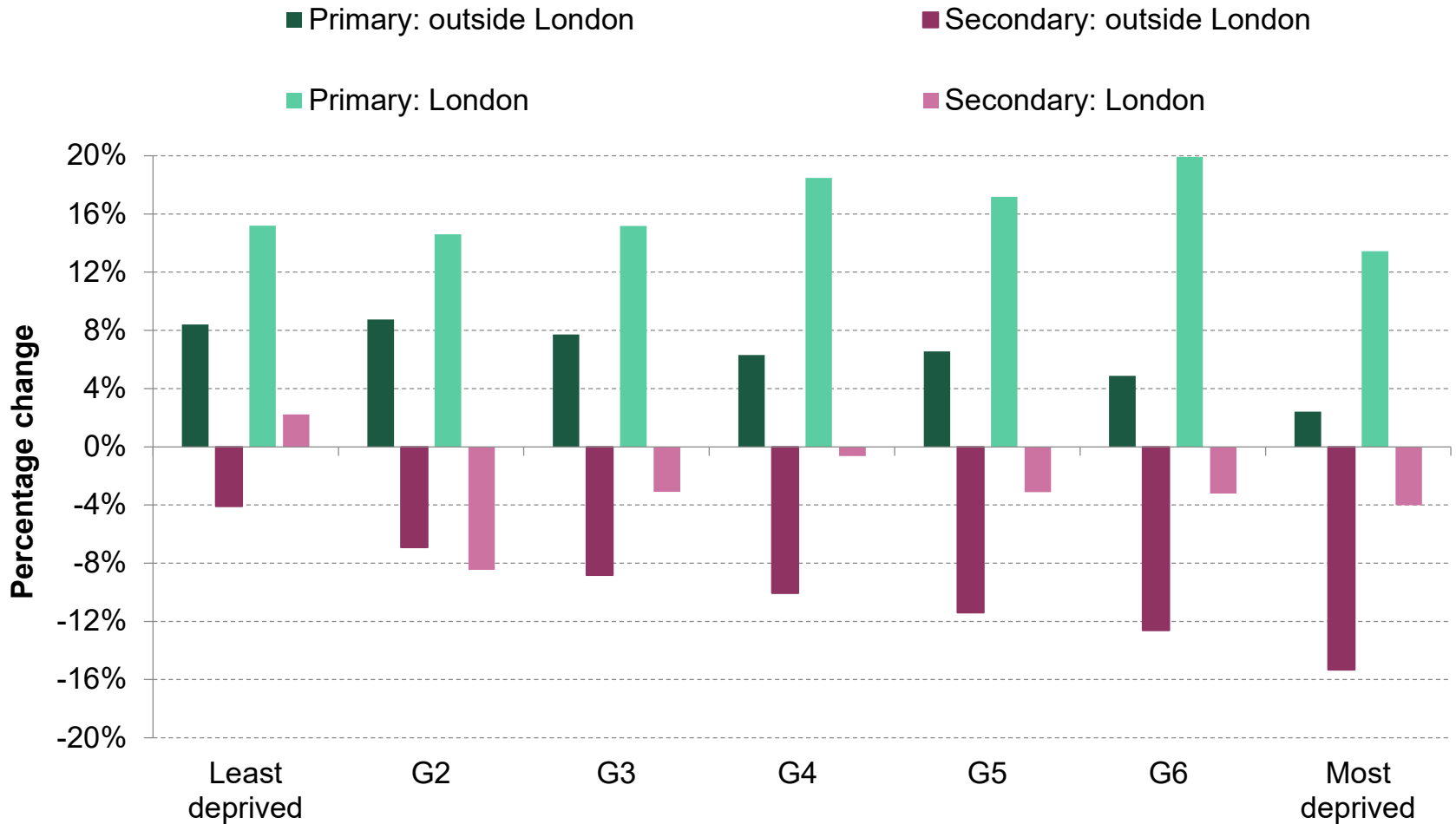
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3. School funding reforms have put a 'system' in place after years of rolling over budgets – but based purely on policymaker priorities as opposed to any assessment of needs, and funding has been shifted from schools serving deprived areas

Changes in school funding in 2010s

Change in funding per pupil, 2010-2019, by deprivation of school intake



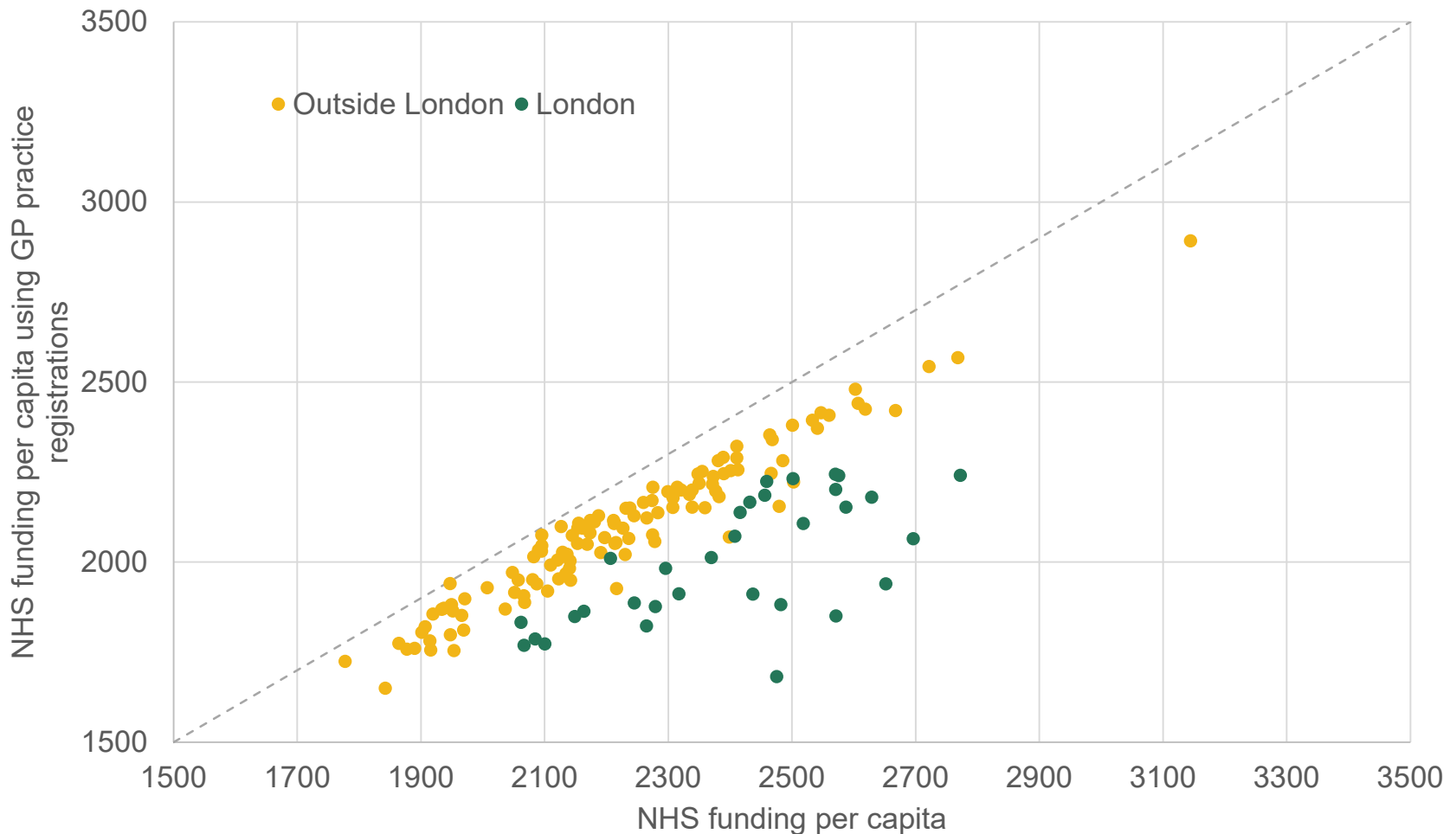
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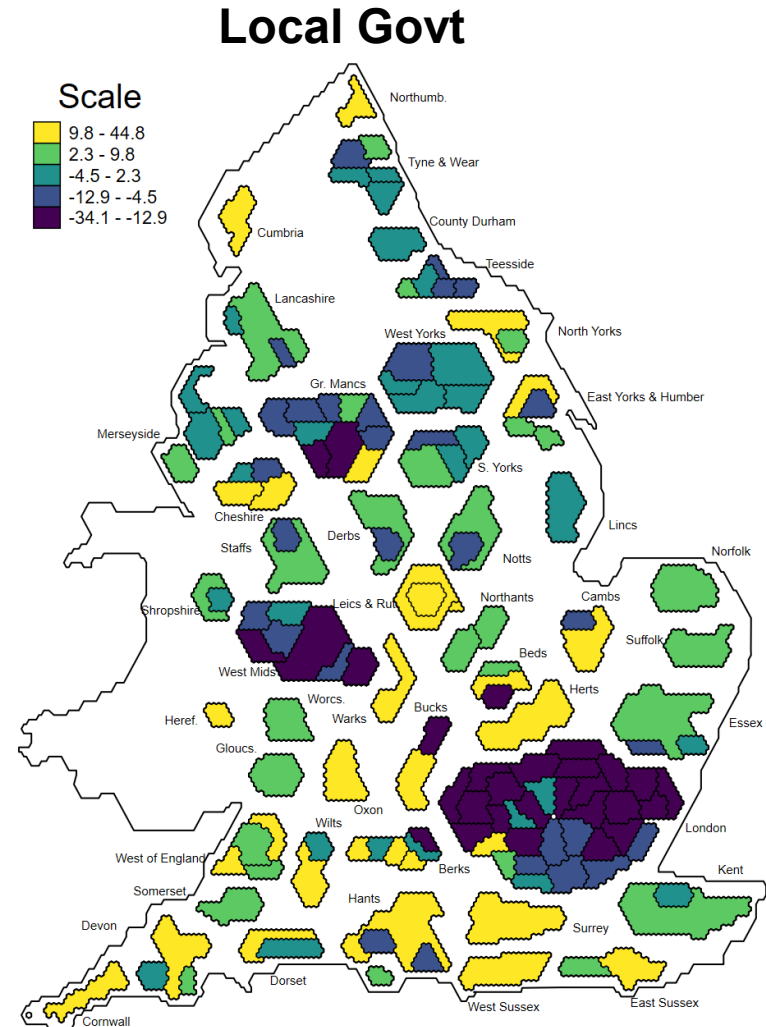
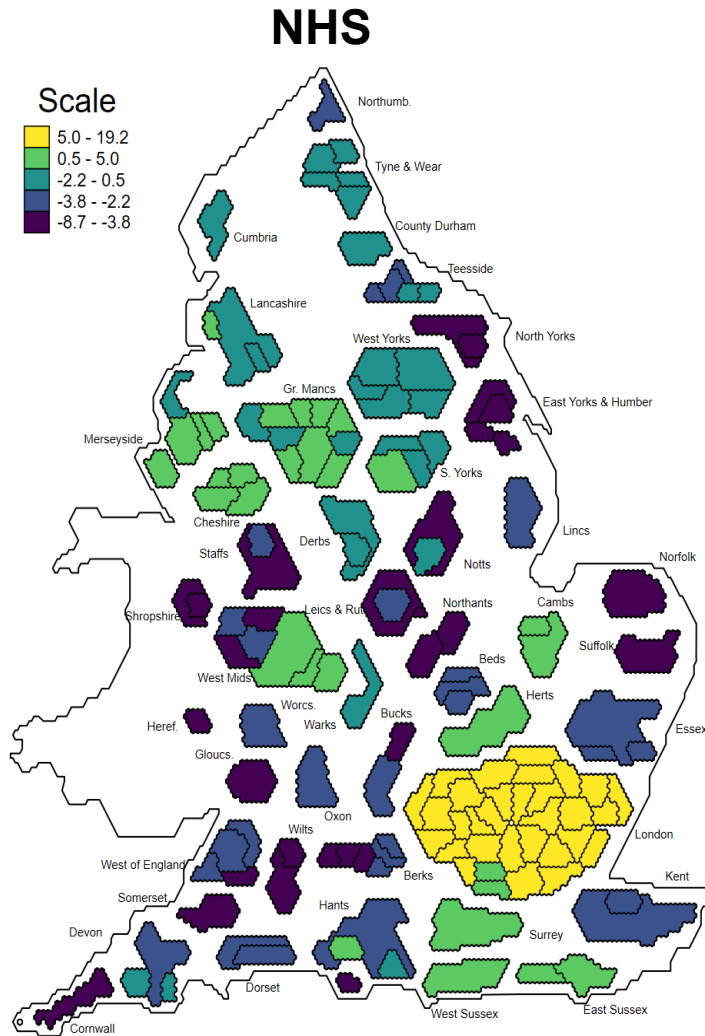
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4. Huge discrepancies between different population figures (e.g. pre and post Census, ONS versus GP registrations) makes allocating and estimating funding very challenging.

Differences between ONS and GP figures

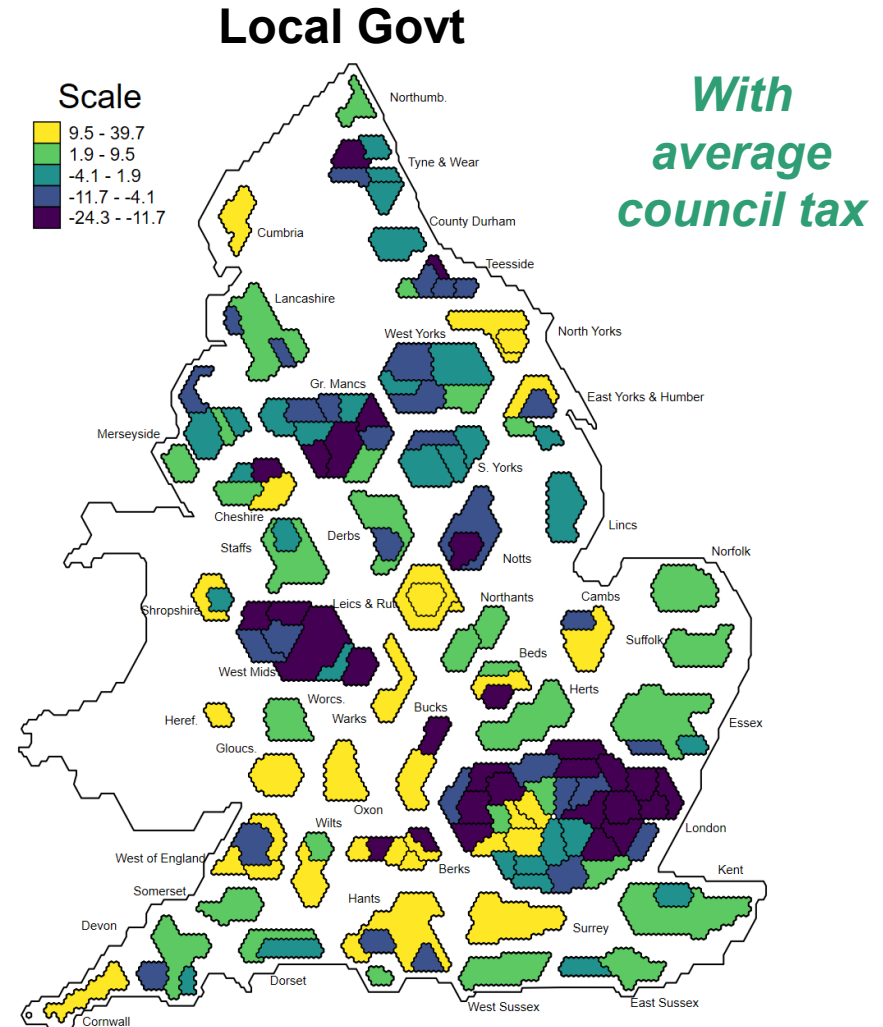
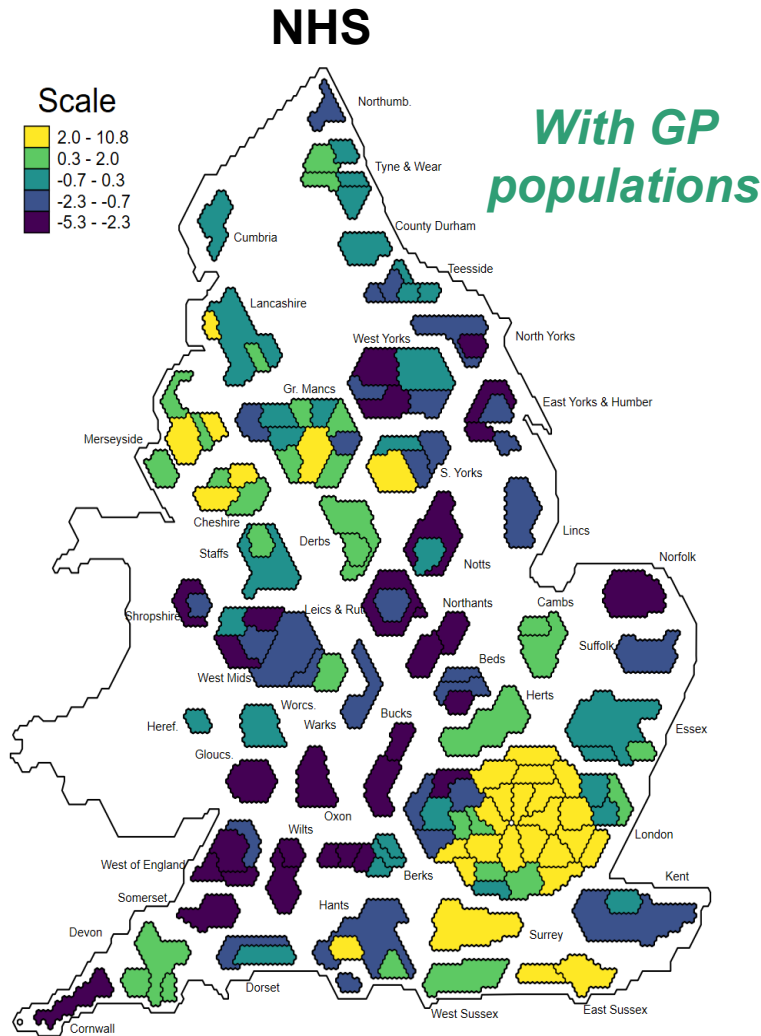
NHS funding per capita: comparison of ONS- and GP-derived estimates



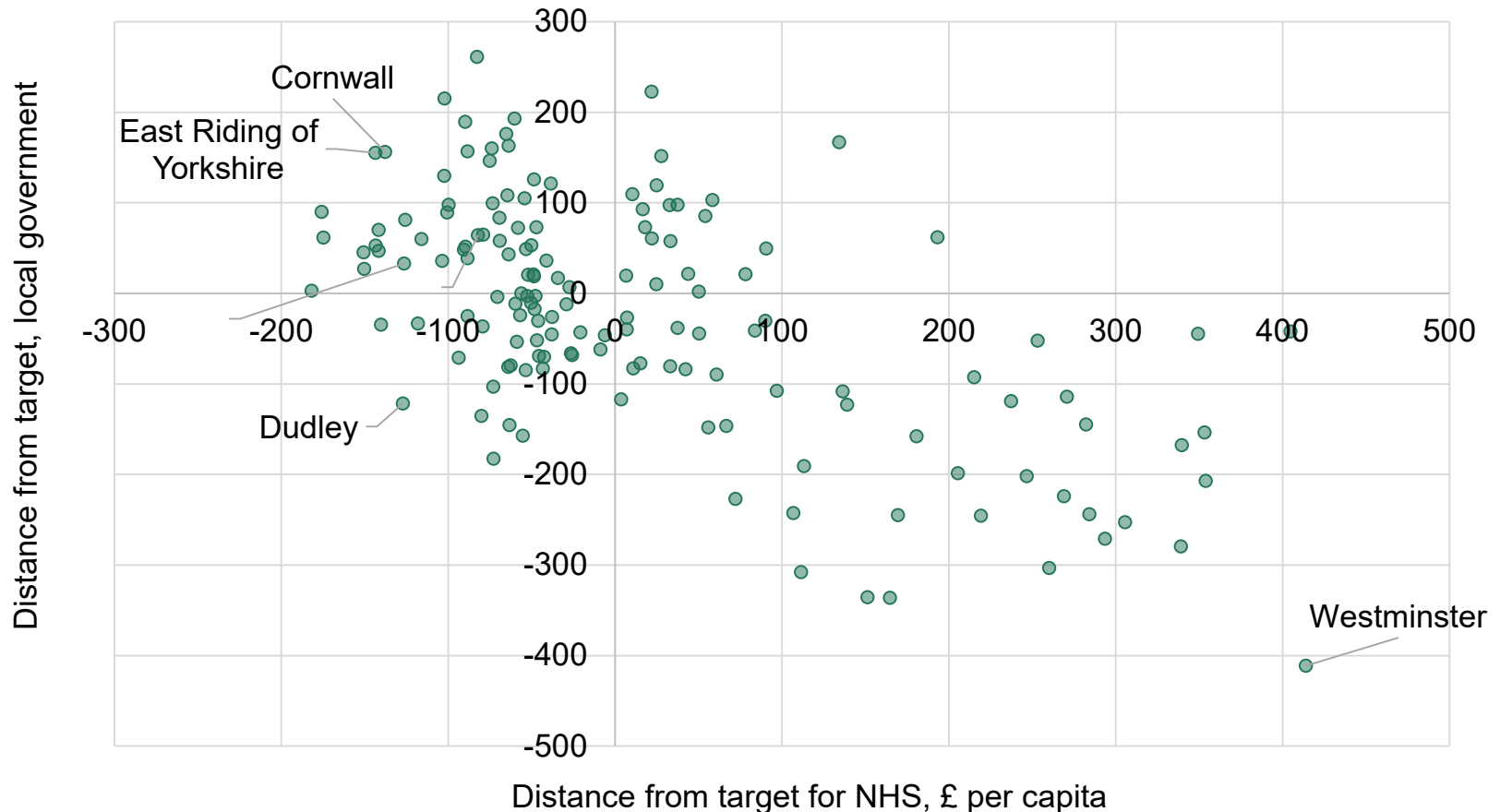
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Areas relatively under-funded for health are often relatively over-funded for local government



Concluding remarks and next steps



- We would suggest some combination of the following actions
 - Revised and updated assessments of spending needs for local government, public health, police and potentially schools
 - Improvements in data – not least on population figures
 - Use these in a transparent system, where the weight government is placing on needs versus other factors is clear
 - Potentially greater flexibility for local areas to move funding between services, and to vary locally-generated revenues
- Our next report will discuss these issues in more detail
 - Will publish online interactive maps of estimates of how much funding for different services each upper-tier LA area receives
 - And how this compares to assessed spending needs

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