



Challenges for  
levelling up

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@TheIFS

# The impact of taxes and spending across England

David Phillips

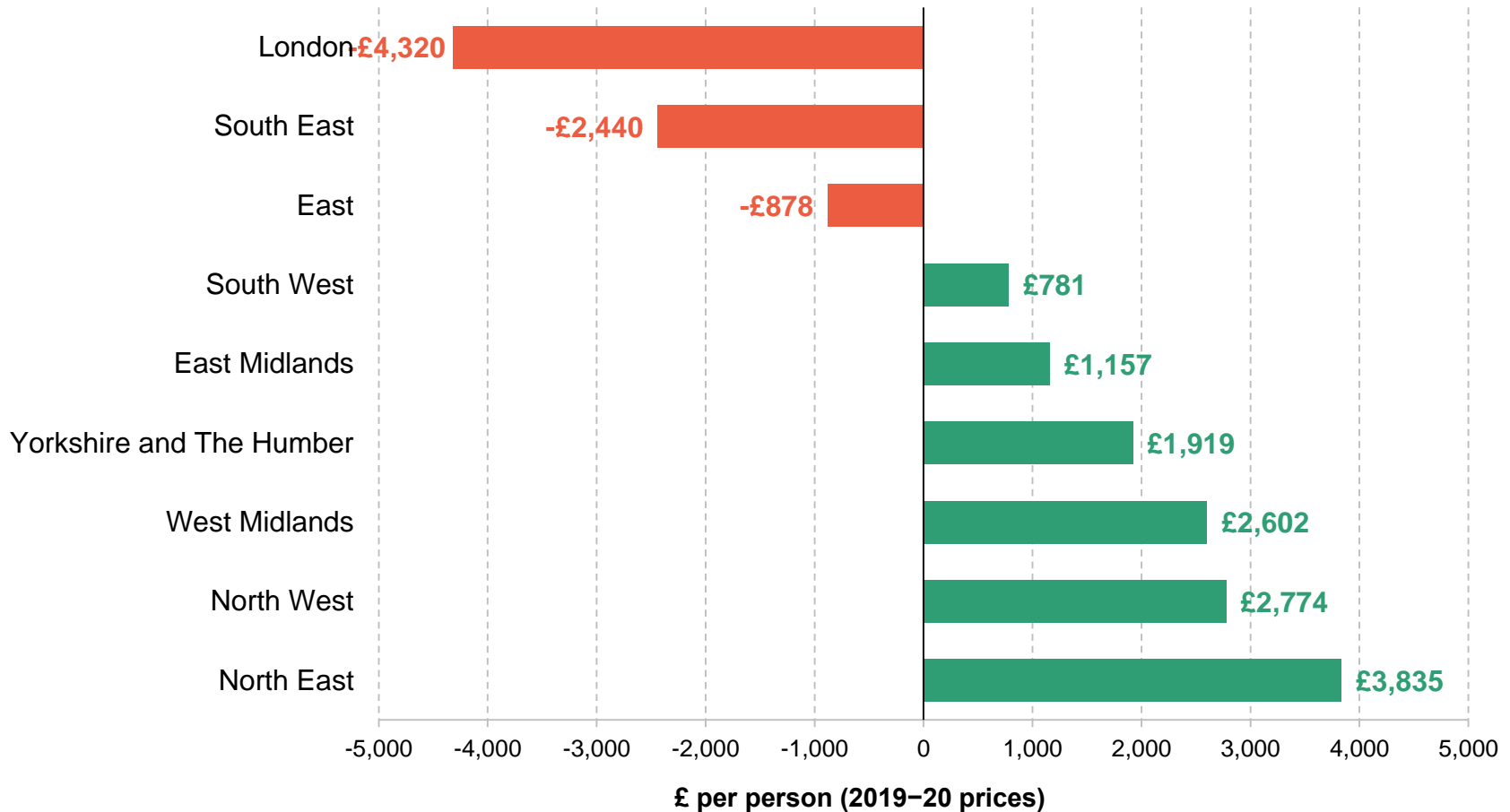
# The changing fiscal geography

- The overall degree of redistribution between England's regions
  - Different trends on the tax and spending side
- Local government spending
  - Different trends across places and across people
- School spending
  - An unexpected picture post 2010?

# Regional fiscal transfers

# Tax and public spending redistributes large sums of money between regions

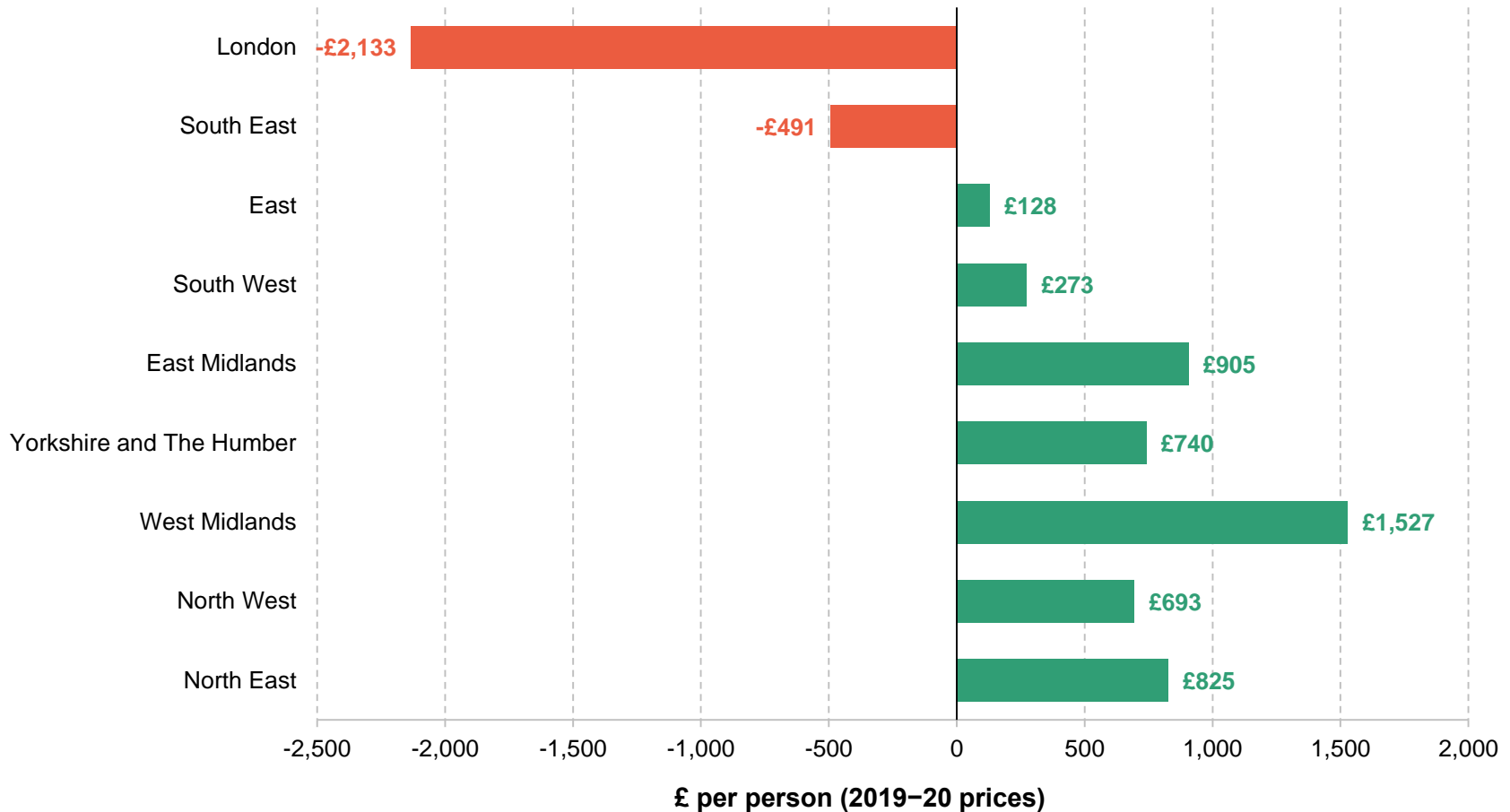
## Effective fiscal transfer per person (within England), 2019-20



Source: ONS, country and regional public sector finance tables. Effective fiscal transfer calculated as the difference between each region's net fiscal balance per head and the net fiscal balance per head for England as a whole. A negative value indicates a subsidy to national English budget; a positive value indicates a receipt. Oil & gas revenues allocated on a geographic basis.

# Fiscal transfers between regions have increased since 2000

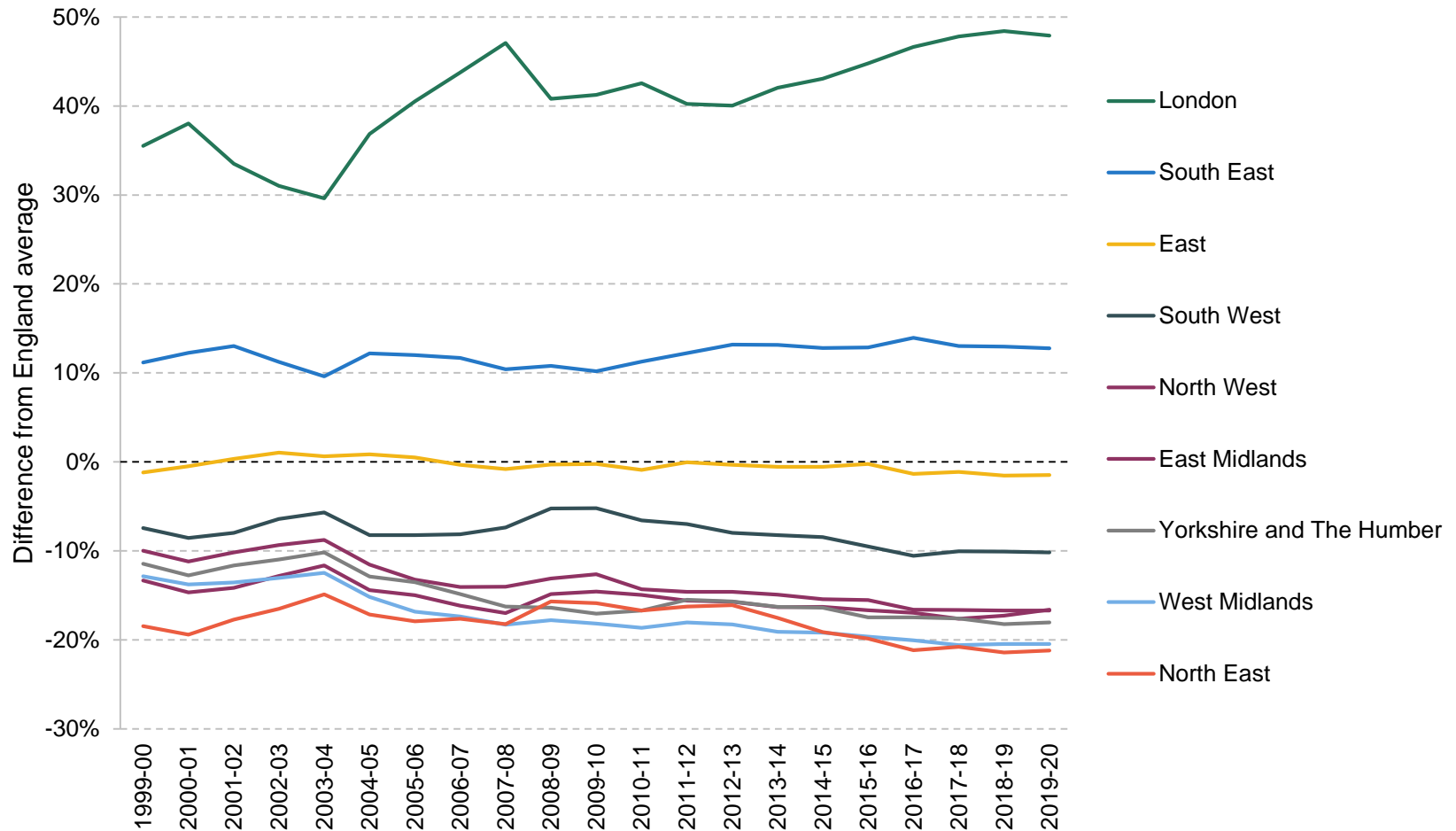
Change in effective fiscal transfer per person (within England), 1999–00 to 2019–20



Source: ONS, country and regional public sector finance tables. Effective fiscal transfer calculated as the difference between each region's net fiscal balance per head and the net fiscal balance per head for England as a whole. A negative value indicates an increasing subsidy to national English budget; a positive value indicates an increasing receipt. Oil & gas revenues allocated on a geographic basis.

# ...because revenues per person in London have pulled away from the rest...

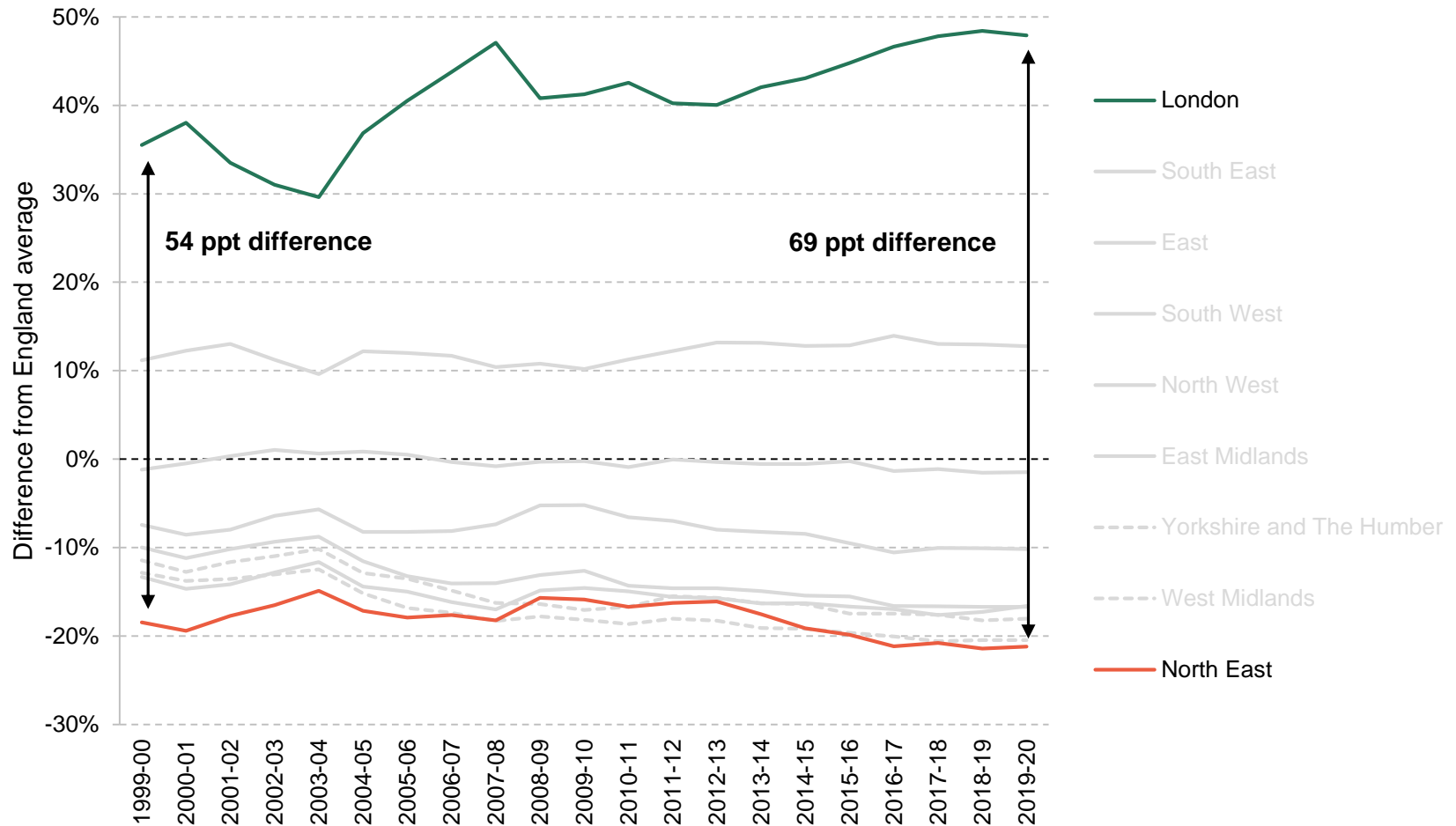
Revenues per person, relative to England average



Source: ONS, country and regional public sector finance tables. Oil revenues allocated on a geographic basis.

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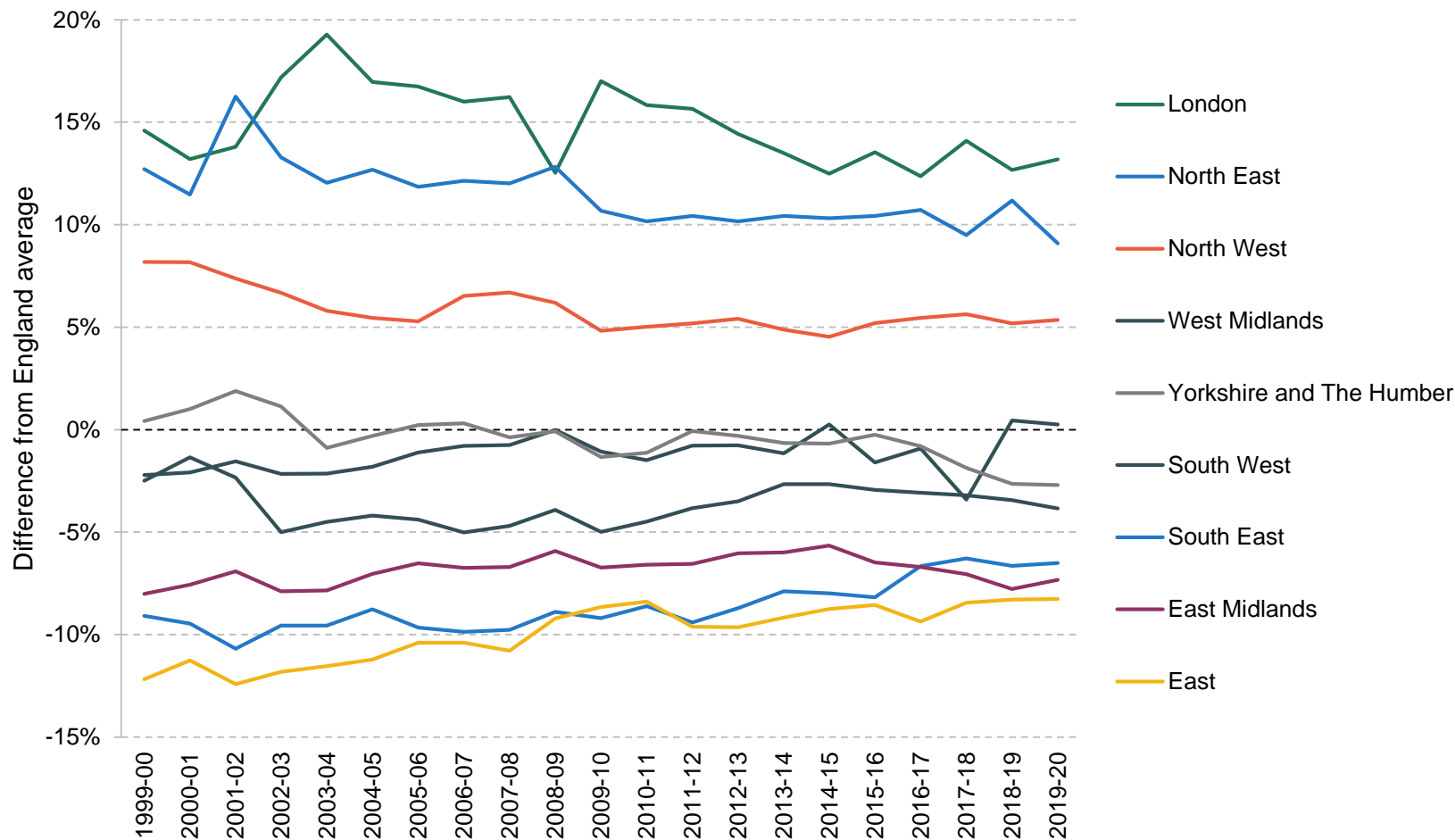
Revenues per person, relative to England average



Source: ONS, country and regional public sector finance tables. Oil revenues allocated on a geographic basis.

# ... while regional spending gaps have, if anything, narrowed

Spending per person, relative to England average

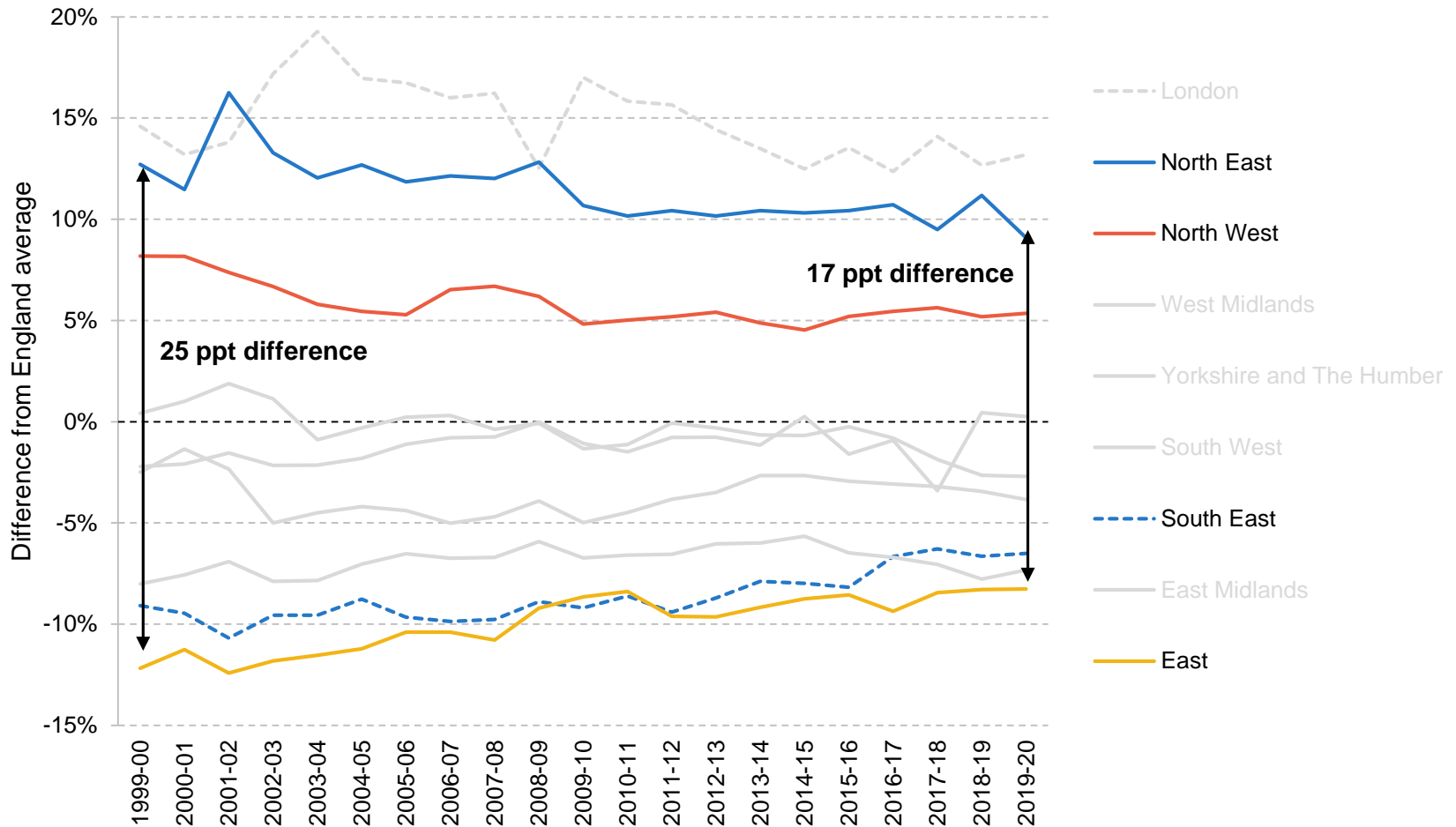


Source: ONS, country and regional public sector finance tables.



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Spending per person, relative to England average



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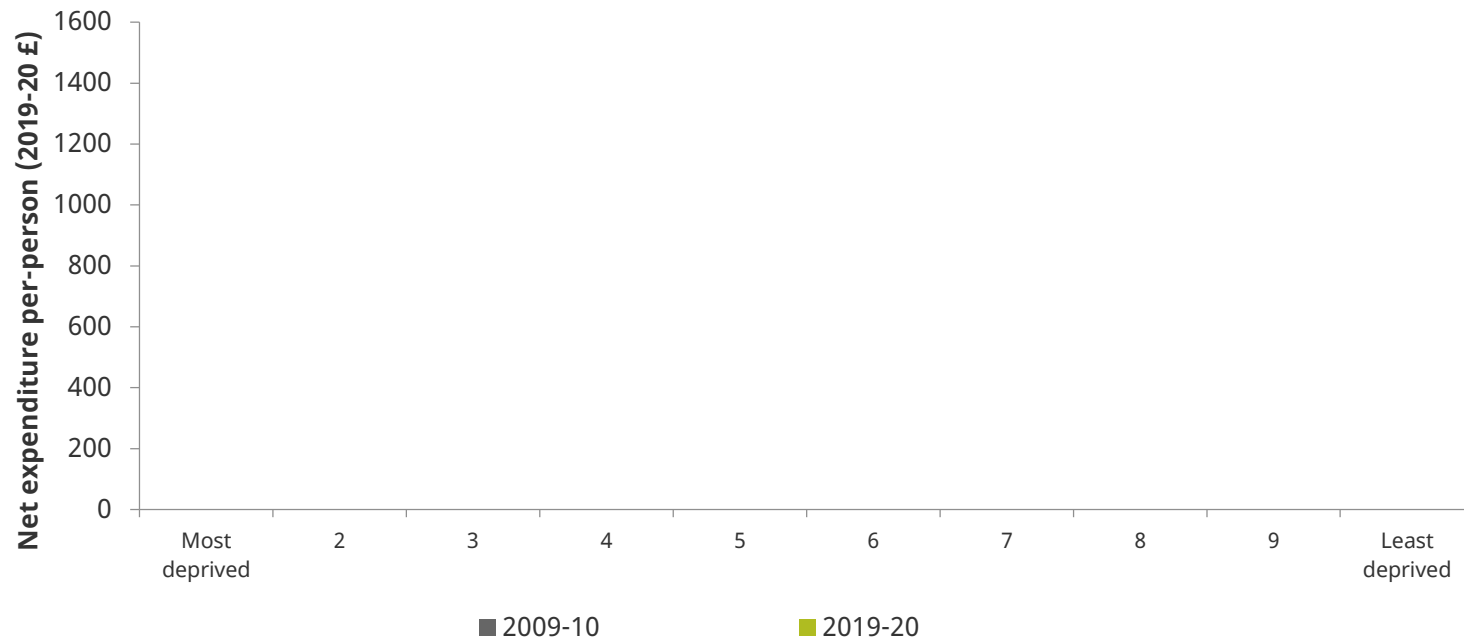
# Local government spending

# Local government spending



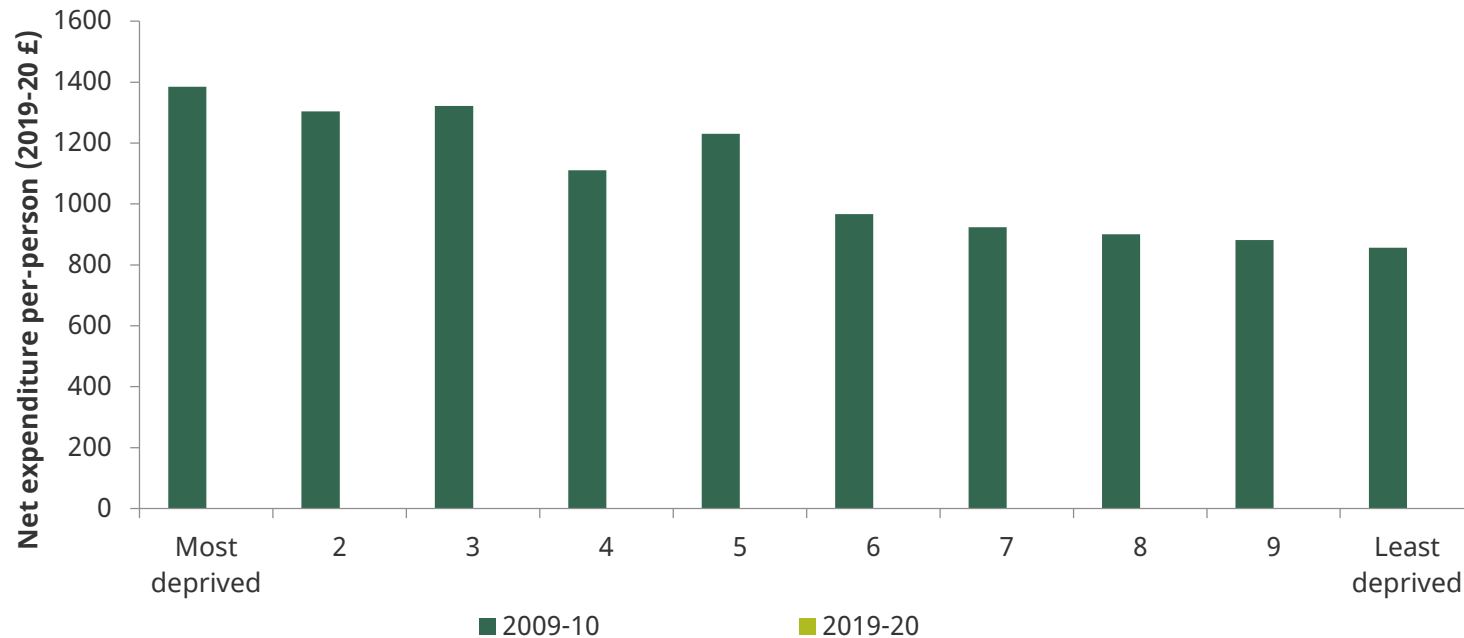
- Significant redistribution to more deprived areas, but less so than prior to 2010s austerity

# Pre-austerity, spending much higher in poorer areas



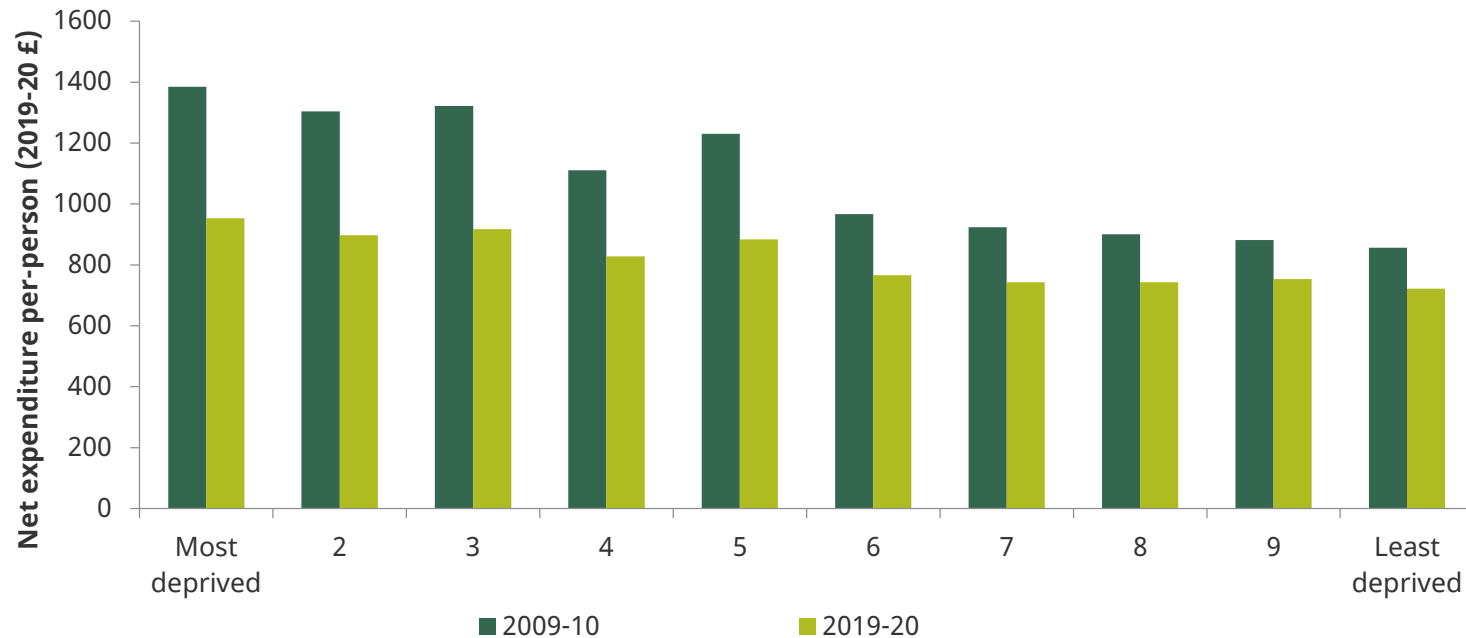
Note: Net service spending on services other than education, public health, police, and fire services.  
Source: Harris, Hodge and Phillips (2019).

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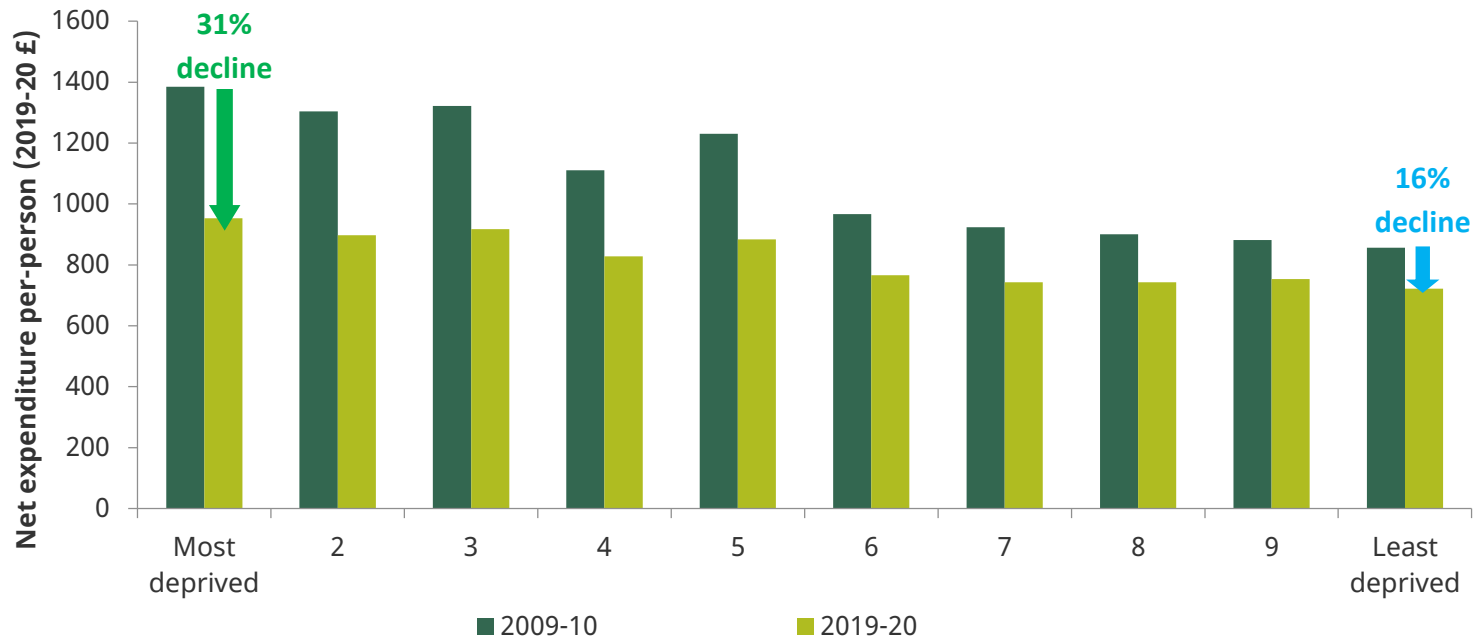
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# But cuts during 2010s much larger in poorer areas



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# Local government spending

- Significant redistribution to more deprived areas, but less so than prior to 2010s austerity
  - Within LAs, spend increasingly targeted on the neediest
- Reform of funding arrangements is vital
  - Still using data from 2013-14 (and formulas from mid 2000s)
  - Population up >20% Tower Hamlets, down 2% Blackpool

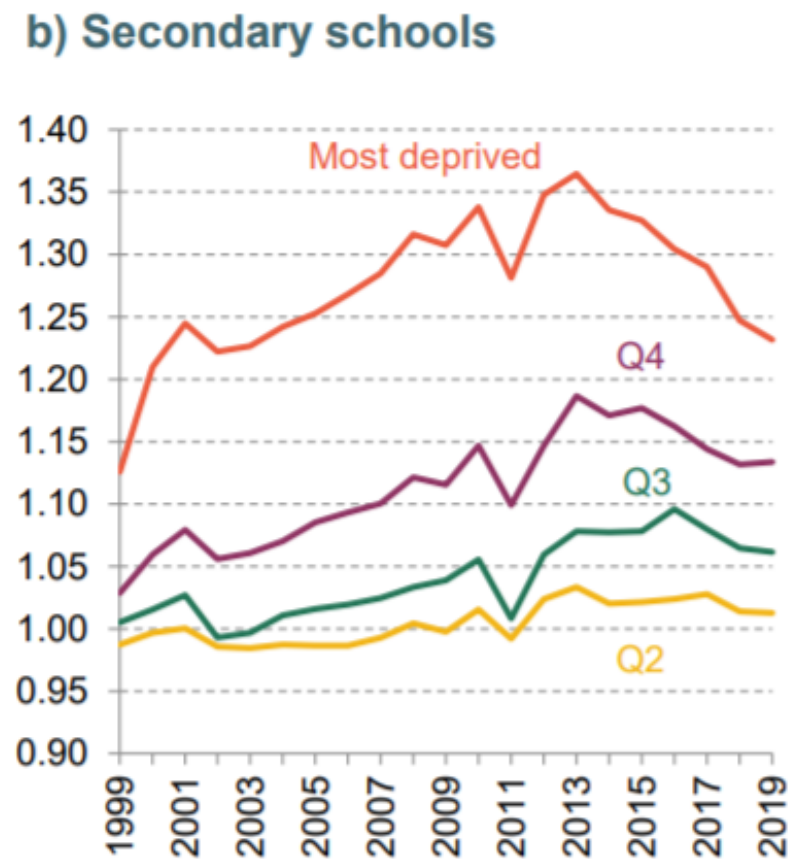
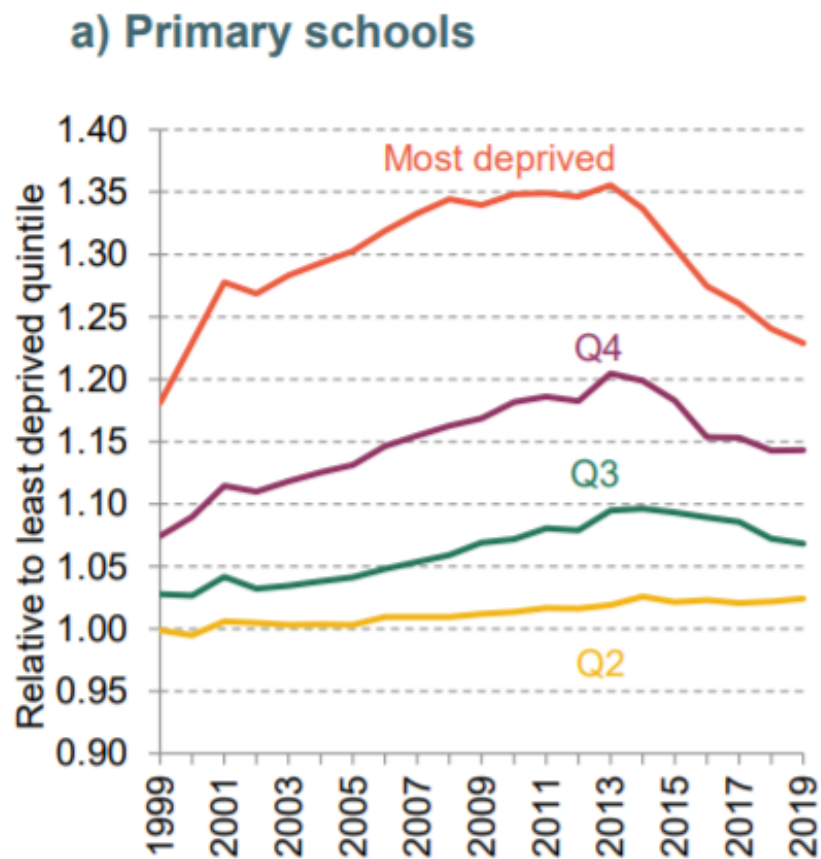


# School spending

# School spending

- Became more targeted at deprived areas in the 2000s, but less so during the 2010s despite introduction of Pupil Premium

# Spending by eligibility for free school meals (relative to lowest)



# School spending

- Became more targeted at deprived areas in the 2000s, but less so during the 2010s despite introduction of Pupil Premium
- Partly due to lack of updates of school funding allocations in a period of changing patterns of deprivation
- Partly due to how the funding formulas are now being updated, especially the “minimum funding levels”
- We know school resources matter, especially for (the most able) low SES students

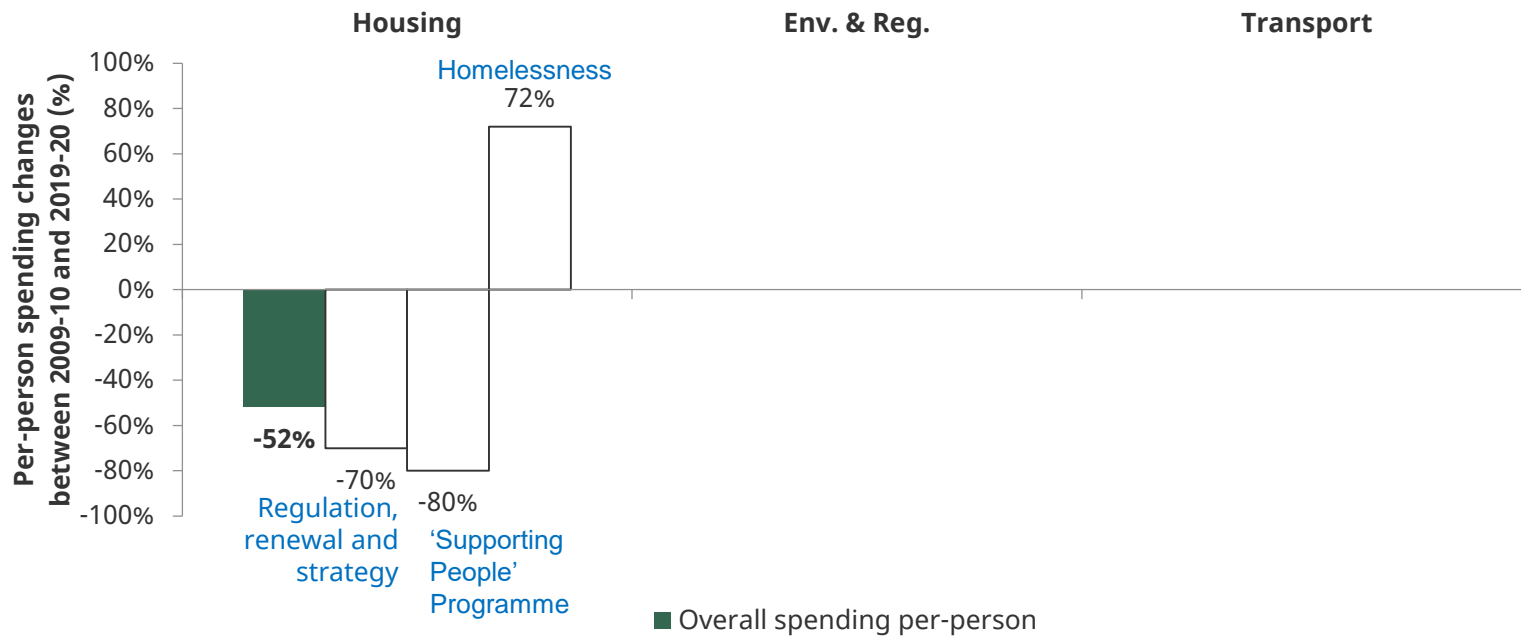
# Summary

# Key takeaways

- Differences in spending across regions, and since 2010 at least, local authority areas has narrowed
  - Former due at least in part to economic trends
  - Latter largely down to policy choices
- The importance of ensuring funding formulas are based on relevant and up-to-date indicators of needs
- The role of subjective (political) judgements in funding allocations

# Appendix – changes in spending within certain local government services

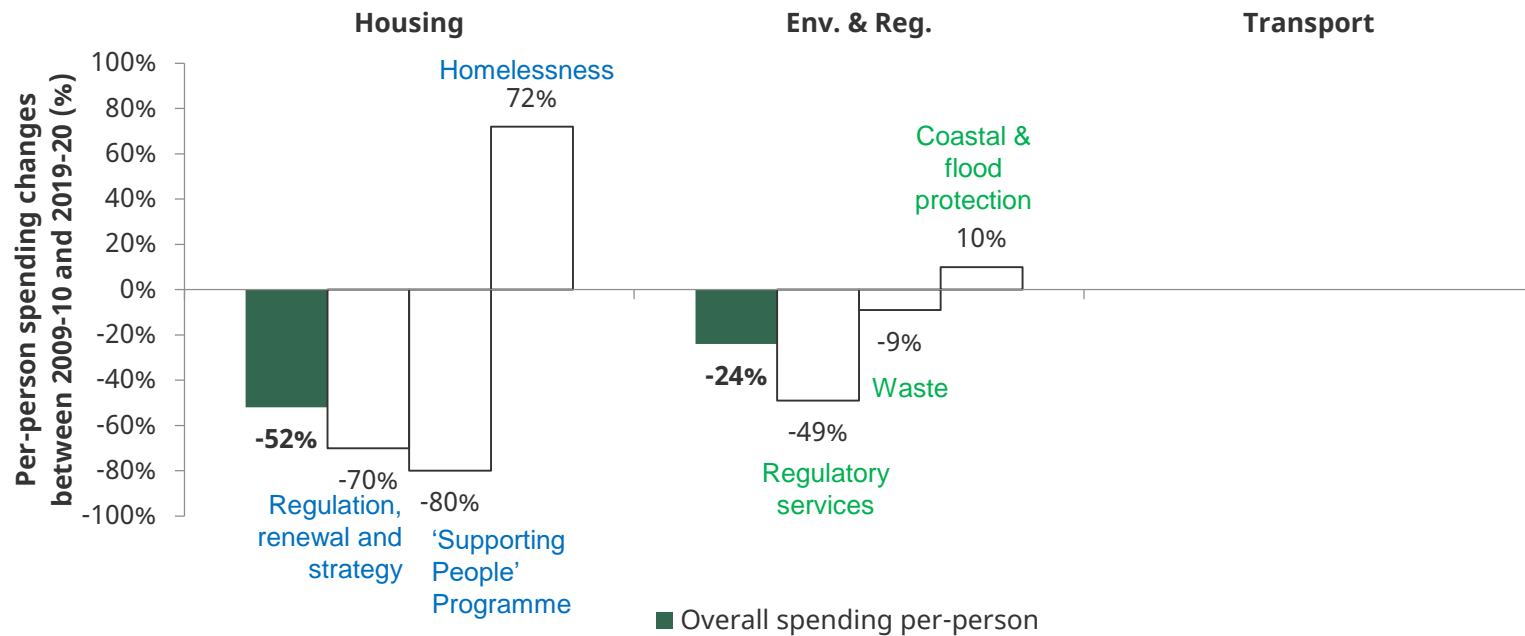
# Most obviously with social care, but also within other service areas



Source: Harris, Hodge and Phillips (2019).

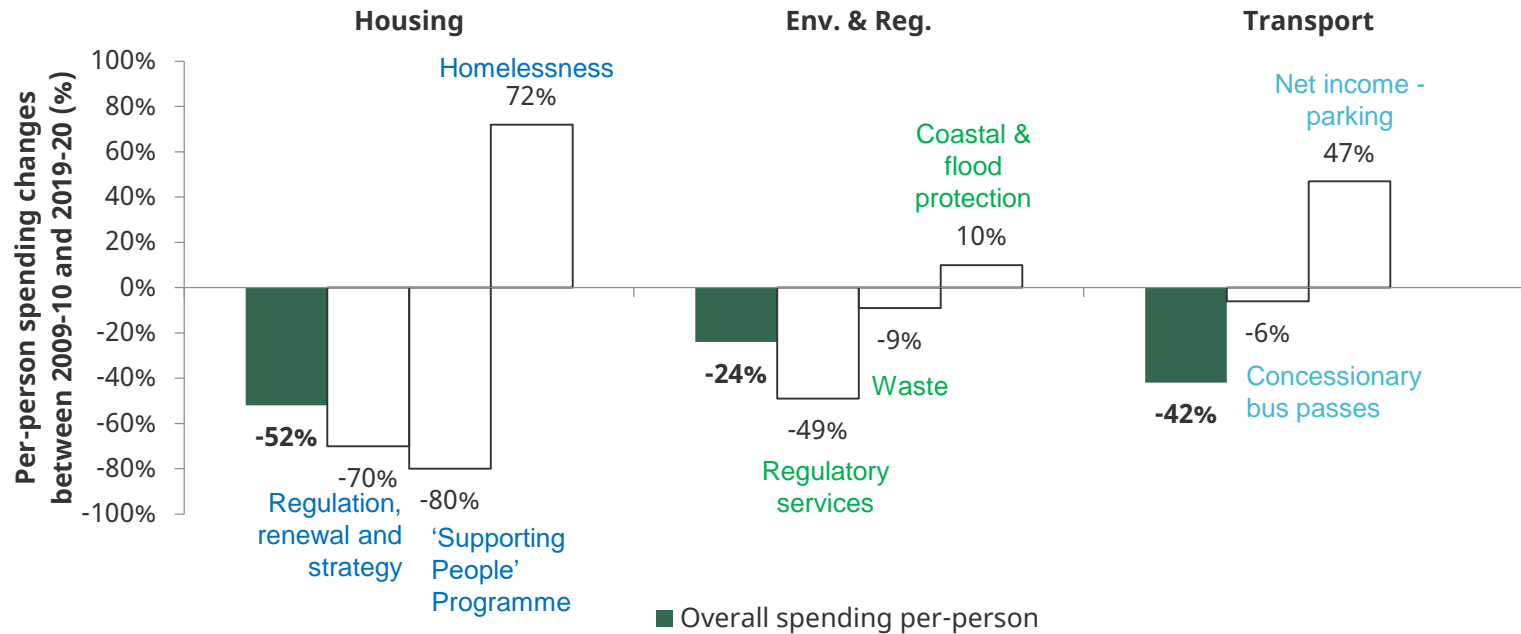


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