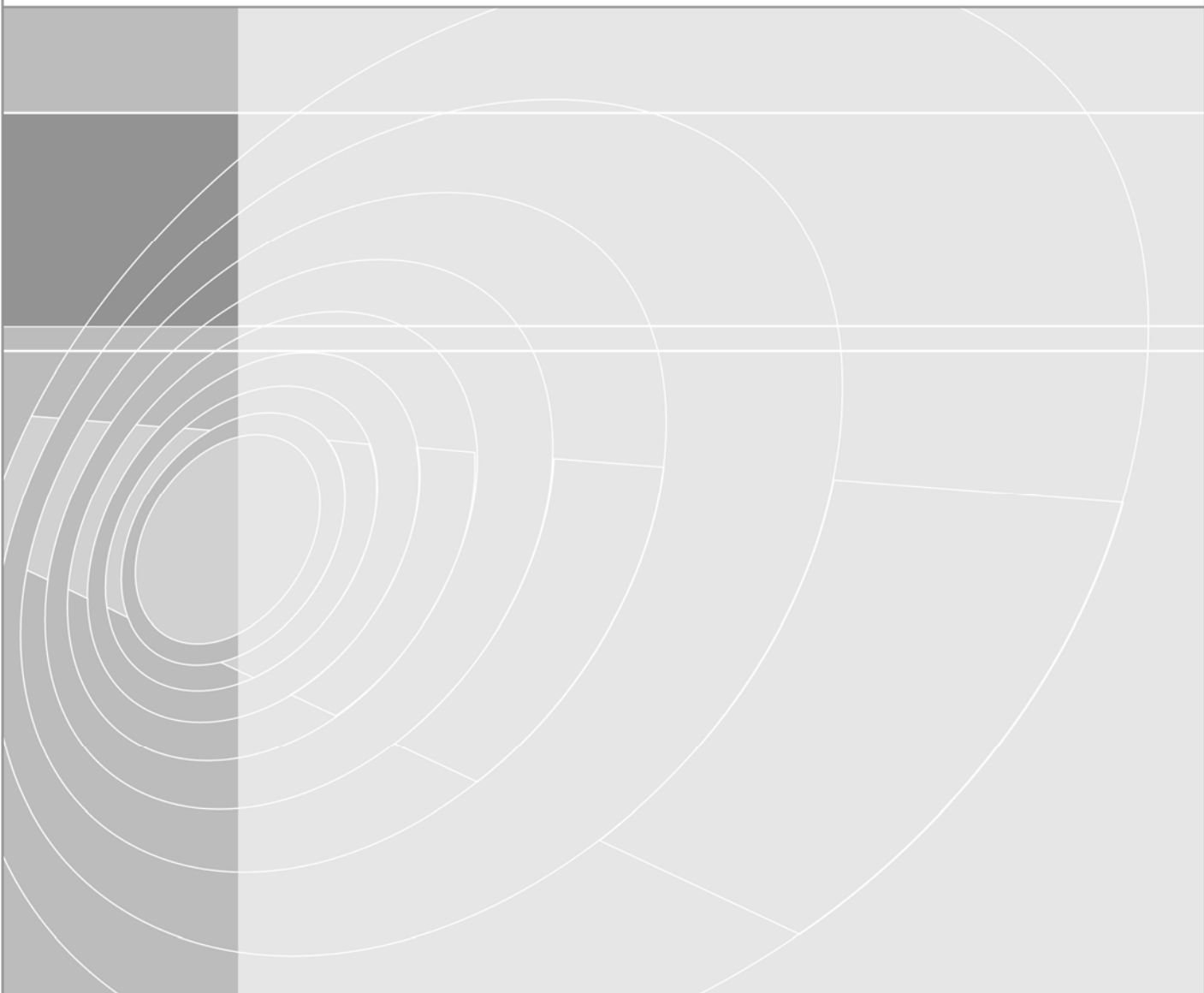




# The impacts of cuts in Liverpool and the North West



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The coalition Government is committed to a programme of deep and immediate cuts in public spending in an attempt to reduce the UK's budget deficit. The TUC believe that these policies will risk the recovery, increase inequality and threaten social cohesion. The case that we have made against cuts is set out in our recently published report "All Pain, No Gain".<sup>1</sup>

In this analysis we set out the impacts that spending cuts are having for Liverpool and the North West, considering how local and national cuts have affected the city and the region to date as well as the looking at risk factors for the future.

## Where are cuts being made?

The Centre for Local Economic Strategies (CLES)<sup>2</sup> have looked at how regions will be affected by the cuts announced so far. They note that areas that are most at risk are those where there are relatively few private sector jobs; high levels of unemployment; poor transport links; and high vulnerability to national public sector job losses. The data shows that to date, the largest proportion of cuts have been in the North West, as is set out below.

### Proportional impacts of in-year spending cuts announced by CLG by English region

Region	Proportion of cuts made to date (%)
North East	7.
North West	17.9
Yorkshire and the Humber	11.9
East Midlands	7.3
West Midlands	10.5
East of England	7
London	16.7
South East	11.7
South West	9.4

TUC analysis shows how these cuts are affecting Liverpool. As part of the £6.2 billion in year cuts announced by the coalition Government on the 24<sup>th</sup> of May, £1.166bn is being cut in local government spending through reductions in

<sup>1</sup> <http://www.tuc.org.uk/industrial/tuc-18087-f0.cfm>.

<sup>2</sup> <http://www.cles.org.uk/files/105986/FileName/No.75-Publicsectorandlocalgovernmentcuts.pdf>

individual grants given to local authorities. Liverpool City Council has established that this will mean an impact of £20.1m in ongoing annual reductions. The bulk of this will come from a saving of £9.288m from the 2010/11 Area Based Grant programme: an 8.5 per cent reduction in available funding.

Area based grants (ABGs) are given to councils to help support deprived communities. The amount of ABG each local authority receives is therefore reflective of their individual needs and circumstances. But in applying the cut to the ABG the Government has not taken in to account the particular circumstances of local areas: those in areas that are already badly off are more likely to feel the impact of reductions in these grants. Cuts that will have particularly negative impacts include:

- £250,000 reduction (48 per cent cut) in a programme to reduce health inequalities by reducing smoking. The project delivered activities including stop smoking services, support to raise awareness of the dangers of smoking among young people and projects to reduce exposure to second hand smoke.
- £1,301,000 reduction (14 per cent cut) in the Local Enterprise Growth Initiative, a programme focused on increasing entrepreneurial activity among young people, adults and new and existing businesses.
- £100,000 cut (13 per cent cut) in Liverpool's Transitional Employment Programme (TEP) which provides opportunities for long-term unemployed people to gain the necessary work related skills and abilities to help them obtain full time sustainable employment.

In addition children and young people have been hit disproportionately hard by the ABG cuts. Our analysis<sup>3</sup> has found that around £3.5 million of cuts in Liverpool have been made in area based grants which affect children and young people directly; well over *a third* of the budget. Cuts in the ABG affecting children and young people include:

- £150,000 from the budget for free fruit and vegetables for Key Stage 2 school pupils. (50 per cent cut)
- £53,000 reduction in the carers grant that helps provide emergency carers for children with special educational needs and other disabilities. (10 per cent cut)
- £8,500 from the health promotion education project targeted at reducing accident risks for children and young people. (85 per cent cut)
- £40,000 from the School Development Grant which aims to re-engage young people at risk of under achievement or dropping out of education through employer led skills development activities and awareness of the skills required to enter employment. (28 per cent cut)
- £18,000 from improving Access to Primary Health Care for disaffected children and young people. (40 per cent cut)

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<sup>3</sup> <http://www.tuc.org.uk/extras/liverpool.xls> In the spreadsheet, services in red are those that provide some, but not exclusive support to children and young people. For these services we have made a conservative estimate that approximately 25 per cent of the cut in expenditure will affect children and young people directly (and in the case of marketing and communications we have completely excluded the figures from our analysis of the impacts for children).

- £30,000 from the Education Health Partnership, a joint venture partnership which involves offering health support to schools to improve the health and well-being of pupils. (20 per cent cut)
- £15,000 from the programme offering specialist advice and guidance on all aspects of OFSTED, which includes offering intensive support to schools which have received special recommendations for key changes or areas of improvement from OFSTED. (8 per cent cut)

A summary breakdown of the local cuts is shown below.

### Area based grant cuts in Liverpool as a proportion of overall grant reductions

Funding Stream	Reduction Required	% of overall £9.28m grant cut
Department for Education	£4.051m	44%
Supporting People Admin Grant	£0.288m	3%
Working Neighbourhoods Fund	£3.501m	38%
Local Enterprise Growth Initiative	£1.302m	14%
Home Office including Prevent & Cohesion	£0.147m	1%

Councillors in Liverpool have attempted to minimise the impact on front line services and jobs by developing proposals which maximise the potential for budget savings from uncommitted and savings expenditure. Nevertheless, as is shown below, the largest proportion of cuts has been made by scaling down projects: cuts will inevitably impact on front line services.

### Cuts in Areas Based Grants by category of spending reduction

Cuts by Category	Saving
<b>Uncommitted</b> ( <i>budget reductions from ABG – not yet been committed</i> )	£2,218,152.00 (24 per cent)
<b>Saving</b> ( <i>efficiency savings which have limited impact on the quality/ scale of delivery</i> )	£377,300.00 (4 per cent)
<b>Scaled Down projects</b> ( <i>cuts which will impact on the quality or scale of delivery and result in job losses</i> )	£4,631,548.00 (50 per cent)
<b>Ceased</b> ( <i>projects brought to a close as soon as practically possible, in general these are projects which have been identified as ending in March 2011 &amp; therefore closures have been brought forward</i> )	£2,061,570.00 (22 per cent)
<b>Total</b>	<b>£9,288,570.00</b>

The Government claims that the cuts being made will be fair and progressive and maintain that the most vulnerable will be protected - but experience on the ground in Liverpool suggests that even at this early stage of spending cuts it is simply not possible to make such steep reductions in spending without hitting the worst off. The impact of cuts in the area based grant also shows that spending reductions so far have been about far more than reducing waste - front line services have been affected.

The council has said the way the government had calculated its cuts meant Liverpool stood to suffer "disproportionately", compared with local authorities in more affluent areas. The council's Deputy Leader believes that Liverpool could be the hardest hit of the big cities in the UK by public spending cuts. "*We were told that Liverpool wouldn't be subject to savage cuts*"<sup>4</sup> Cllr Paul Brant told BBC North West Tonight. "*Yet we already know that we've been singled out for the worst treatment of our comparative cities in England...we think that is particularly unfair and the largest cuts in expenditure have been made to a grant that is particularly targeted towards areas of the greatest need.*"

The cuts to ABGs are only one of a series of the cuts being made by Government: a large number of national cuts will also affect households across Liverpool and the North West. These include:

- **Playgrounds:** Grants of around £1.1m to 132 councils across England have been frozen. This money was promised under the £235m Playbuilder scheme which aimed to build, or revamp, 22 playgrounds in each area. Liverpool City Council<sup>5</sup> has warned that it may have to hand back £400,000 which will affect planned improvements to nine parks.
- **Schools:** The Building Schools for the Future programme is to be closed, which will mean 715 schools nationally will no longer be rebuilt or refurbished. Plans for 26 schools in Liverpool to be rebuilt or completely modernised under Wave Six of Building Schools for the Future have been abandoned and Liverpool City Council have reported that cuts will cost the city's secondary schools £350 million. Only eight of the 35 planned projects have been given the go-ahead, while two are under review.<sup>6</sup> An estimated 1,000 full time equivalent construction jobs would have been created in the design, construction and maintenance of the schools. In addition to the £350 million capital cost of the scheme, a further £50 million of ICT investment and £10.5 million of cleaning and maintenance management contracts will also be lost - bringing the total amount of finance lost to £410.5 million.<sup>7</sup>

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<sup>4</sup> [http://news.bbc.co.uk/local/liverpool/hi/people\\_and\\_places/newsid\\_8741000/8741915.stm](http://news.bbc.co.uk/local/liverpool/hi/people_and_places/newsid_8741000/8741915.stm)

<sup>5</sup> <http://www.liverpooldailypost.co.uk/liverpool-news/regional-news/2010/08/12/liverpool-could-lose-nine-new-play-areas-after-government-funding-cuts-92534-27047307/>

<sup>6</sup> <http://www.insidermedia.com/insider/north-west/35937-liverpool-hit-hard-bsf-cuts/>

<sup>7</sup> [http://www.liverpool.gov.uk/News/archive/july2010/newsdetail\\_2086.asp](http://www.liverpool.gov.uk/News/archive/july2010/newsdetail_2086.asp)

- **Housing:** Shelter<sup>8</sup> has warned that a possible cut of £760 million to housing budgets will mean 12,625 fewer homes built, 19,000 job losses and a cost of £2.7 billion to the economy. Any government cuts to housing investment could place jobs at risk in Liverpool, where 15,700 people are employed in the construction industry, 9 per cent of all those in work. This is above the national average of 7.7 per cent. Campbell Robb, Chief Executive of Shelter said “As Government decides where the axe will fall, it must consider the impact that cutting housing investment will have on local employment in Liverpool. If the overarching aim is to stabilise our already fragile economy, cuts now just don’t make sense.”<sup>9</sup>
- **Police:** The Liverpool Echo reports that police funding in Merseyside will be cut by more than £4m. Policing Minister Nick Herbert MP announced Merseyside police’s core central government funding allocation for the *current* financial year would drop from the £142.2m agreed in February by the previous administration to £138.4m.<sup>10</sup> In addition, another £300,000 is being shaved off capital spending on buildings.
- **Future Jobs Fund:** £290million has been cut nationally from the programme leading to the loss of over 90,000 jobs for young people at risk of long-term unemployment. In addition, the Young Person’s Guarantee (which provided young people with a guarantee of training, volunteering or a paid job after six months of unemployment) – this will not be extended in to 2011/12. Liverpool’s Regeneration Director John Kelly has written to Treasury Ministers, warning that cutting the Future Jobs Fund could have a damaging effect.<sup>11</sup> With 5,925 18 to 24-year-olds claiming unemployment benefits, cutting the scheme would have a "disproportionate" effect on the city, he warned.
- **Regional Development Agencies:** The Government has recently announced plans to replace RDAs with Local Economic Partnerships and the North West Regional Development Agency (NWDA) will close in April 2012. To date, funding for the NWDA has been cut back by £52m -18 per cent of its overall budget. The agency has therefore had to recover cash back from projects across the region. In addition, the NWDA will no longer be able to contribute to the day to day running costs of over 30 partner organisations across the region: any Northwest programme or project that has not already had NWDA funding contracted for 2010/11 will not now secure funding from the Agency.

The Northwest Regional Development Agency has confirmed more than 100 projects will lose out as a result of the budget cuts.<sup>12</sup> Projects affected in Liverpool

<sup>8</sup> <http://www.clickliverpool.com/news/local-news/129486-cuts-would-hit-liverpool-hard,-shelter-warns.html>

<sup>9</sup> <http://media.shelter.org.uk/Press-releases/North-West-will-be-hit-hard-by-cuts-to-new-homes-budget-Shelter-warns-306.aspx>

<sup>10</sup> <http://www.liverpoolecho.co.uk/liverpool-news/local-news/2010/05/28/lib-con-coalition-government-cuts-merseyside-police-funding-100252-26538490/>

<sup>11</sup> <http://www.liverpoolecho.co.uk/liverpool-news/local-news/2010/06/12/liverpool-council-outraged-at-scrapping-of-future-jobs-fund-100252-26636915/>

<sup>12</sup> <http://www.nwda.co.uk/news--events/press-releases/201001/update-on-nwda-funding.aspx>

include: Everyman and Playhouse Theatres; The Liverpool Institute of Vaccine Research and the Liverpool Metropolitan Cathedral Arts Project. Merseyside's two key regeneration and investment bodies – Liverpool Vision and The Mersey Partnership (TMP) could also lose millions of pounds in funding. In the last full year Liverpool Vision and TMP have received almost £22m in funding from the NWDA.<sup>13</sup>

Many other national cuts will affect public services in the Liverpool area. These include:

- **Education cuts:** The Department of Education also announced it will make a number of specific cuts to national programmes (£670m) as its contribution towards the Government's £6.2 billion target.
- **Youth Community Action Programme:** This programme, which aimed to encourage all 14-19 year olds to take part in volunteering, has been completely cut.
- **Free School Meals:** Plans to provide children from low income families with access to free school meals have been dropped.
- **Inspiring Communities pilot:** This programme provided grant funding to neighbourhood partnerships seeking to raise the aspirations and educational attainment of local young people) is reportedly facing significant cuts of close to £1.4 million nationally.<sup>14</sup>
- **Higher Education:** The HE budget has seen a £200m reduction in funding nationally.

In addition, a number of cuts in welfare and social security expenditure will hit families in Liverpool hard. These cuts include:

- **Child Trust Fund:** Payments will be scaled back payments and the Fund will then be abolished.
- **Sure Start Maternity Grant:** From April 2011 the £500 grant will only be available to the first child in the family.
- **Health in Pregnancy Grant:** This universal grant of £190 abolished.
- **The Baby Element of Tax Credits:** This additional payment of £545 a year for families with a child aged under one has been cut.
- **The Toddler Tax Credit:** This additional £4 a week for families with children aged one or two, due to be introduced in 2012, has been cut.
- **Child Benefit:** This has been frozen for three years from 2011-12.

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<sup>13</sup> <http://www.liverpooldailypost.co.uk/ldpbusiness/business-local/2010/07/01/liverpool-vision-and-tmp-face-cuts-as-nwda-loses-52m-from-its-budget-92534-26763167/>

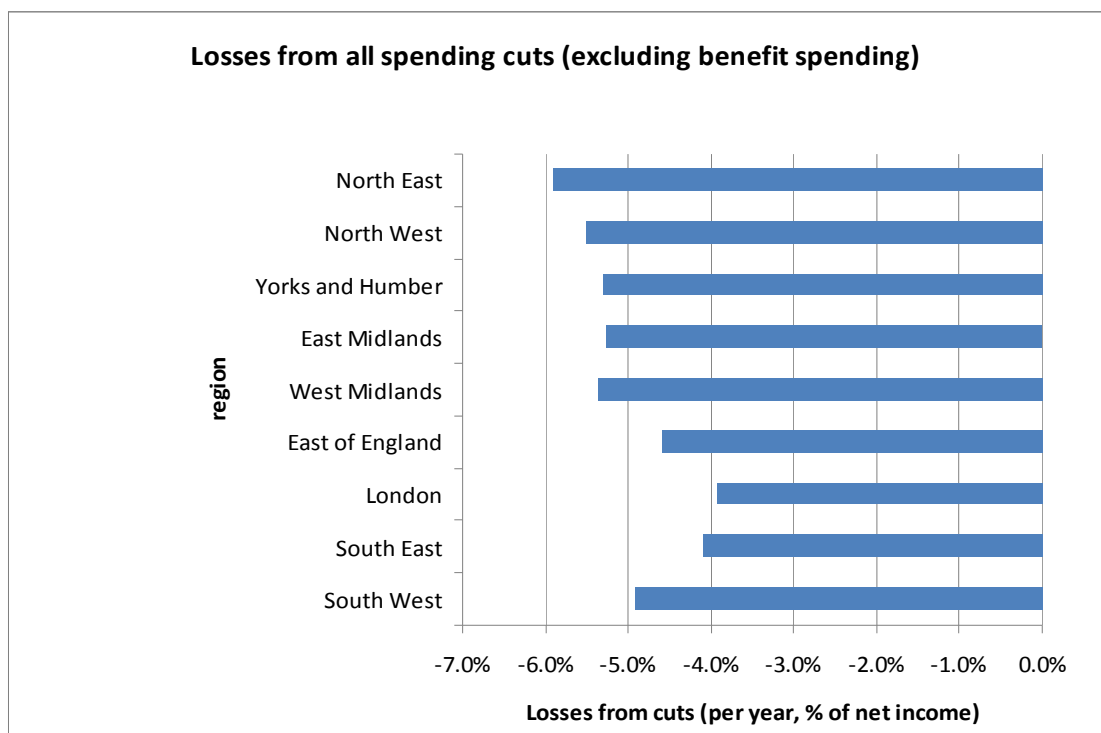
<sup>14</sup> <http://www.regen.net/news/ByDiscipline/Community-Renewal/EmailThisArticle/1022057/>

The cumulative loss that children and families will have experienced by 2012/13 - by national cuts to services and benefits announced so far – is just over £13 billion<sup>15</sup>.

### Why is the North West vulnerable to cuts?

TUC research has shown that the North West (NW) is likely to be particularly hard hit by cuts. In a new comprehensive analysis of the distribution of public spending across households in the UK,<sup>16</sup> the research found that regions with lower average household incomes and more deprivation (including the North West) tend to make greater use of public services than more affluent regions (such as the South East and East of England). This pattern is obviously further emphasised when the public spending figures are expressed as a proportion of net household incomes, as can be seen in the chart below – cuts will mean that households in the North West lose proportionately more services than those in more affluent areas of the UK.

### **The distributional impact of the Government’s proposed spending cuts (excluding benefit cuts) by English government region, 2012/13.**



<sup>15</sup> <http://www.touchstoneblog.org.uk/2010/08/children-and-families-face-around-13-billion-of-spending-cuts/>

<sup>16</sup> <http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>

Recent independent research undertaken for the BBC has also shown that there is a 'clear North/South divide' in resilience to spending cuts. Their study considered the ability of each local authority area to withstand sudden changes in public spending, undertaking analysis of variables including the extent of vulnerable industry within an area, the life expectancy of residents, earnings of workers, unemployment and crime rates to create an index of 'resilience' to spending cuts. The data shows that Liverpool is a high risk area,<sup>17</sup> ranking 287<sup>th</sup> least resilient out of 324 areas.

These findings are backed up by key labour market statistics about the Liverpool area. Unemployment in Liverpool is already high. There are 19,209 people<sup>18</sup> claiming JSA in the Liverpool area alone (44 per cent of whom have been claiming for over 6 months), and the ratio of jobs to jobseekers is 1:7.4 (compared to the NW average of 1:4.3. Data from the Annual Business Inquiry suggests that around 39 per cent of workers in Liverpool are employed in public sector occupations, compared to a national average of 27 per cent and a NW average of 28 per cent.<sup>19</sup> Women will be particularly badly affected by these cuts – being proportionally far more likely than men to work in the public sector: 68 per cent of public sector workers in Liverpool are women, as are 73 per cent of public sector employees in the NW.

With unemployment already high, further job losses in the public sector will hit the city hard. Recent TUC analysis shows that in the NW 190,000 private sector jobs have been lost since the pre-recession jobs peak. With a 10 per cent cut in public sector employment to come, which could mean around 95,000 jobs are lost in the North West, it could take the region up to 24 years to return to pre-recession job levels (presuming the private sector grows at the same rate as it did during the last decade).<sup>20</sup>

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<sup>17</sup> BBC study, full resilience dataset from Experian.

<sup>18</sup> National statistics, Nomis.

<sup>19</sup> The Annual Business Inquiry (ABI) is an employer survey conducted in December of each year. These data are from 2008 (the most recent available). The ABI records the total number of jobs held by employees (a measure which excludes self-employed, government-supported trainees and HM Forces). As the ABI only provides estimates of jobs by industry rather than whether individuals are employed in the public or private sectors some private sector workers who are contracted to provide service to the public sector are included in the analysis (this includes GPs, university and further education staff, and agency and contracted workers, as well as privately provided education, health and welfare services). We do not consider this a problem for this analysis, as the jobs of both directly employed and contracted workers would be at risk from job cuts. ONS do produce data on public sector employment which includes directly employed public sector employees, but it is not disaggregated by gender. The ONS public sector employment figures also include employees of UK Financial Investments Ltd (UKFI). ONS also note that the ABI gives a more reliable industry breakdown than the Labour Force Survey (LFS) and that the ABI has a bigger sample and so is more reliable than LFS.

<sup>20</sup> <http://www.tuc.org.uk/economy/tuc-18444-f0.cfm>

It is also important to remember that cuts will impact on the private sector. Across the country 38 per cent of public expenditure goes directly to the private sector. All together the private sector gets £236 billion of custom from the state – equivalent to more than £4,000 a year for every UK adult.<sup>21</sup> It will be private as well as public sector jobs in the NW that are lost as a result of spending cuts.

## What does the future hold?

The TUC believe that October's Comprehensive Spending Review (CSR) and a probable Autumn Statement pose further threats to recovery. The Government will start to withdraw £32 billion from the economy in tax rises and spending cuts from April 2011, on top of the £8.9 billion already taken out this financial year. These cuts will not only directly affect economic activity, but further undermine confidence. They will also, as TUC<sup>22</sup> and IFS research<sup>23</sup> has shown, hit the poorest hardest.

But the country does not face a simple choice between ignoring the deficit and adopting the Government's approach. There is an alternative based on a more sensible time scale, much more flexibility and a much greater emphasis on closing the fiscal gap with fairer taxes and the proceeds of growth. The TUC urges the Government to recognise the economic and social consequences that steep cuts now will have, and to reconsider its deficit reduction strategy.

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<sup>21</sup> <http://www.tuc.org.uk/economy/tuc-18425-f0.cfm>

<sup>22</sup> <http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>

<sup>23</sup> <http://www.ifs.org.uk/publications/5246>