

Response to the Treasury Committee Inquiry on the Spending Review

To inform Treasury Committee's inquiry on decision-making and other aspects of the recent Spending Review

**Submission by the
Joseph Rowntree Foundation**

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The Joseph Rowntree Foundation (JRF) is pleased to submit the following response to the Treasury Committee's call for evidence on the spending review. We would be happy to supply any further information as required.

The Joseph Rowntree Foundation is one of the largest social policy research and development charities in the UK. For more than a century we have been engaged with searching out the causes of social problems, investigating solutions and seeking to influence those who can make changes. JRF's purpose is to search, demonstrate and influence, providing evidence, solutions and ideas that will help to overcome the causes of poverty, disadvantage and social evil.

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Introduction

The Joseph Rowntree Foundation is committed to informing changes in policy and practice based on evidence from research, from practical demonstration work and from the lives of people directly affected by social issues and problems. We therefore welcome the opportunity to respond to the Treasury Committee's inquiry on the spending review, and thereby register our concern that the spending review was not sufficiently based on available evidence about poverty and disadvantage in the UK. As a result, JRF is concerned that the spending review has weakened, not strengthened, the potential for the coalition government to realize its aspirations for fairness and for tackling poverty and disadvantage in the UK.

Response

1. The manner in which the spending review was conducted and the decision-making process

As a funder of research and development, JRF believes strongly in the value of evidence in informing policy and practice. By evidence, we mean evidence from high quality research, from demonstration and practical experience, and from the lives of people with direct experience of poverty and disadvantage - people who are often excluded from involvement in the policy decisions that affect their lives.

The government's decision to invite ideas for reducing public spending through public consultation was innovative. By contrast, there was no uniform, transparent and cross-government mechanism to feed in wider research evidence to inform decisions, including in areas where the spending review identified fundamental policy changes, and where there was a clear need to understand how different policy changes would interact to strengthen or undermine aspirations to protect the poorest people and places from bearing the brunt of budget deficit reduction.

As a result, the extent to which JRF has been able to feed in pertinent evidence into the decision-making process has varied, dependent upon the specific approaches adopted by individual departments.

2. The decision to ring-fence and partially ring-fence particular areas of public spending

JRF evidence from many years of researching a range of public services has highlighted the importance, and the difficulties, of effective and efficient joint-working. Given this, JRF is concerned that the decision to ring-fence or partially ring-fence particular areas of spending at a time of major public spending cuts may prove detrimental to strategic and sound decision-making and value for money.

For example, the decision to protect NHS budgets and ring-fence public health, but without ring-fencing social care, may result in funds notionally allocated to social care (including the additional funding identified for social care) being redirected to other areas of local authority spending. Concerns raised by senior local authority decision makers from 15 local authorities, captured in a research report commissioned ahead of the spending review on adult social care spending priorities, highlights concerns that public spending cuts will result in increased eligibility criteria and significant difficulties in justifying spending in areas that are cost-effective as well as highly valued by older people and disabled people, such as low-level preventative services (Ipsos Mori 2010, [Shaping Public Spending Priorities for Adult Social Care](#)).

3. The impact of the spending review on people and places in poverty

JRF has identified several progressive elements in the spending review that do indeed reflect what we know from existing evidence (although there may be concerns about implementation), as well as elements that seem regressive and that fail to reflect the evidence base on poverty and disadvantage.

For example:

- Funding 75,000 new apprenticeships over the next four years. This is a positive contribution to providing skills and training that really help people into work. We hope this can help to reduce youth poverty and increase opportunities for decent work and career progression.

- The revival of a policy to provide 15 hours of free childcare for 130,000 disadvantaged children could bring real improvements for those children and families. However, there are serious issues over the funding for the current free hours of childcare for three- and four-year-olds, with providers struggling to cover their costs. Sometimes this results in the childcare not actually being free at the point of delivery. We also need to address deeper problems in our childcare system: ensuring quality, affordability and availability. Parents who find childcare difficult to pay for will be hit hard by the reduction in the childcare tax credit, to cover 70% rather than 80% of costs. Additionally, accessing childcare with the right hours and convenient location can be very challenging. Ensuring affordability and accessibility are key to getting more parents back to work, but this does not seem to be receiving the attention needed.
- The 'pupil premium'. This provides additional money to schools 'attached' to children from low-income or disadvantaged backgrounds. The extra £2.5 billion promised is very significant at a time of big cuts elsewhere. It is also good to see money focused on a child's circumstances rather than aimed at deprived areas or schools with high deprivation intakes, as many poor children do not live in deprived areas or attend schools with high numbers on free school meals. There are concerns, however, that how they use this money will be left very much to the individual schools. Strong messages need to be sent about the importance of using the funding to improve attainment of low-income children and how this can best be achieved (for example, please see our review of evidence from eight projects funded under the JRF Poverty and Education programme by Donald Hirsch 2007, [Experiences of Poverty and Educational Disadvantage](#)).
- We welcome the decision for £2 billion to be invested in the new Universal Credit being developed by DWP. This is less than the £3.6 billion estimated in the Dynamic Benefits report produced by the Centre for Social Justice, but remains a significant sum.

- We welcome the small increase to the child element of Child Tax Credit, intended to ensure that the Spending Review does not increase child poverty for the next two years. However, we are aware that this is no more than a holding measure in lieu of the more developed strategy on child poverty due next Spring.
- As has been the case in previous announcements, pensioners are largely protected, keeping the 'triple locked' state pension and a range of universal benefits such as free eye tests, prescription charges, bus passes and TV licences. Winter Fuel Payments have also been retained and Cold Weather Payments improved. Whilst support for poor pensioners is something to celebrate, targeting of cuts on working age adults without children remains stark. Pensioners claiming all their benefits, including Pension Credit, could already reach – according to our research – an acceptable minimum standard of living, whilst workless working age adults only make it to 40% of the standard - even before the cuts (Donald Hirsch et al 2010, [A Minimum Income Standard for the UK](#)). The distribution of cuts across the generations *within* deciles is as important to examine as those across the income distribution as a whole.

Given the short time-frame for submitting evidence to this inquiry, we have selected the examples above to highlight a few key points. The Treasury Committee may also be interested in articles and evidence posted on a JRF microsite – [Cuts, spending and society](#) – which we set up to provide a place for informed and evidence-based debate about public spending and the implications for people and places in poverty, drawing on evidence from JRF research as well as inviting informed comment from academics and relevant leaders, thinkers and practitioners.

Our overriding concern is that – when taken in entirety – the spending review has not taken sufficient account of what we already know, nor considered how different policy changes will interact with each other and what the longer-term implications will be for supporting people and places to move permanently out of poverty and disadvantage. JRF is also concerned that – whilst recognising some positive developments

(as highlighted in the articles above) – the spending review has not set in place sufficiently strong and clear measures to tackle some of the major challenges of our time: climate change and demographic change.

Additionally, JRF is concerned about the geographical and regional impact of the spending review. The Joseph Rowntree Foundation and the Joseph Rowntree Housing Trust (a provider of housing and care services) are both based in York and we have a ten-year commitment to working in partnership with the district and people of Bradford. The JRHT runs operations in Hartlepool, Scarborough and Leeds as well as York and its surrounding area. From this base, as well as from our research evidence, we are very aware that the spending review will have markedly different impacts on different towns, cities and regions across the UK – and may be particularly damaging for northern towns and cities, where the public sector is a major employer as well as a major source of private sector, voluntary sector and social enterprise contracts, and grant funding for community and voluntary sector organisations. The Transition Fund of £100m in 2011 is unlikely to be sufficient to support these organisations – upon which the Big Society vision will depend – to make a sustainable transition to alternative funding models in one year.

Conclusion

The Joseph Rowntree Foundation warmly supports the decision of the Treasury Committee to conduct this inquiry at a time of growing concern about the implications that public spending cuts may have on the poorest people and places in poverty, and thereby on the potential to realise important aspirations – which we share – for a fair and just society. Our response reflects our core interest in tackling poverty and disadvantage in the UK, and our belief in the role of evidence (from research, from demonstration, and from the lives of people experiencing poverty and disadvantage) in informing policy development.

I would be delighted to provide further information on the articles, and the evidence which lies behind them, should this be helpful.

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Bibliography

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