



Centre for Local
Economic Strategies

briefing

The Indices of Deprivation 2007 and the Working Neighbourhoods Fund

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Introduction

In November 2007, as part of the Comprehensive Spending Review, the Government made commitments to changing the focus and programmes of the Neighbourhood Renewal Unit. From the end of March 2008, programmes such as the Neighbourhood Renewal Fund and the Safer Stronger Communities Fund will no longer continue in their current forms, but will be part of a new approach to economic development and enterprise in the most deprived areas. Whereas in the past, the focus of neighbourhood renewal has been upon classic 'new labour' joined up and holistic approaches to regeneration, the new programmes bring economic development considerations to the fore and in particular a recognition of the growing problems of worklessness and low skills. Worklessness is a policy area in which the Government is placing increased attention and resources upon in recent months following a series of Reforms and Reviews, notably the Welfare Reform Green Paper and the Leitch Review.

The Working Neighbourhoods Fund, effectively the replacement for the Neighbourhood Renewal Fund, will seek to provide resources to tackle this exact issue of worklessness and low levels of skills in the most deprived areas. The changing focus of neighbourhood renewal has been supplemented by the new Indices of Deprivation 2007, the official measure of local authority and Super Output Area level deprivation. The purpose of this briefing paper is therefore three-fold:

- to highlight the theory behind and the key findings of the 2007 Indices of Deprivation;
- to explain the Working Neighbourhoods Fund and to highlight its allocations;
- to critique the Indices of Deprivation method and the Working Neighbourhoods Fund allocations.

The Indices of Deprivation 2007 (ID 2007)

The Index of Multiple Deprivation 2007 (IMD 2007) is the measure across seven domains of indicators against which levels of multiple and Super Output Level deprivation is calculated. It is based upon the premise that there are distinct dimensions of deprivation which can be

recognised and measured separately, and which is experienced by individuals living in an area. These distinct dimensions or domains are as follows:

- Income Deprivation;
- Employment Deprivation;
- Health Deprivation and Disability;
- Education, Skills and Training;
- Barriers to Housing and Services;
- Crime;
- The Living Environment.

Each domain of deprivation has a number of component indicators against which deprivation is measured or scored at the Lower layer Super Output Area (LSOA). Employment deprivation is for example measured around the basis of involuntary exclusion from the labour market in unemployment and worklessness terms. The six indicators forming the domain are as follows:

- Recipients of Jobseekers' Allowance (both contribution-based and income-based) men aged 18-64 and women aged 18-59;
- Recipients of Incapacity Benefit: men aged 16-64 and women aged 18-59;
- Recipients of Severe Disablement Allowance: men aged 18-64 and women aged 18-59;
- Participants in the New Deal for the 18-24s who are not in receipt of Jobseekers' Allowance;
- Participants in the New Deal for 25+ who are not in receipt of Jobseekers' Allowance;
- Participants in the New Deal for Lone Parents (after initial interview).

Individuals within each LSOA may be counted in one or more of the seven domains of deprivation, dependent upon the number of types of deprivation that they experience, with the overall Index of Multiple Deprivation for each LSOA conceptualised as a weighted area level aggregation of these specific dimensions of deprivation. Each of the domains has different weightings for calculating LSOA aggregation with Income Deprivation having a domain weight of 22.5%, compared to crime which has a weighting of 9.3%. Each of the 32,482 LSOAs is then assigned a score and rank for each domain and in aggregated terms.

At the local authority level, six local authority summary measures have been produced to determine a local authority's overall rank of deprivation and the Indices of Deprivation (ID) 2007. These are as follows:

- **Local Concentration** – this is the population weighted average of the ranks of a district's most deprived LSOAs that contain exactly 10% of the local authority district's population;
- **Extent** – this is the proportion of a local authority district's population living in the most deprived LSOAs in the country;
- **Income Scale** – this is the number of people who are income deprived;
- **Employment Scale** – this is the number of people who are employment deprived;
- **Average of LSOA Ranks** – this is the population weighted average of the combined ranks for the LSOAs in a local authority district;
- **Average of LSOA Scores** – this is the population weighted average of the combined scores for the LSOAs in a local authority district.

The results for local authorities in the ID 2007 suggest that 82 districts fell into the 'most deprived 50' on one or more of the six district level summaries. In the ID 2004, 80 districts fell into this category. Of the 80 districts in the 'most deprived 50' in the ID 2004, 78 remain within this category in the ID 2007. The results for local authorities with regard to these six summaries do however show nuances across the six summary areas. Table 1 highlights some of these nuances, sorted by rank of average score for the most deprived 20 local authorities. Easington, in the North East of England, for example, whilst being seventh on the ID 2007 in

average score rank, average rank and rank of extent terms, is ranked 108th on the Income Scale.

Table 1 – Local Authority District Level Summaries – Most Deprived 20 local authorities

Local Authority	Rank of Average Score	Rank of Average Rank	Rank of Extent	Rank of Local Concentration	Rank of Income Scale	Rank of Employment Scale
Liverpool	1	5	4	1	3	2
Hackney	2	1	1	39	10	24
Tower Hamlets	3	3	3	21	8	36
Manchester	4	4	5	4	2	3
Knowsley	5	8	8	2	50	45
Newham	6	2	2	51	7	26
Easington	7	7	7	35	108	68
Islington	8	6	6	56	36	39
Middlesbrough	9	25	9	6	62	58
Birmingham	10	14	12	15	1	1
Hull	11	16	14	8	20	20
Blackpool	12	18	24	3	72	61
Nottingham	13	12	11	26	13	12
Sandwell	14	10	10	47	11	14
Salford	15	24	20	7	40	28
Stoke-on-Trent	16	20	16	22	34	17
Blackburn with Darwen	17	27	15	9	60	73
Haringey	18	13	13	57	14	29
Lambeth	19	9	17	93	16	16
Leicester	20	23	23	19	9	13

The results of the Indices of Deprivation are utilised to determine the allocation of specific area based funding for local authorities and neighbourhoods such as the Working Neighbourhoods Fund. The results of the ID 2007 reveal that despite significant interventions and funding for the most deprived areas in recent years, there continues to be considerable variations in deprivation terms between regions, cities and neighbourhoods. Table 2 summarises the most deprived 20% of LSOAs in England's regions, highlighting the highest concentrations being in the North East, North West and London.

Table 2 – Most deprived 20% of LSOAs in England by region

	Number of LSOAs in 'most deprived 20% of LSOAs in England'	Number of LSOAs in the Region	% of LSOAs in each Region falling in 'most deprived 20% of LSOAs in England'
East	223	3,550	6.3
East Midlands	460	2,732	16.8
London	1,351	4,765	28.4
North East	566	1,656	34.2
North West	1,420	4,459	31.8
South East (excluding London)	318	5,319	6.0
South West	300	3,226	9.3
West Midlands	951	3,482	27.3
Yorkshire & the Humber	907	3,293	27.5
Total	6,496	32,482	20.0

The Working Neighbourhoods Fund

The Government have recognised, perhaps incorrectly, that the Neighbourhood Renewal Fund in its present form has run its course. There is a perception at the central level, despite evaluations at both a national and local level proving otherwise, that many of the projects and innovations delivered through Neighbourhood Renewal Funding have been mainstreamed into public services. In many localities however, mainstreaming has been an afterthought and not an integral part of project development and sustainability considerations. Similarly, in many areas projects relating to the six neighbourhood renewal themes of housing, crime, employment, liveability, education and health, are only now beginning to develop and show signs of effectiveness. A removal of funding for these projects represents a threat to the sustainability of the organisations, particularly those in the Third Sector commissioned to deliver Neighbourhood Renewal Funded projects and to the continued improvement of the neighbourhoods in question.

The Neighbourhood Renewal Fund has, however, been replaced by the Working Neighbourhoods Fund. This Fund is far more focused upon two core themes of worklessness and low skills. Indeed worklessness and low skills are two of the core issues facing neighbourhoods, cities and the national economy, but an intervention without key links to other neighbourhood thematic problems and associated economic development activities such as inward investment is unlikely to bear significant fruition in the short term.

The Working Neighbourhoods Fund aims to bring together the local and community focus of the Department for Communities and Local Government and the welfare reform agenda of the Department for Work and Pensions. It is based upon one of the Government's five core principles of welfare reform, namely 'targeting areas of high worklessness by devolving and empowering communities' and has a vision of supporting a renewed focus on worklessness in deprived areas.

The Working Neighbourhoods Fund was launched as part of last week's Local Government Settlement and is worth a total of £1.5 billion over the next three years: £450 million in 2008/09; £500 million in 2009/10, and over £500 million in 2010/11. The Fund provides resources to local authorities dependent upon their rank in the Indices of Deprivation 2007 to tackle worklessness and low levels of skills and enterprise in their most deprived areas. The Working Neighbourhood Fund will provide allocations to 66 local authorities in 2008/09, 2009/10 together with funding to 21 transitional authorities. In 2010/11 the 21 transitional authorities will no longer receive the Working Neighbourhoods Fund, therefore reducing the total number of authorities receiving the funding to 66. A full list of the allocations is detailed in Appendix 1. There are however some surprises, which are worth highlighting here. Leeds and Bristol, two large metropolitan areas and two of the Core Cities, are transitional Working Neighbourhood Fund authorities, meaning they will not receive the funding in 2010/11. Additionally, areas such as Kirklees, Wakefield and Mansfield with an industrial and manufacturing heritage and current high levels of worklessness are also named as transitional authorities.

In terms of the process of distribution for the Working Neighbourhoods Fund, it will form a distinct element of the Area Based Grant and subsequently the Local Area Agreement process. The Working Neighbourhoods Fund will be paid by central government to the local authority as part of the Area Based Grant, which is a non-ringfenced grant bringing together a range of area based funding mechanisms. Non-ringfenced means that the local authority then has the flexibility to design locally responsive programmes and projects and that some onerous reporting mechanisms will be removed from previously disparate funding streams. The role of the local authority in distributing and designing programmes for the Working Neighbourhoods Fund will be to consult with public, private, and voluntary and community sector partners to develop targets and implementation plans for activities related to worklessness, low skills and low levels of enterprise. Targets will then be negotiated with Government Offices through the Local Area Agreement process, with the strong expectation

that authorities in receipt of the Working Neighbourhoods Fund will want to include targets on tackling Worklessness in their 'up to 35' targets. Projects for the delivery of Working Neighbourhoods Fund will then be commissioned through the Local Area Agreement.

A further new element of neighbourhood renewal related funding introduced as part of the Working Neighbourhoods Fund is a worklessness and enterprise related 'Reward Grant'. The Department for Communities and Local Government have allocated at least £50million to deprived areas that have agreed targets in their Local Area Agreement related to worklessness. The 'reward grant' will be used by CLG to discuss through Local Area Agreement negotiations with local authorities and local agencies how this money can be used to motivate areas with the highest worklessness, with it expected that there will be a role for social enterprise activities and community enterprise in the spend of the funding. The emphasis will be placed upon the communities which have made the most progress, with it anticipated that worklessness related interventions being community led. This could be done, for example, through establishing a 'community kitty' for local areas to decide upon how best to use their element of the reward grant. Unlike the Working Neighbourhoods Fund, the Reward Grant will however be ringfenced, ensuring the focus upon community and worklessness.

Key Questions about the Working Neighbourhoods Fund

The allocations for the Working Neighbourhoods Fund has raised a number of questions, concerns and opinions at the national, local and neighbourhood levels. This section of the briefing provides a summary of some of the key questions together with our main thoughts on the Working Neighbourhoods Fund and the future of neighbourhood renewal.

Is the focus of Working Neighbourhoods Fund too narrow?

The Working Neighbourhoods Fund has been billed at a central level as being focused upon tackling worklessness and local skills and enterprise formulation. Our concern is that whilst we welcome the commitment to tackling worklessness, arguably the strongest threat to the future growth of local economies, that the focus of the intervention is too narrow. There is a clear need to twin worklessness and skills interventions alongside health, education and housing considerations, together with ensuring that a neighbourhood or local area has the economy and jobs in place to support local workless people.

What does the Working Neighbourhood Fund mean for the Third Sector ?

In an era where Government has made commitments to improving the capacity and skills of the third sector to deliver and to highlight the effectiveness and value of their neighbourhood activities, the withdrawal of Neighbourhood Renewal Funding and its relatively broad remit will be a blow to many neighbourhood based and small voluntary and community sector organisations. Many of these organisations have become reliant upon the Neighbourhood Renewal Fund for providing a large percentage of their income and for cementing links in their operational communities. The more narrow focused Working Neighbourhoods Fund threatens the sustainability of these organisations and the activities they provide in communities, particularly for those which do not undertake projects or delivery activities relating to worklessness and low skills. There will be organisations up and down the country, whose focus may well be on liveability and the environment, who will be wondering where their next grant will be coming from post Neighbourhood Renewal Fund and Safer Stronger Communities Fund.

Is the Working Neighbourhoods Fund a better way to target resources at Worklessness?

Worklessness is a thematic area in which there are key issues in the United Kingdom. There are currently around 2.7 million people claiming Incapacity related benefits, a figure which has stagnated in recent years. Additionally there are a number of key legislative and localised barriers preventing these people from making a return to the work environment. The Working Neighbourhoods Fund and its focus upon worklessness and low skills, therefore presents the

opportunity for local authorities and their partners to support those workless individuals living in the most deprived neighbourhoods, suffering from multiple disadvantage and most disengaged from the labour market into sustainable employment.

Some Surprise Transitional Areas?

The reduced funding for neighbourhood renewal announced in the 2007 Comprehensive Spending Review has had repercussions for the allocations for the Working Neighbourhoods Fund. The total allocation of £450million for 2008/09 is a significant reduction on the last round of Neighbourhood Renewal Funding, which saw a total of £525million allocated for 2007/08. This lower amount of funding means that in the longer term, fewer authorities will be funded, which has resulted in 21 transitional authorities. Whilst the allocations for Working Neighbourhoods Fund are based around the Indices of Deprivation, there are some surprising transitional authorities, notably Leeds, Bristol, Coventry, Wakefield, Rotherham and Mansfield. Leeds will receive transitional funding of £8,963,140 in 2008/09 reduced to £3,585,256 in 2009/10 and nothing in 2010/11. This will have implications not only for neighbourhood working, but also for the third sector, regeneration staff and potentially the local economy. Additionally, whilst Leeds is ranked overall in the Indices of Deprivation 2007 in 85th place, when looking at the rank of employment it is 4th, indicating significant employment, worklessness and skills issues.

What does the Working Neighbourhoods Fund mean for Neighbourhood Renewal Partnerships?

The reduction in funding for the Working Neighbourhoods Fund and the narrowing of the focus has direct implications for Neighbourhood Renewal Partnerships and Teams and indirect implications for local authorities and wider local governance. This is going to be particularly evident in the transitional authorities. Reductions in funding will mean losses to some Neighbourhood Renewal staffing teams and a loss of regeneration focused skills bases. Additionally neighbourhood renewal has formed a key part of local governance arrangements relating to Local Strategic Partnerships and Local Area Agreements. Without the focus of the neighbourhood renewal themes and the skills of Neighbourhood Renewal Partnerships, local areas may have to change the focus of their policy, vision and interventions.

What does the Working Neighbourhoods Fund mean for the mainstreaming of Neighbourhood Renewal Funded projects?

A key aim of the National Strategy for Neighbourhood Renewal and the Neighbourhood Renewal Fund was to mainstream project and innovation activity into core service delivery. There is a concern with regard to the Working Neighbourhoods Fund as to what this means for existing Neighbourhood Renewal projects and the extent to which they can be sustained without area based funding and mainstreamed into service delivery. The full lessons of Neighbourhood Renewal Fund have also not totally been learnt yet, with the full evaluation currently being undertaken due to report in mid-2008.

Conclusion

The Working Neighbourhoods Fund is a positive addition to the Government's commitment to tackling the issues of worklessness and low skills in the most deprived neighbourhoods and local authority areas of England. The Funding has not come without concerns however, with the new Funding offset by cuts to the more broadly focused Neighbourhood Renewal Fund.

The announcement of the funding allocations for the Working Neighbourhoods Fund, based upon the new Indices of Deprivation has as expected seen a reduction in the total amount of neighbourhood based funding allocated to local authorities and a reduction in the number of local authorities receiving neighbourhood based funding. A total of 21 local authorities which previously received Neighbourhood Renewal Fund do not directly meet the criteria for the new fund. There have been some shocks in those authorities which will not receive the Working Neighbourhoods Fund, notably the Core Cities of Bristol and Leeds and some London Boroughs. It has been estimated that London will lose somewhere in the region of £26million

in 2010/11, despite having the lowest employment rate of the English Regions. The nuances in the allocations of the Working Neighbourhoods Fund are as a result of the Indices of Deprivation focusing on concentrations of poverty, which means that authorities with pockets of affluence and deprivation close to each other could be at a disadvantage.

The reductions in funding and the refocusing of the Working Neighbourhoods Fund has a number of implications at the local authority and neighbourhood levels. In particular there are key concerns for third sector organisations, previously reliant upon commissioning through Neighbourhood Renewal Fund and focused upon activities other than worklessness and also for the sustainability of Neighbourhood Renewal and Regeneration teams within local authorities.

The Working Neighbourhoods Fund and its impact upon Third Sector organisations will be an area of focus in the next research activity being undertaken by CLES as part of the Rapid Research publication. As members of the Community Sector Coalition, we are keen to hear your views on the following questions:

1. What are your general thoughts on the change from Neighbourhood Renewal Fund to Working Neighbourhoods Fund?
2. On the following scale how do you think the third sector will view the change from Neighbourhood Renewal Fund to Working Neighbourhoods Fund?
 - a. Very positive;
 - b. Positive;
 - c. Neither Positive or Negative;
 - d. Negative;
 - e. Very Negative
3. In more detail, what will the impact of the change be (if any) for Community Anchor Organisations and small neighbourhood focused voluntary and community sector organisations?
4. How many of your member organisations do you think will be affected by change to Working Neighbourhoods Fund and the focus upon worklessness and low skills?
5. In what wider ways do you think the changes will impact upon communities? e.g. reduced outcomes.
6. What do you think has been the key impact of Neighbourhood Renewal Fund for the Third Sector?
7. Do you believe there are currently sufficient opportunities for mainstreaming neighbourhood renewal activities into service delivery?

This research will inform a wider Community Sector Coalition response to the Working Neighbourhood Fund policy and allocations and will form the basis of a feature in new start magazine. Please send responses to Matthew Jackson, Senior Policy Researcher at CLES, matthewjackson@cles.org.uk

Useful References

Communities and Local Government (2007) *The English Indices of Deprivation 2007*. <http://www.communities.gov.uk/documents/communities/pdf/576659>

Communities and Local Government (2007) *The Working Neighbourhoods Fund*. <http://www.communities.gov.uk/documents/communities/pdf/566881>

Communities and Local Government (2007) *Working Neighbourhoods Fund: Allocations 2008-09, 2009-10 and 2010-11*. <http://www.info4local.gov.uk/documents/publications/576853>

View the full Indices of Deprivation 2007 at:

<http://www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/>

Appendix 1 - Working Neighbourhood Fund Allocations 2008/09, 2009/10, 2010/11

LA Name	WNF Allocation 2008/09	WNF Allocation 2009/10	WNF Allocation 2010/11
Barking and Dagenham	1,424,308	1,608,297	1,652,559
Barnsley	6,142,540	7,485,021	7,807,977
Barrow-in-Furness	2,362,517	2,950,419	3,091,848
Birmingham	34,117,370	39,505,342	40,801,509
Blackburn with Darwen	3,813,706	4,585,094	4,770,664
Blackpool	4,171,949	5,076,498	5,294,102
Blyth Valley	1,000,000	1,163,804	1,252,900
Bolsover	2,047,716	2,440,522	2,535,018
Bolton	5,670,488	6,732,623	6,988,137
Bradford	11,989,523	13,467,077	13,822,527
Brent	2,393,293	2,872,122	2,987,313
Burnley	2,150,837	2,559,916	2,658,326
Camden	4,460,241	4,925,113	5,036,946
Chesterfield	1,020,499	1,496,846	1,611,439
Copeland	1,000,000	1,000,000	1,000,000
Derwentside	1,997,329	2,361,450	2,449,045
Doncaster	7,989,376	9,271,130	9,579,478
Easington	6,342,307	7,603,428	7,906,812
Gateshead	5,247,872	6,254,917	6,497,179
Great Yarmouth	2,066,453	2,485,898	2,586,803
Greenwich	4,538,965	5,169,844	5,321,613
Hackney	12,037,270	13,146,173	13,412,939
Halton	5,022,944	5,861,734	6,063,519
Haringey	6,833,721	7,821,441	8,059,054
Hartlepool	4,502,180	5,378,345	5,589,121
Hastings	2,184,780	2,690,517	2,812,181
Hyndburn	1,048,216	1,416,732	1,505,385
Islington	6,608,388	7,289,659	7,453,551
Kingston upon Hull, City of	11,441,948	13,185,756	13,605,259
Knowsley	9,360,352	10,896,518	11,266,069
Lambeth	3,351,144	3,755,055	3,852,223
Leicester	7,476,516	8,802,087	9,120,975
Liverpool	29,187,128	34,109,623	35,293,812
Manchester	25,873,157	29,581,569	30,473,690
Middlesbrough	7,420,872	8,532,694	8,800,162
Newcastle upon Tyne	8,285,970	9,825,625	10,196,015
Newham	13,246,752	13,246,752	13,246,752
North East Lincolnshire	3,935,360	4,489,778	4,623,152
Nottingham	10,913,134	12,036,531	12,306,784
Oldham	5,161,277	6,079,682	6,300,620
Pendle	1,232,063	1,624,098	1,718,408
Preston	2,621,383	3,139,097	3,263,642
Redcar and Cleveland	3,894,365	4,756,472	4,963,867
Rochdale	5,317,162	6,256,234	6,482,143
Salford	8,692,991	10,143,772	10,492,781
Sandwell	8,704,358	9,681,476	9,916,538
Sedgefield	2,099,339	2,799,198	2,967,561

Sefton	6,199,636	7,516,350	7,833,108
Sheffield	11,259,780	13,282,727	13,769,380
South Tyneside	7,124,500	8,386,996	8,690,711
Southwark	7,086,778	7,361,823	7,427,990
St. Helens	4,498,406	5,377,289	5,588,719
Stockton-on-Tees	3,909,650	4,698,048	4,887,710
Stoke-on-Trent	7,841,204	9,492,884	9,890,223
Sunderland	8,589,944	10,455,641	10,904,466
Tameside	3,433,239	4,276,961	4,479,933
Thanet	1,003,105	1,471,333	1,583,973
Tower Hamlets	10,279,197	11,005,124	11,179,758
Walsall	5,444,081	6,389,562	6,617,013
Wansbeck	2,315,917	2,868,222	3,001,088
Wear Valley	2,157,765	2,510,949	2,595,913
West Somerset	1,000,000	1,000,000	1,000,000
Westminster	3,010,277	3,417,611	3,515,602
Wigan	5,903,485	7,321,622	7,662,778
Wirral	8,188,024	9,841,046	10,238,708
Wolverhampton	6,113,889	7,307,406	7,594,527
			507,900,000
Transitional Authorities			
Barnet	600,000	240,000	0
Brighton and Hove	1,260,358	504,143	0
Bristol, City of	3,659,694	1,463,878	0
Coventry	3,173,730	1,269,492	0
Croydon	600,000	240,000	0
Derby	2,581,150	1,032,460	0
Dudley	1,103,423	441,369	0
Ealing	830,677	332,271	0
Enfield	892,605	357,042	0
Hammersmith and Fulham	600,000	240,000	0
Kirklees	2,926,867	1,170,747	0
Leeds	8,963,140	3,585,256	0
Lewisham	1,177,203	470,881	0
Mansfield	1,318,551	527,420	0
North Tyneside	1,475,318	590,127	0
Norwich	1,180,635	472,254	0
Penwith	600,000	240,000	0
Plymouth	1,695,425	678,170	0
Rotherham	2,106,934	842,774	0
Wakefield	2,669,677	1,067,871	0
Waltham Forest	1,225,675	490,270	0

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