



Discussion Note Levels of Public Expenditure in the East Midlands

1. Introduction

- 1.1 The following report sets out public spending attributed to the East Midlands, comparing it to other regions in England, London and the UK as a whole.¹
- 1.2 All data within this report is from annual HM Treasury statistical analysis, published July 2017. The most recent data available is 2015-16.
- 1.3 The data confirms that the region is losing out in terms of public expenditure. Of particular concern are the comparable low levels of infrastructure and economic development funding – with an obvious implication for future rates of local and regional economic growth. The recent trend has worsened rather than improved. In summary, Government statistics demonstrate that in 2015-16, the East Midlands has:
 - The lowest level of public expenditure on ‘economic affairs’.
 - The lowest level of public expenditure on transport, in total and per head.
 - The lowest level of public expenditure on rail per head.
 - The 3rd lowest on health care.
 - The 3rd lowest on education.
 - The 3rd lowest total of public expenditure on services, in total and per head.
 - Total UK public expenditure per head indexed (UK = 100); the East Midlands = 91, North East = 104, North West = 103.
- 1.4 The full HM Treasury report, data table and analysis is available [here](#).

¹ The data has been drawn from the HM Treasury publication *Public Expenditure: Statistical Analyses 2017* published in July 2017.

2. Total Expenditure on Services

- 2.1 Table 1 shows the total identifiable expenditure on services per head in real terms, 2011-12 to 2015/16; examples include spending on health, transport, economic affairs, education, and social protection.
- 2.2 Between 2011-12 and 2015-16, total expenditure on services has fallen in the East Midlands (as is the general trend elsewhere and nationally). However, it has remained consistently below the England average (£579 per head lower in 2015/16). If the Northern Powerhouse is seen as a primary competitor for investment funds, then they've been given a head start (£980 per head better funded than the East Midlands). The West Midlands, at a little over £500 per head better off, fares comparably well too.

Table 1: Total identifiable expenditure on services in real terms 2011-12 to 2015-16 (£ per head, in descending order for 2015-16 outturn)

	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn
London	10,584	10,263	10,099	10,002	10,129
North East	9,781	9,612	9,549	9,448	9,472
North West	9,516	9,409	9,282	9,301	9,387
UK	9,204	9,063	8,995	9,011	9,076
England	8,929	8,791	8,729	8,754	8,816
Yorks & Humber	8,950	8,780	8,683	8,729	8,791
West Midlands	8,907	8,774	8,664	8,787	8,750
South West	8,385	8,298	8,319	8,408	8,361
East Midlands	8,291	8,238	8,164	8,229	8,237
East	8,062	7,947	7,943	8,066	8,163
South East	7,880	7,825	7,871	7,854	7,977

3. Economic Affairs and Transport

- 3.1 Table 2 show the level of expenditure on economic affairs, 2011-12 to 2015-16. This area of expenditure includes enterprise and economic development, science and technology, employment policies, agriculture, fisheries and forestry, and transport.
- 3.2 Given the importance of transport, this data is specifically highlighted and confirms that for both economic affairs more widely, and for transport, the East Midlands is the lowest funded region per head of the population, with the lowest % increase in funding between 2011-12 and 2015-16.

Table 2: Identifiable expenditure on Economic Affairs, and Transport (2011-12 to 2015-16, £ million, in descending order of % increase)

	Economic Affairs			Of which: Transport		
	2011-12 outturn	2015-16 outturn	% increase	2011-12 outturn	2015-16 outturn	% increase
South East	416	591	42.1	213	365	71.4
West Midlands	430	505	17.4	206	342	66.0
London	869	1,196	37.6	649	973	49.9
England	534	664	24.3	298	444	49.0
South West	443	508	14.7	188	277	47.3
Yorks & Humber	510	615	20.6	259	380	46.7
North West	496	603	21.6	275	401	45.8
UK	596	703	18.0	319	441	38.2
North East	527	558	5.9	223	299	34.1
East	543	610	12.3	286	365	27.6
East Midlands	465	475	2.2	209	260	24.4

Table 3: Breakdown of Total Identifiable Expenditure on Transport, 2015-16 (£ million, in descending order for rail spending).

	National Roads	Local Roads	Local Public Transport	Railways ²	Other Transport
England	2866	4274	2347	13725	1129
London	24	406	1264	6473	272
South East	709	644	140	1615	159
North West	333	640	299	1453	155
East	302	586	90	1159	83
Yorks & Humber	452	441	112	972	73
West Midlands	374	457	111	823	199
South West	239	531	152	515	81
East Midlands	277	327	113	427	74
North East	155	241	67	288	32

² Following implementation of ESA2010, Network Rail is now classified as Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16.

Table 4: Total Identifiable Expenditure on Railways, per head 2015-16

	£ per head
London	746
England	251
North West	203
East	191
South East	180
Yorks & Humber	180
West Midlands	143
North East	110
South West	94
East Midlands	91

5. Conclusions

- 5.1 From the evidence briefly presented here it is clear that the East Midlands is not receiving the share of public sector investment or expenditure on services as it would be reasonable to expect, particularly when compared to levels of expenditure in other regions, London and England as a whole (and often when compared to the West Midlands).
- 5.2 In presenting any case for investment to Government, either directly or through partnership bodies such as Midlands Engine/Connect, it is important that it is built on robust evidence.
- 5.3 The HM Treasury PESA data is consistent, credible, comparable and independent (from regional and local partners). However, Government does not invest on the basis of equity. Nevertheless, the data is instructive in confirming the underfunding of the region, both in real terms and when compared to other regions; particularly within the context of recent spending decisions e.g. MMLe.
- 5.4 The data is also useful in supporting the arguments that greater economic growth and productivity could be achieved if public investment was better targeted not necessarily on ‘those regions losing out’ but to those regions that are underfunded but able to deliver greater rates of return from this investment (i.e. the East Midlands).
- 5.5 It is this point that is perhaps key, and will require some additional work. In presenting any argument to Government on the need for greater infrastructure (and wider) investment, regional partners have to be able to counter the argument that ‘there is less investment in the East Midlands as there is evidentially, less need’. The reverse argument has, after all, been used to grand

effect, with London successfully arguing for ever-greater investment on the basis of greater need.