

## Levels of Public Investment in the East Midlands 2019

### 1. Introduction

- 1.1 The following report provides a summary analysis of latest HM Treasury regional expenditure data (2017/18) published July 2019.

### 2. Levels of Public Investment in the East Midlands

- 2.1 The most recent HM Treasury [report](#)<sup>1</sup> confirms the region is continuing to lose out in terms of public investment. Of particular concern are the comparably low levels of infrastructure and economic development funding – with an obvious implication for future rates of local and regional economic growth.
- 2.2 The lack of public investment has been a catalyst for collective work and lobbying by council and business leaders and MPs. While it may be too soon to expect any significant improvement in investment levels – glimmers of hope are difficult to see - in summary, it remains that 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 3<sup>rd</sup> lowest total of public expenditure on services per head.
  - Total UK public expenditure per head indexed (UK = 100); the East Midlands = 90, North East = 105, North West = 105, London = 111.
- 2.3 Table 1 shows the total identifiable expenditure on services per head in real terms, 2013-14 to 2017/18; examples include spending on health, transport, economic affairs, education, and social protection.
- 2.4 Between 2013-14 and 2017-18, total expenditure on services has remained consistently below the England average (£692 per head lower in 2017/18 – and this gap has widened over the past year). If the Northern Powerhouse is seen as a primary competitor for investment funds, then it has been given a head start (£1,138 per head better funded than the East Midlands). The West Midlands, at a little over £579 per head better off, fares comparably well too.

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<sup>1</sup> The data has been drawn from the HM Treasury publication *Public Expenditure: Statistical Analyses 2019* published in July 2019. [The most recent data available is 2017-18.](#)

Table 1: Total identifiable expenditure on services in real terms 2013-14 to 2017-18 (£ per head, in descending order for 2017-18 outturn)

	<b>2013-14 outturn</b>	<b>2014-15 Outturn</b>	<b>2015-16 Outturn</b>	<b>2016-17 outturn</b>	<b>2017-18 Outturn</b>
<b>London</b>	9,900	9,887	10,105	10,089	10,378
<b>North West</b>	9,125	9,292	9,420	9,445	9,807
<b>North East</b>	9,367	9,473	9,643	9,664	9,805
<b>UK</b>	8,825	8,973	9,074	9,144	9,350
<b>England</b>	8,571	8,722	8,825	8,885	9,080
<b>West Midlands</b>	8,501	8,795	8,717	8,863	8,967
<b>Yorks &amp; Humber</b>	8,519	8,716	8,837	8,847	8,966
<b>South West</b>	8,169	8,345	8,383	8,491	8,628
<b>East Midlands</b>	<b>8,053</b>	<b>8,236</b>	<b>8,250</b>	<b>8,286</b>	<b>8,388</b>
<b>East</b>	7,828	8,056	8,170	8,136	8,359
<b>South East</b>	7,711	7,812	7,944	8,141	8,299

- 2.5 Table 2 show the level of expenditure on economic affairs, per head for 2013-14 to 2017-18. This area of expenditure includes enterprise and economic development, science and technology, employment policies, agriculture, fisheries and forestry, and transport. For this important element of public investment, the East Midlands remains the lowest funded region per head of the population.

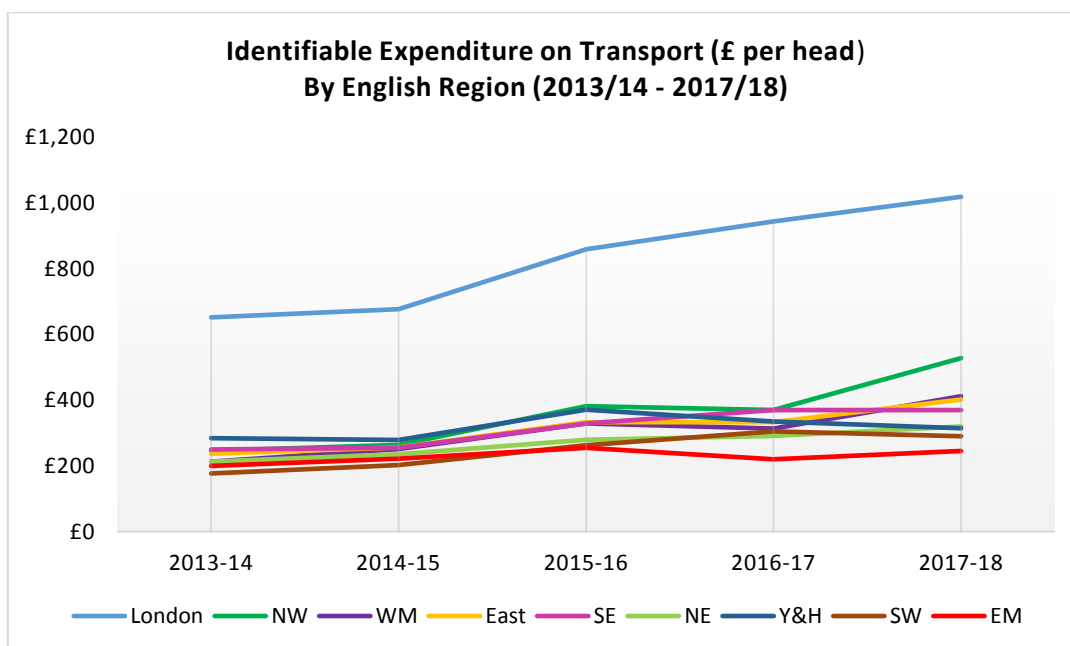
Table 2: Identifiable expenditure on Economic Affairs (per head, 2013-14 to 2017-18, £m)

	<b>Economic Affairs</b>				
	<b>2013-14 outturn</b>	<b>2014-15 outturn</b>	<b>2015-16 outturn</b>	<b>2016-17 Outturn</b>	<b>2017-18 Outturn</b>
<b>London</b>	882	871	1,106	1,140	1,300
<b>UK</b>	615	551	685	719	806
<b>North West</b>	511	498	592	595	764
<b>England</b>	553	609	639	670	763
<b>South East</b>	466	455	547	623	720
<b>East</b>	495	501	569	571	683
<b>West Midlands</b>	465	487	500	564	650
<b>South West</b>	453	471	509	589	630
<b>North East</b>	555	505	570	601	616
<b>Yorks &amp; Humber</b>	566	564	629	584	568
<b>East Midlands</b>	<b>465</b>	<b>476</b>	<b>489</b>	<b>495</b>	<b>550</b>

- 2.6 Table 3 and corresponding graph shows the level of regional transport expenditure, per head for 2013-14 to 2017-18. The situation is similar to that of public investment in economic affairs more generally, i.e. the region consistently receives the lowest funding per head on transport investment than elsewhere in the country. What is interesting however, and as the graph shows, is not that London continues to enjoy its stratospheric levels of transport investment per head ('twas ever thus) – it's that the regional disparities in levels of transport funding has worsened over the past five years to the obvious detriment of the East Midlands.

Table 3: Identifiable expenditure on Transport (2012-13 to 2017-18, £ per head, in descending order - excludes inflation)

	Transport				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
<b>London</b>	652	677	859	944	1,019
<b>North West</b>	246	264	382	370	528
<b>UK</b>	319	332	417	435	483
<b>England</b>	297	316	409	425	475
<b>West Midlands</b>	213	251	329	314	412
<b>East</b>	237	256	333	333	402
<b>South East</b>	250	255	329	370	370
<b>North East</b>	213	236	280	291	320
<b>Yorks &amp; Humber</b>	284	279	371	335	315
<b>South West</b>	177	203	263	305	290
<b>East Midlands</b>	<b>200</b>	<b>222</b>	<b>255</b>	<b>220</b>	<b>245</b>



Source: <https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2018>

2.7 Table 4 shows the level of regional rail expenditure, per head for 2015-16 and 2016-17. The situation here is particularly concerning. Not only is the East Midlands the lowest funded region – but it has also seen a reduction in its rail investment from £91 to £79 per head over a 3 year period.

Table 4: Total Identifiable Expenditure on Railways, per head 2015-16/2017-18<sup>2</sup>

	2015-16	2016-17	2017-18	% Change
<b>London</b>	746	773	834	+11.7%
<b>England</b>	251	249	279	+11.2%
<b>North West</b>	203	175	243	+19.2%
<b>West Midlands</b>	143	150	233	+62.9%
<b>South East</b>	180	201	200	+11.1%
<b>East</b>	191	144	160	-16.2%
<b>North East</b>	110	110	141	+28.2%
<b>South West</b>	94	136	140	+48.9%
<b>Yorks &amp; Humber</b>	180	137	132	-26.7%
<b>East Midlands</b>	<b>91</b>	<b>70</b>	<b>79</b>	<b>-13.2%</b>

### 3. Some Thoughts....

- 3.1 This is HM Treasury data - official, national statistical analysis. It is therefore robust and incontrovertible; being consistent, credible and comparable (and independent from regional and local partners).
- 3.2 The data confirms ongoing underfunding of the East Midlands, both in real terms and when compared to other regions. This places the importance of the Autumn Budget and associated CSR announcements in sharp contrast.
- 3.3 The low levels of relative and absolute public investment in the East Midlands, particularly transport spend, remains an important and concerning issue. The region remains at the bottom of the table, and is perhaps 'decoupling' from other regions such as the West Midlands and the North West that have seen notable uplifts in levels of investment – perhaps related to the establishment of powerful Metro-Mayors.
- 3.4 In consideration of this decline over a 4-5 year period, it may be seen as firm justification for the current joint work through Midlands Engine and Midlands Connect. However, the East Midlands cannot simply transact away responsibility for improving this situation to these wider partnerships. There will inevitably be a need for a collective approach through partnerships such as TfEM, and the 'chasing down' of agreed regional investment priorities – alongside that, and in partnership with, Midlands Connect and the Midlands Engine.
- 3.6 The argument for securing greater investment must be built upon 'opportunities for growth' rather than that the 'region is losing out' or other 'equity' arguments. For example, there is a persuasive case that this region delivers proportionately higher rates of GVA growth per £ of public transport expenditure than elsewhere – so intuitively, increasing the level of transport expenditure will deliver proportionately higher levels of regional and therefore national economic growth.

<sup>2</sup> **Caution**, these figures compares PESA 2015-16 outturn with 2016-17 and 2017-18 outturn, i.e. 3 datasets from consecutive yearly publications and so do not allow for any HMT adjustment of 2015-16/2016-17 figures.

- 3.7 If there is reinvigorated commitment to ‘turbo-charge’ regional investment, growth and productivity, a realistic programme of priority investment schemes that have local and regional support, and will deliver the greatest level of return, should be accompanied by an expectation that Government will deliver on the agreed strategic priorities and the level of investment will increase.