Levels of Public Investment in the East Midlands
Briefing Note July 2021

1. The most recent HM Treasury report[1] confirms the region is continuing to lose out in terms of public investment. Of continued 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. The lack of public investment has been a catalyst for collective work and lobbying by council and business leaders and MPs. There is growing expectation that the work invested in by councils over a number of years should be reflected by an improvement in investment – but any improvement is 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 services per head.

3. Table 1 shows the total identifiable expenditure on services per head in real terms, 2014-15 to 2019/20; examples include spending on health, transport, economic affairs, education, and social protection.

4. Between 2014-15 and 2019-20, total expenditure on services has remained consistently below the England average (£725 per head lower in 2019/20). If the Northern Powerhouse is seen as a primary competitor for investment funds, then it has been given a head start (£1,084 per head better funded than the East Midlands). And there's an imbalance within the pan-Midlands partnership with the West Midlands, at a little over £691 per head better off, faring comparably well too.

[1] The data has been drawn from the HM Treasury publication *Public Expenditure: Statistical Analyses 2021* published in July 2021. The most recent data available is 2019-20.

Table 1: Total identifiable expenditure on services in real terms 2014-15 to 2019-20 (per head, £m, in descending order for 2019-20 outturn)

Total Expenditure on Services (£ per head)						
	2014-15 Outturn	**2015-16 Outturn**	**2016-17 outturn**	**2017-18 Outturn**	**2018-19 Outturn**	**2019-20 Outturn**
London	9,897	10,112	10,099	10,295	10,425	10,835
North East	9,487	9,656	9,696	9,734	10,183	10,285
North West	9,291	9,418	9,452	9,762	9,865	10,204
UK	8,975	9,076	9,147	9,306	9,584	9,895
England	**8,724**	**8,827**	**8,889**	**9,038**	**9,296**	**9,604**
West Midlands	8,799	8,722	8,855	8,906	9,242	9,570
Yorks & Humber	8,732	8,849	8,860	8,901	9,123	9,401
South West	8,346	8,388	8,502	8,635	8,910	9,193
East	8,034	8,151	8,118	8,347	8,736	8,991
South East	7,813	7,946	8,142	8,273	8,601	8,919
East Midlands	**8,242**	**8,257**	**8,283**	**8,360**	**8,601**	**8,879**

5. Table 2 show the level of expenditure on economic affairs, per head for 2014-15 to 2019-20. This area of expenditure includes enterprise and economic development, science and technology, employment policies, agriculture, fisheries and forestry, and transport.

6. For this important element of public investment, it is not solely that the East Midlands remains the lowest funded region per head of the population, it is the consistently wide gap between East Midlands' levels and the national average – that stubbornly refuse to narrow. East Midlands is funding remains 75% of the English average and the funding gap between this region and the England average seems 'baked in'. This differs to that of the West Midlands that has seen the gap steadily narrow since 2015-16 to now near-parity (97% of the England average).

Table 2: Total Identifiable expenditure on Economic Affairs 2014-15 to 2019-20 (per head, £m, in descending order for 2019-20 outturn)

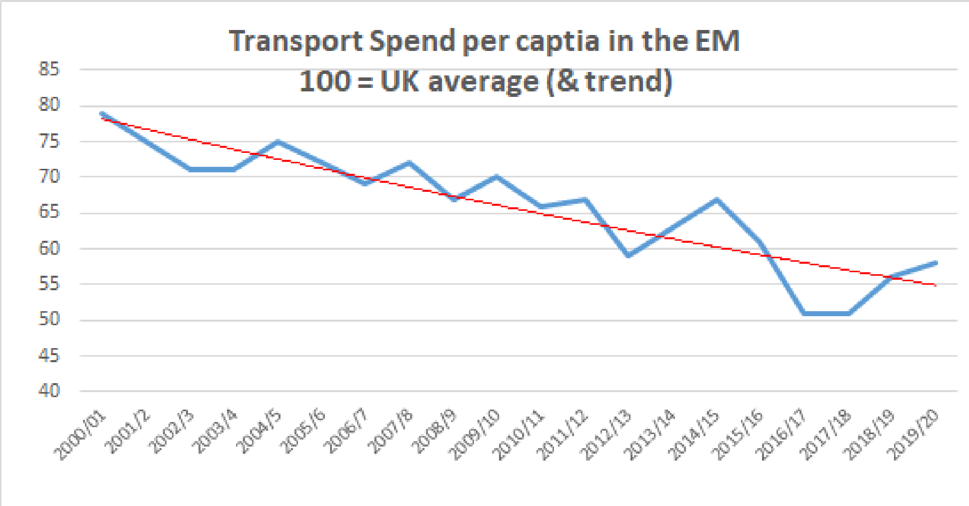
Economic Affairs (£ per head)						
	2014-15 outturn	**2015-16 outturn**	**2016-17 Outturn**	**2017-18 Outturn**	**2018-19 Outturn**	**2019-20 Outturn**
London	674	1,126	1,165	1,238	1,312	1,347
UK	439	686	722	779	882	936
South East	331	548	619	723	878	983
North East	504	569	602	590	884	749
England	**425**	**641**	**673**	**735**	**846**	**896**
East	327	569	573	673	824	844
West Midlands	395	501	561	606	803	870
North West	498	590	596	721	741	792
South West	347	506	590	614	683	732
Yorks & Humber	565	626	583	553	614	698
East Midlands	**356**	**485**	**492**	**513**	**598**	**645**

7. In monetary terms, over the 3 year period from 2017-20, the difference between East Midlands levels of funding against the England average equates to be approximately £3.5bn loss of funding, and £2.5bn less than the level received by the West Midlands region.

8. Table 3 and corresponding graph shows the level of regional transport expenditure, per head for 2014-15 to 2019. 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 – it's that the regional disparities in levels of transport funding continues to worsen to the obvious detriment of the East Midlands.

Table 3: Identifiable expenditure on Transport (2014-15 to 2019-20, £ per head, in descending order - excludes inflation)

Transport Spending (£ per head)						
	2014-15 outturn	**2015-16 outturn**	**2016-17 outturn**	**2017-18 outturn**	**2018-19 outturn**	**2019-20 outturn**
London	686	887	935	946	913	882
East	252	336	328	396	487	470
North East	234	298	314	270	493	315
UK	**335**	**421**	**431**	**453**	**484**	**497**
England	**319**	**414**	**419**	**442**	**478**	**489**
West Midlands	255	330	322	342	472	492
South East	252	327	350	356	422	521
North West	278	372	366	481	431	438
South West	198	263	300	293	402	329
Yorks & Humber	295	377	328	301	277	309
East Midlands	**221**	**252**	**217**	**227**	**268**	**289**



9. If the East Midlands was funded to a level equivalent to the UK average, t**he region would have an extra £1 billion a year to spend on transport.**

Some Reflections

10. 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).

11. The data confirms ongoing underfunding of the East Midlands, both in real terms and when compared to other regions. Clearly measures taken to increase levels of investment have had little effect over the past few years, even allowing for any time lag in data sets.

12. The low levels of relative and absolute public investment in the East Midlands, particularly transport spend, remains an important and concerning issue because of the impact that poor transport can have on productivity.

13. The region remains at the bottom of the table, and our funding levels are clearly decoupling from other regions, particularly the West Midlands and the North West have seen notable uplifts in levels of investment – perhaps related to the establishment of powerful Metro-Mayors.

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