

Sustaining nationally-important economic success and tackling risks in South East England - an analysis of key data

Technical Annex

May 2019

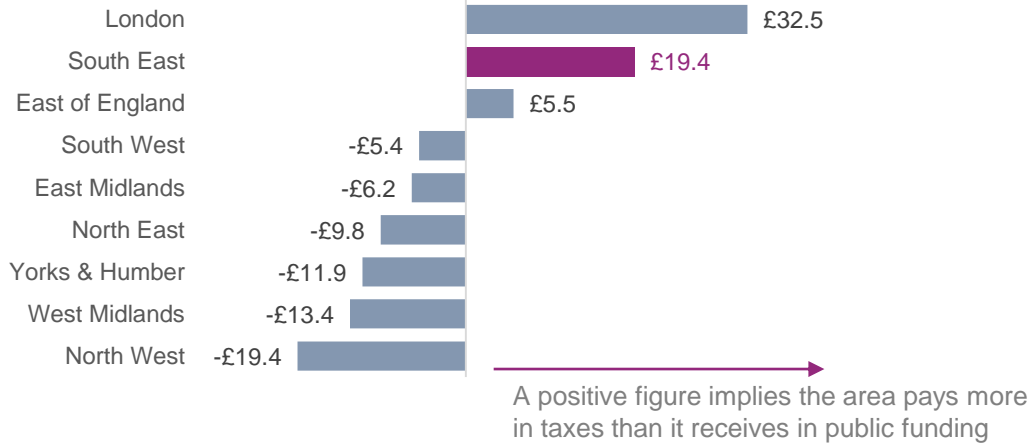


The Technical Annex provides further detailed South East regional analysis and data on the themes summarised in the Main Report.

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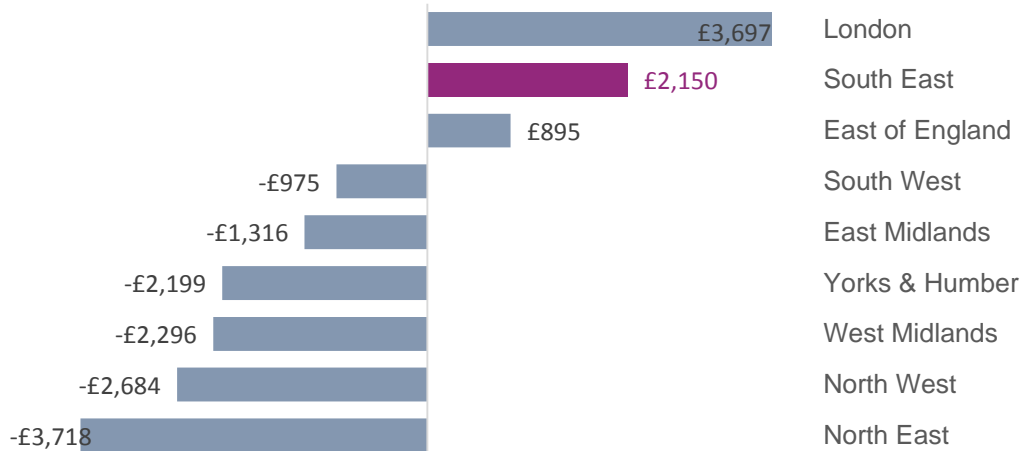
Net contributions to UK public finances (£ billion, 2016/17)

Regions ranked by net contribution



Per head net contributions (£, 2016/17)

Regions ranked by net contribution



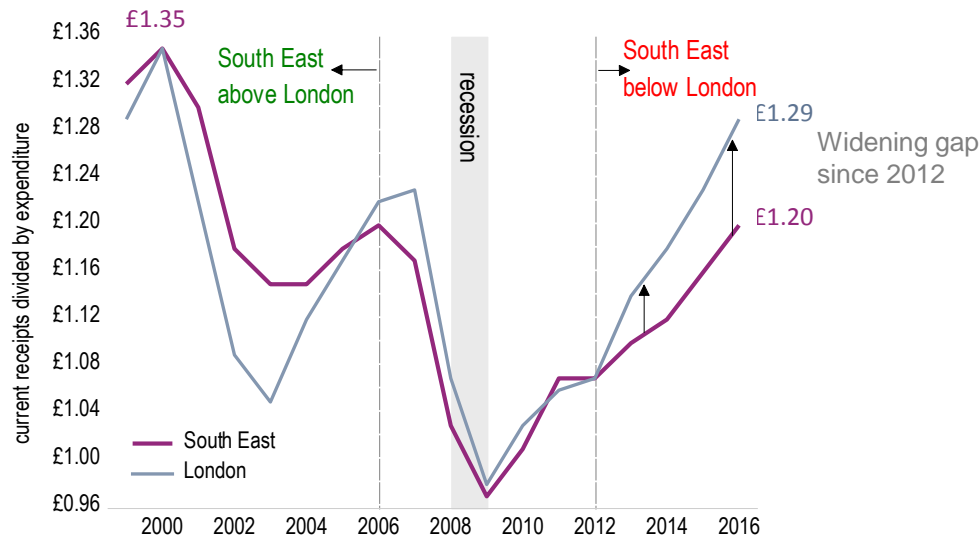
- The official estimate from ONS shows that the South East was one of only three UK regions that had net fiscal surpluses in the financial year ending 2017. This means that the South East contributed more to public finances than it got back in public spending and investment.
- In 2016/17 the South East contributed some £19.4bn to the Exchequer, lower than London's £32.4bn but close to four times as much as the contribution made by the East of England.
- All other regions were in net receipt of public funds with the North West receiving the largest amount, some £19.4bn.
- The overall net contribution from the South East was smaller than in London but that can be explained by the South East economy being considerably smaller than London.
- Per head contribution to the Exchequer was some £2,150 in the South East in 2016/17, again the second highest in the country.
- Residents of other regions outside the South East London and East of England were in receipts of public funds (had fiscal deficits) of between £2,200 in the case of Yorkshire & the Humber to over £3,700 in the case of the North East.

Total residence-based net contributions to UK public finances, (£ billion)



With a much smaller economy South East contributed more the Exchequer than London between 2000 and 2007

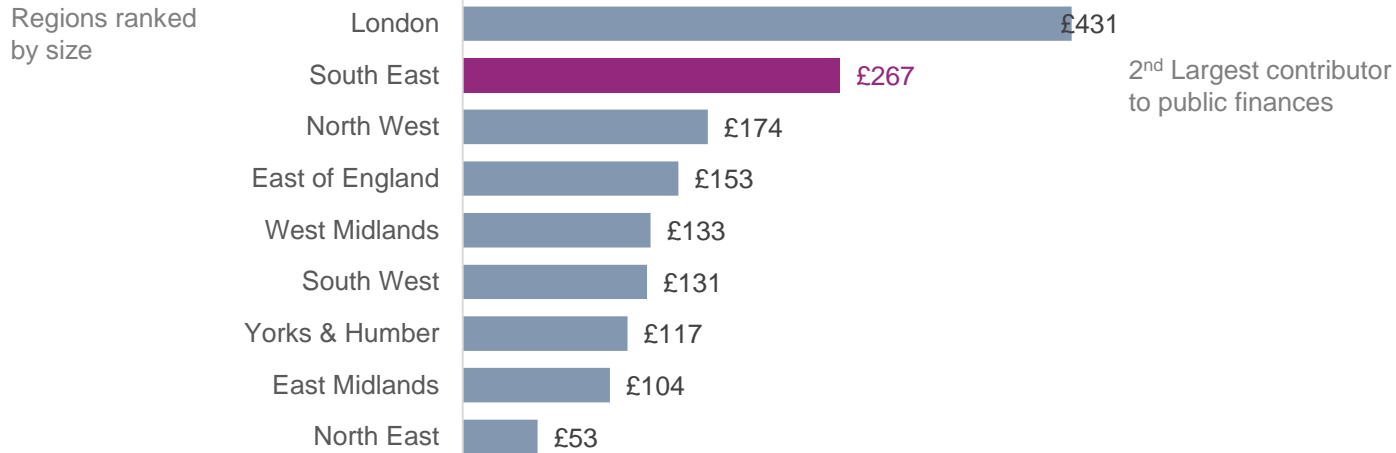
Return rate to UK public finances, (per £1 spent)



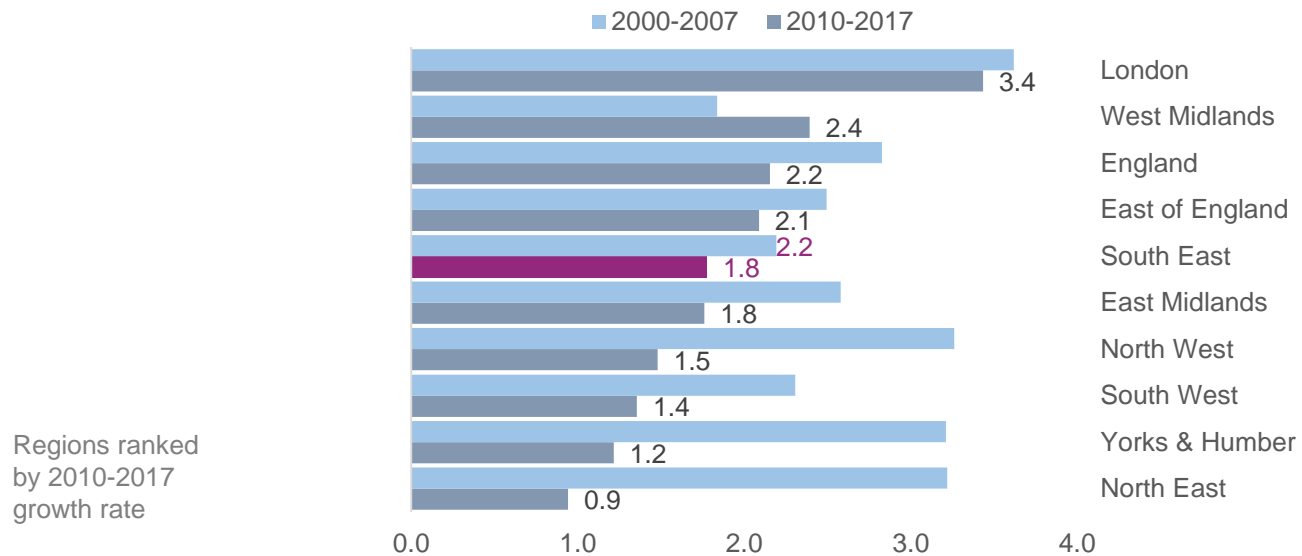
The South East used to have a higher return rate but this trend has been reversed and the gap with London has been getting wider

- Between 2000/01 and 2016/17 the South East made a total £178.5bn net tax contribution to the Treasury compared to London's £226.8bn.
- In the eight years before the last recession (1999/00 – 2006/07) total net contribution to public finances from the South East was over £97bn or £12.2bn per annum, England's highest (slightly higher than London the only other significant net contributor with £92bn or almost £11.4bn per annum).
- However, between 2007/08 and 2016/17 the South East net contribution slipped to 2nd place. The region's net contribution totalled £81.2bn (£8.1bn per annum or 33% lower than before the recession), whilst London's net contribution totalled £135bn (£13.5bn per annum or 18% higher than before the recession).
- The return rate in the South East stood at of £1.35 per £1 spent by Government in the region in 2000/01 but by 2016/17 the rate had declined to £1.20, below London's £1.29.
- Investment into London's economy has been significantly higher than in the South East and this is probably one of the main factors that helps explain the recent divergence in the net contributions.

Total economic output (Gross Value Added, GVA) - £ billion, 2017

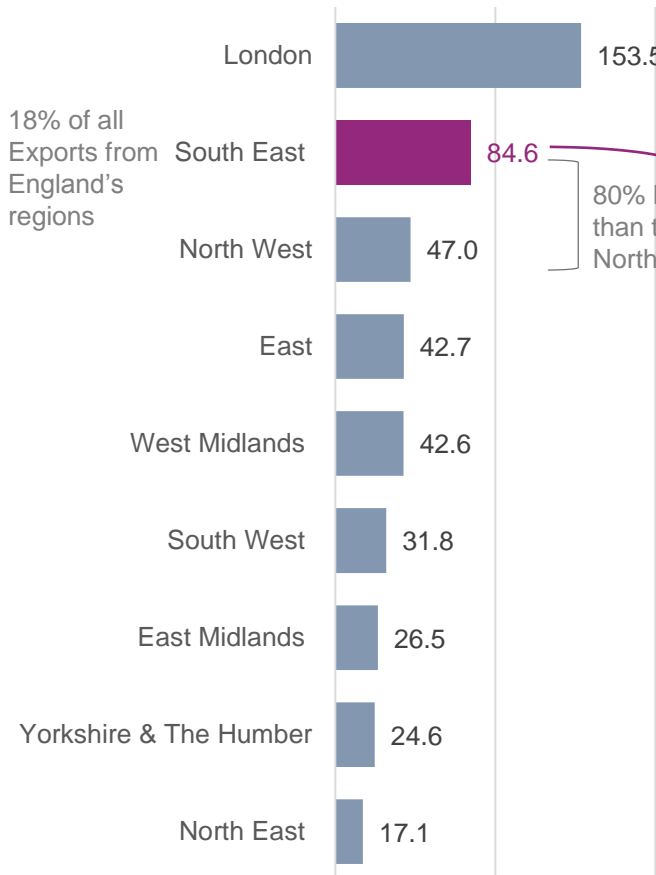


Average growth in real output (GVA), 2000-2007 and 2010-2017 (% p.a.)

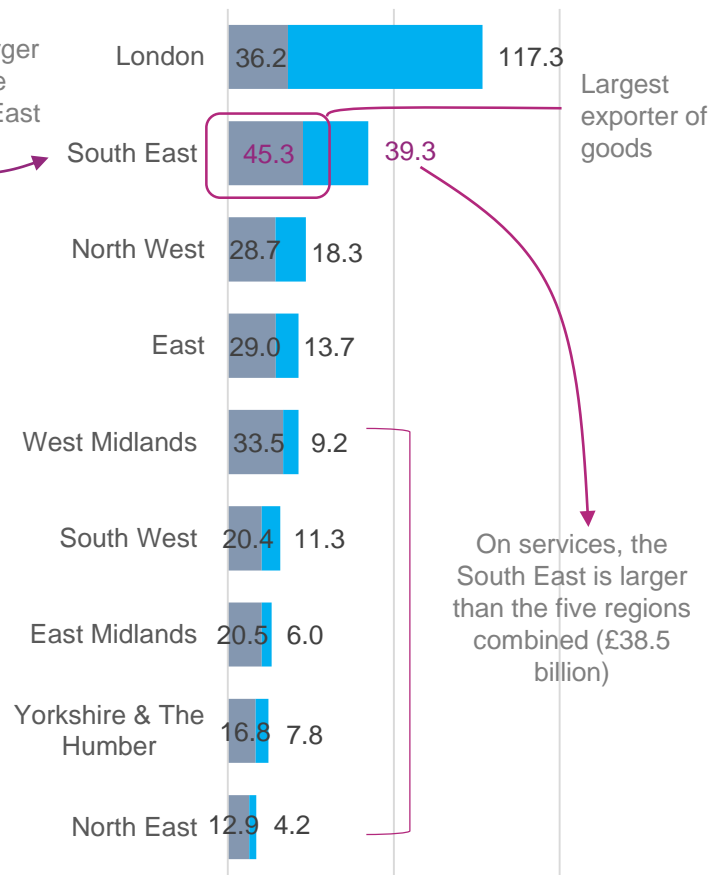


- The South East economy contributed some £267 billion in economic output, Gross Value Added (GVA) to the UK economy in 2017 – 14.8% of the total.
- The South East remains the second largest contributor to the UK economy in terms of economic output and its contribution to public finances.
- Economic growth in the South East was sluggish since 2010. Growth averaged 1.8% per annum (p.a.), below the national (England average) and almost 50% slower on average than in London.
- Since 2000 the South East has received a relatively small share of public spending/investment in the UK. Lower public spending per head is one of the factors that has probably affected GVA growth rates.
- In the seven years before the recession (2000-07) economic growth in the South East was sluggish. Since 2010 its GVA growth rate (1.8% p.a.) was comparable to East Midlands but well below West Midlands (2.4% p.a.).
- Had the South East expanded at the same rate as England since 2010, its GVA would have been some £7.7bn larger in 2017, and had it growth been at the same pace as London the South East would have been £31bn larger. This would have made a significant additional contribution to public finances.

Total Exports (£ billion, 2017)



Division of Total Exports by Goods and Services (£ billion)



Regions ranked by exports

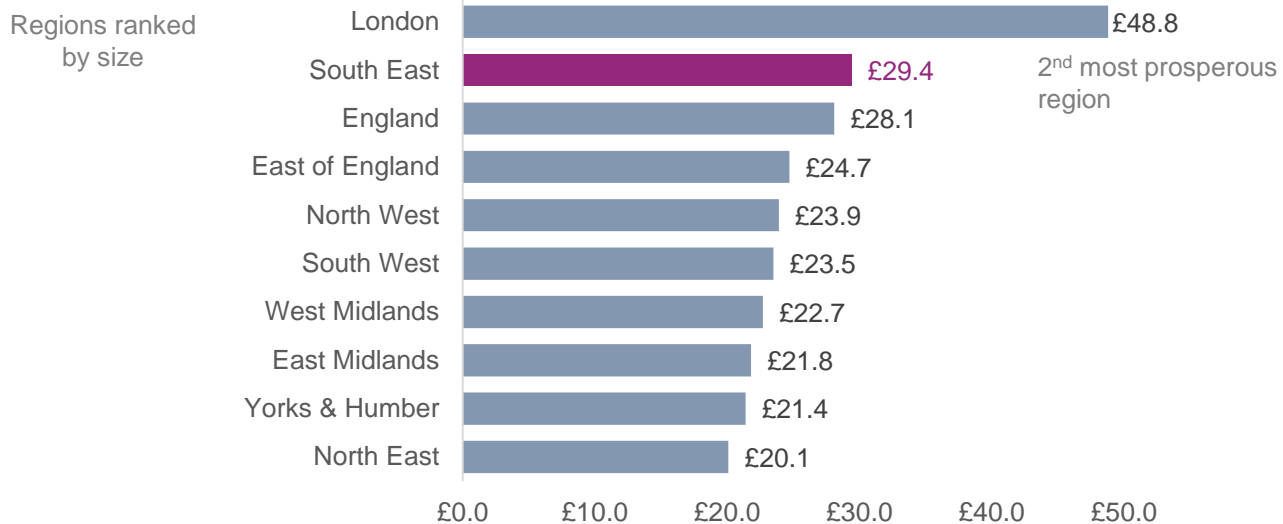
£ Billions

■ Goods (2017) ■ Services (2016)

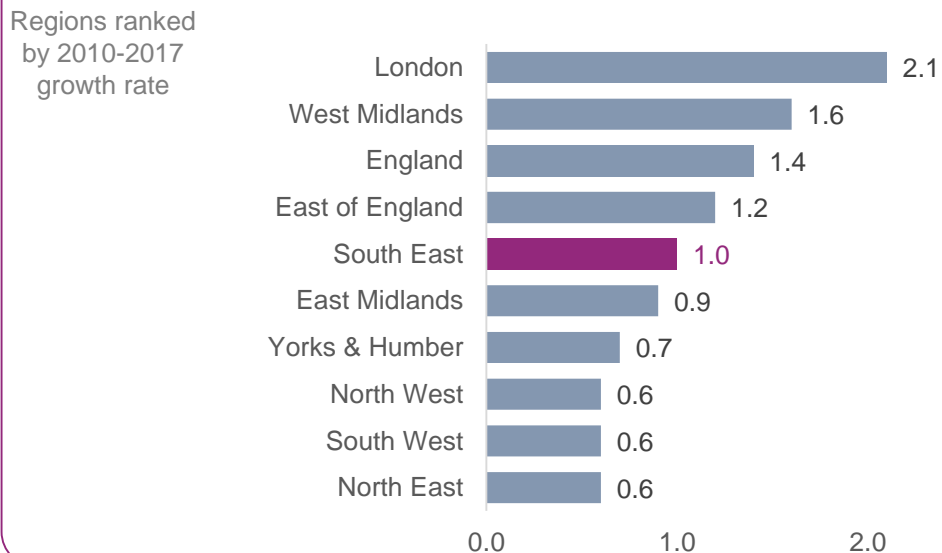
Note: Due to rounding the sum of goods and services may not equal the total

- The South East region exports approximately £85 billion worth of goods and services, 18% of all exports from England. South East exports are second only to London (£153.5 billion) but the region's exports are 80% larger than in the North West region, the third largest in England.
- The South East is by far the largest exporter of goods (£45.3 billion) and the South East is the second largest exporter of services. The exports of services in the South East are twice as large as in the North West and larger than the bottom five regions combined (£38.5 billion).
- One of the aims of government policy is to rebalance the economy away from domestic consumption and towards exports and the region will undoubtedly play a key role in this.
- The South East is home to UK's critical transport infrastructure (ports and airports) and investment in that infrastructure and connectivity (physical and digital) is essential for supporting future growth and rebalancing of the economy.
- Digital connectivity is a major enabler of growth in the 21st century but the region has 2nd largest number of premises in the country without the basic broadband connection

Economic prosperity (GVA per head) - £ thousand, 2017



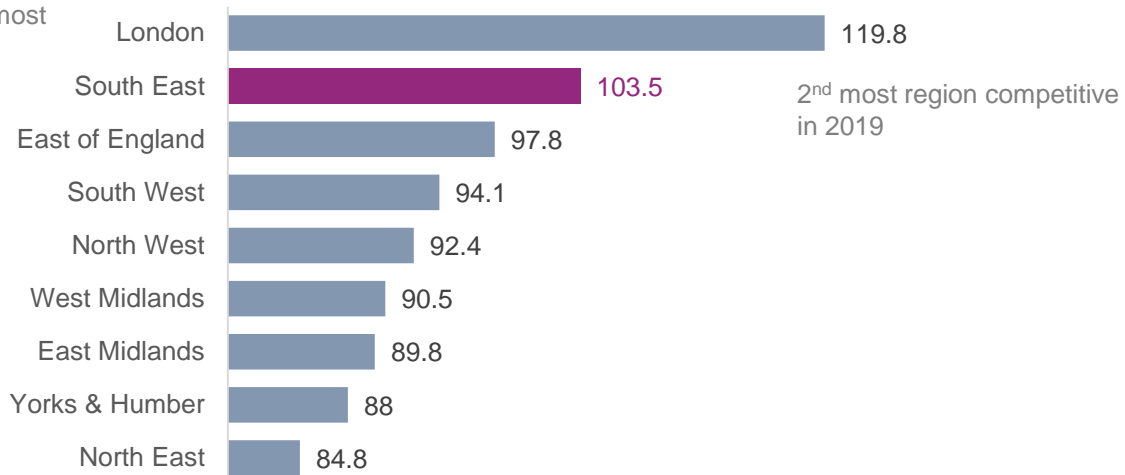
Average growth in real GVA per head, 2010-2017 (% p.a.)



- GVA per head of population is the most widely used measure of economic prosperity at the subnational level in the UK.
- In 2017 GVA per head in the South East was £29,400 or about 8% above the UK average (5% above England). On this measure, the South East is the second most prosperous UK region.
- However, whilst relatively prosperous, South East residents are relatively poorer compared to London. Levels of economic prosperity in London are about two thirds higher than in the South East (or over £20,000 per resident annually).
- Real (inflation adjusted) GVA per head increased by 1% on average per annum since 2010. Relative levels of GVA per head in the South East decreased from 14% above the UK average in 2000 to 10.4% above the average in 2010, before falling to about 8% above the average in 2017.
- As indicated elsewhere in this document the South East is projected to see a sharp increase in population and especially the older population (75yrs +). This will depress the GVA per head growth rate further but at the same time lead to an increase in demand for public services which will require faster growth in public spending/investment.

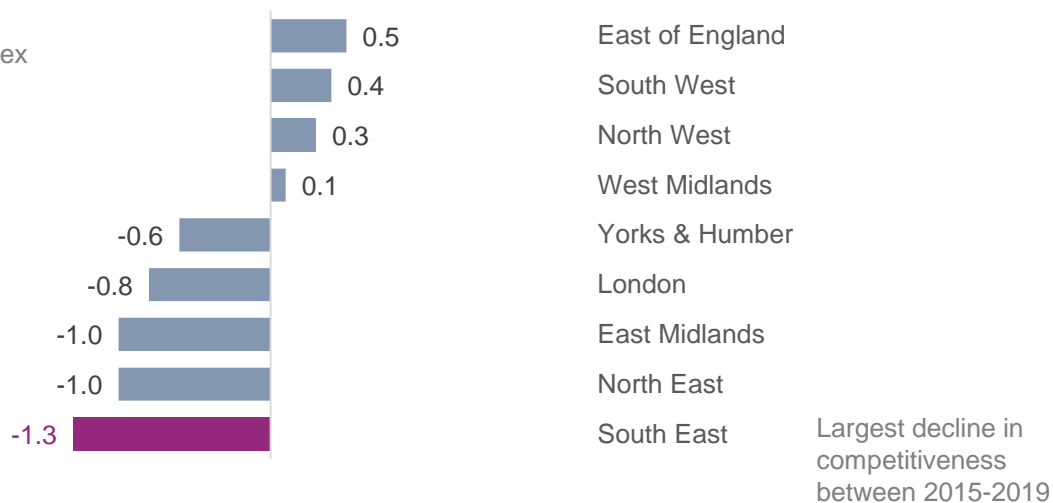
Regional Competitiveness Index, 2019

Regions ranked from most competitive, UK=100



Change in Regional Competitiveness, 2015-2019

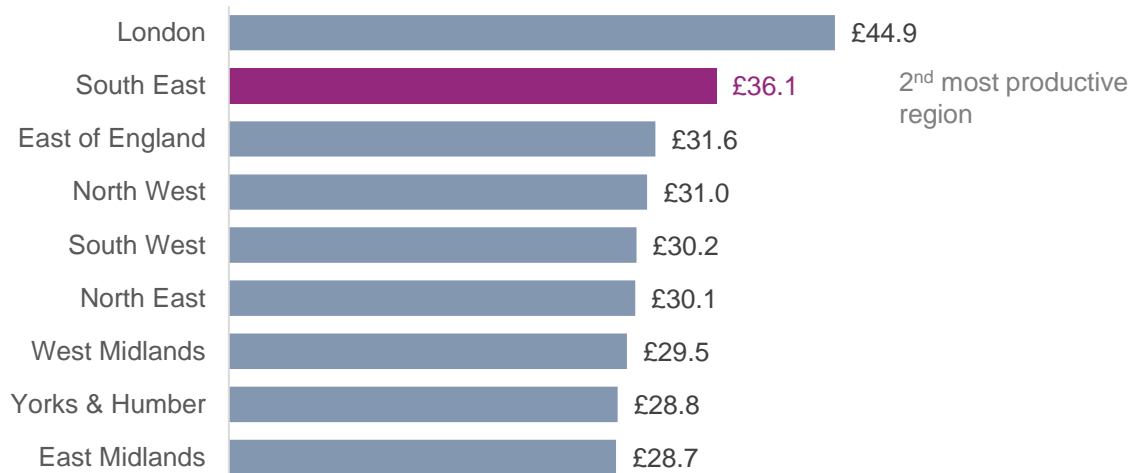
Change in the Competitiveness Index



- Measuring national or subnational competitiveness is an extremely challenging task given the complex interactions that take place between economic agents within a country and overseas.
- One way of measuring competitiveness is to use a composite measure (index) of regional competitiveness. In the UK the index developed by Cardiff University and Nottingham Business School is one of the most widely used.
- According to the latest index, in 2019 the South East economy remains the second most competitive UK economy. However, with the value of the index at 103.5 the South East economy is marginally more competitive than the UK average (100) but well below London at 119.8.
- Current levels of competitiveness are important but changes over time are arguably more important. The latest data suggests that over the past four years the South East economy experienced the largest decline in competitiveness amongst all English regions – some 1.3 points lower in 2019 than in 2015.
- The decline in the overall competitiveness reflects the region losing ground in several major areas including productivity and GVA growth.

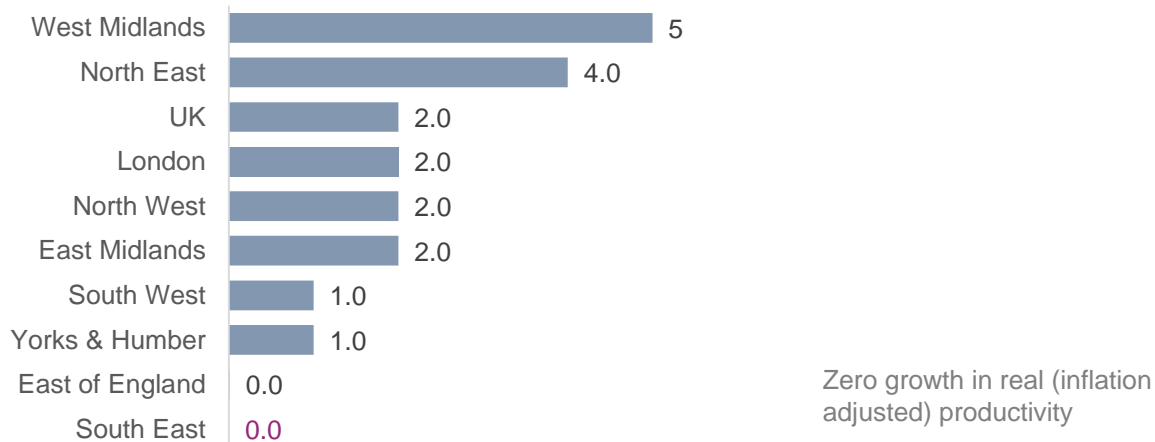
Productivity per hour worked, £ 2017

Regions ranked by size



Real growth in labour productivity, 2010 to 2017 (%)

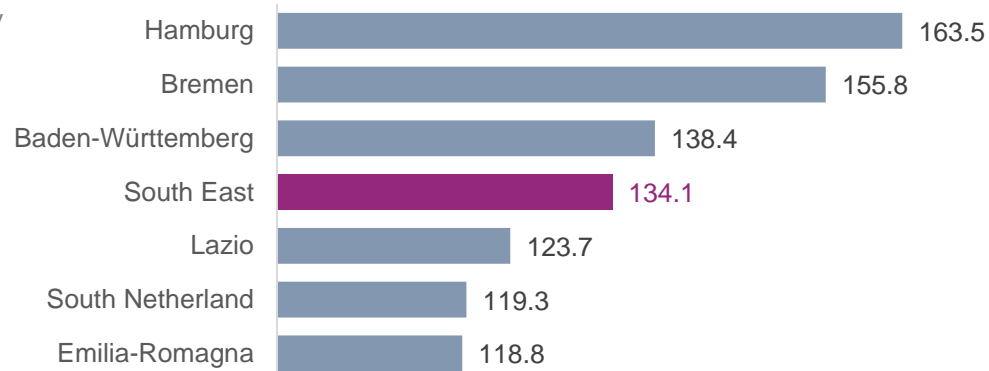
Regions ranked by 2010-2017 growth rate



- In its simplest form economic output (GVA at the subnational level) is determined by how many people are employed and by their productivity.
- Productivity is the main driver of national and regional competitiveness and economic growth over the long-run.
- With £36 per hour worked in 2017 the South East was the second most productive region in the country. Labour productivity in the South East was some 7.4% above the national average but London was about a third more productive than the UK as a whole.
- Productivity levels are key but growth in labour productivity is equally important. The South East saw no growth in labour productivity between 2010 and 2017. All but one region outside GSE saw increases comparable to the national average with West Midlands and North East seeing growth of more than double the national average.
- As a result of the flat growth in productivity the South East has lost ground relative to the national average and all but one UK region. The relative levels of productivity decreased from 9.3% above the UK average in 2010 to 7.4% above the average in 2017.

European Regional Competitiveness Index, 2006/7

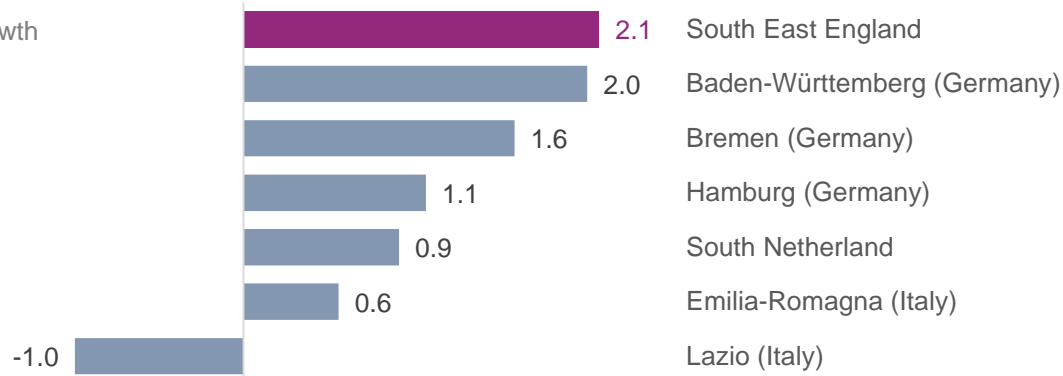
Regions ranked by competitiveness



The South East is compared against a 'basket' of regions of similar size that are in the 10 most competitive European regions. Regions with capital cities have been excluded from the comparison

Average annual growth in GDP, 2010-2016 (% p.a.)

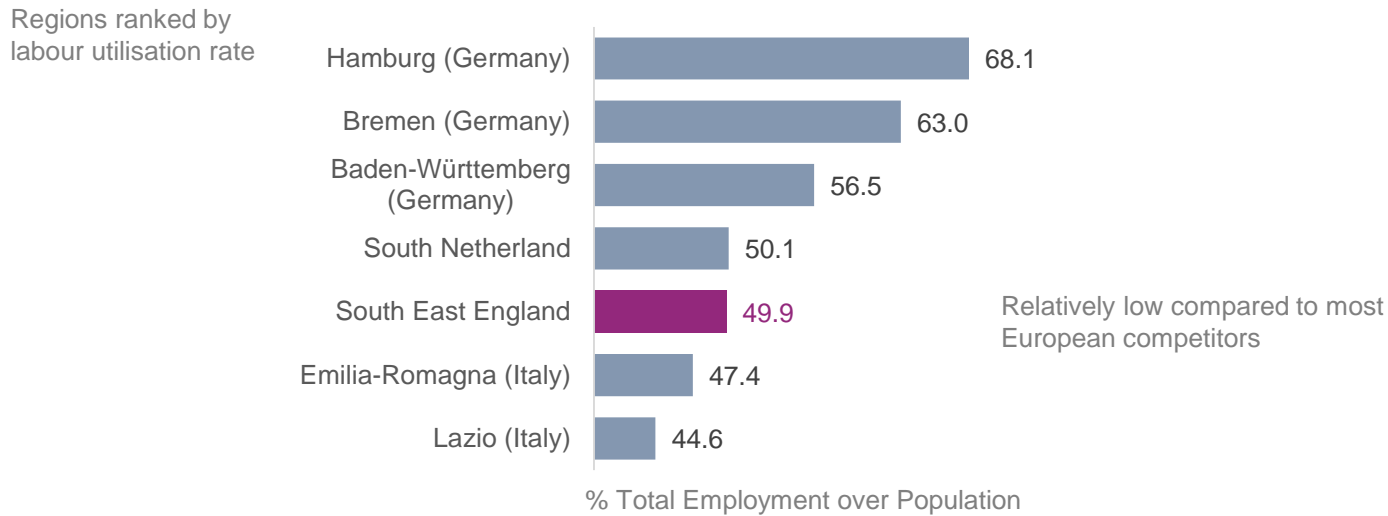
Regions ranked by average annual growth



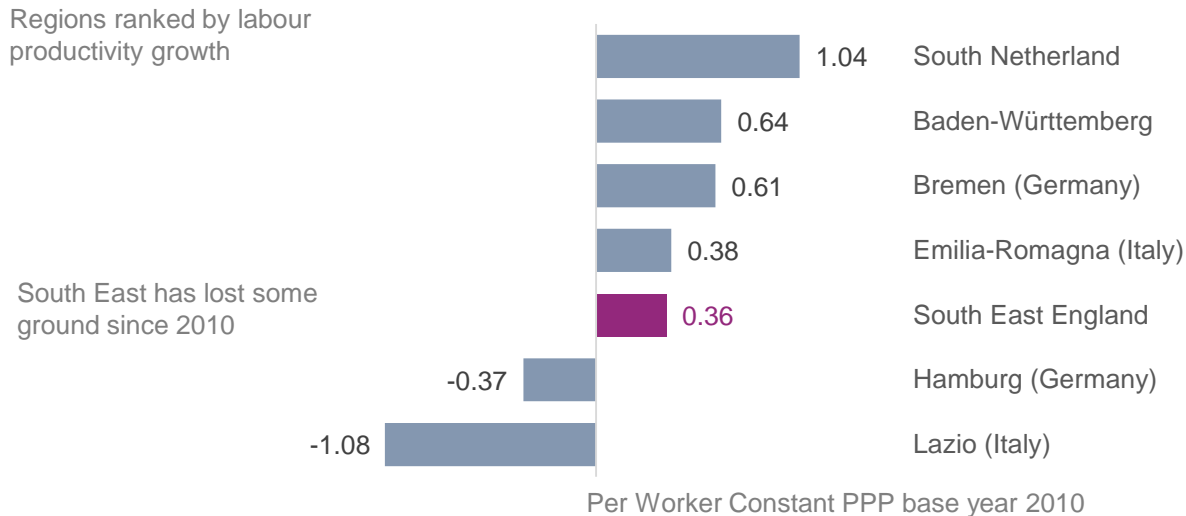
GDP is a measure that allows consistent comparison of economic output across different countries. Constant PPP base year 2010

- Before the last recession the South East was one of the most competitive large European regions according a Competitive Index developed by Cardiff University and Nottingham Business School
- A composite measure of European competitiveness suggest that the South East economy was by about a third more competitive than the average European region in 2006/7.
- On this measure the South East was ranked in the top 10 European regions. It was more competitive than Emilia-Romagna (Italy), South Netherland (Netherlands) or Lazio (Italy). Its level of competitiveness was similar to Baden-Württemberg (Germany) but it was well below the other two German regions Bremen and Hamburg.
- Timelier data on European competitiveness is not available but the latest data on some of the key individual measures of economic performance is mixed at best.
- Average annual growth in GDP in the South East was 2.1% between 2010 and 2016. This was faster than in other comparable regions but this growth was using Purchasing Power Parity (PPP) which takes into account the relative cost of local goods, services and inflation rates in different countries.

Labour Utilisation Rates (2017, %)

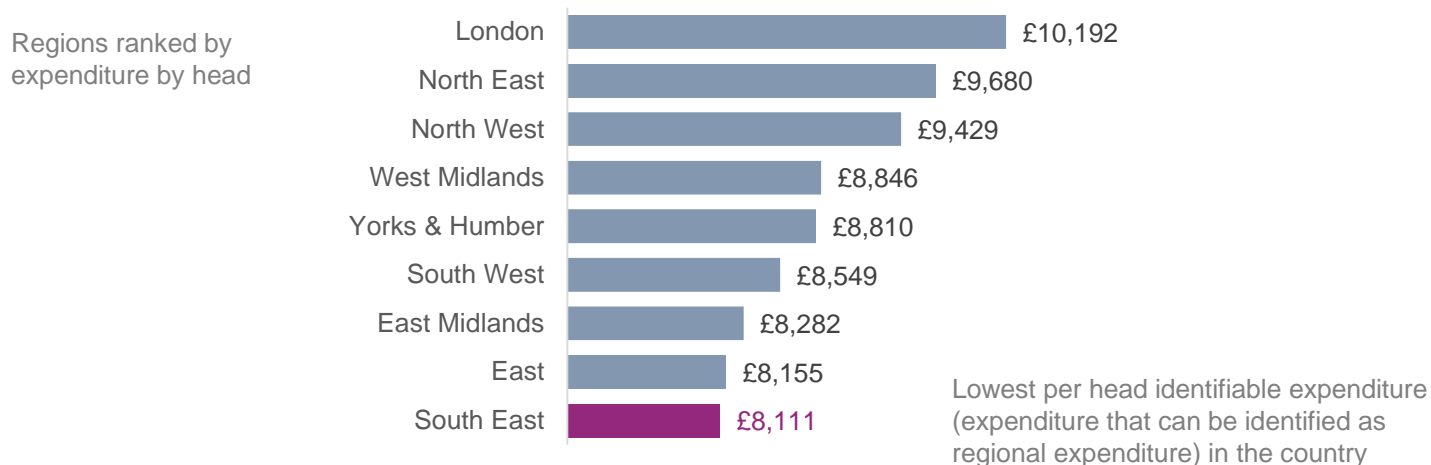


Average annual growth in Labour Productivity, 2010-2016 (% p.a.)

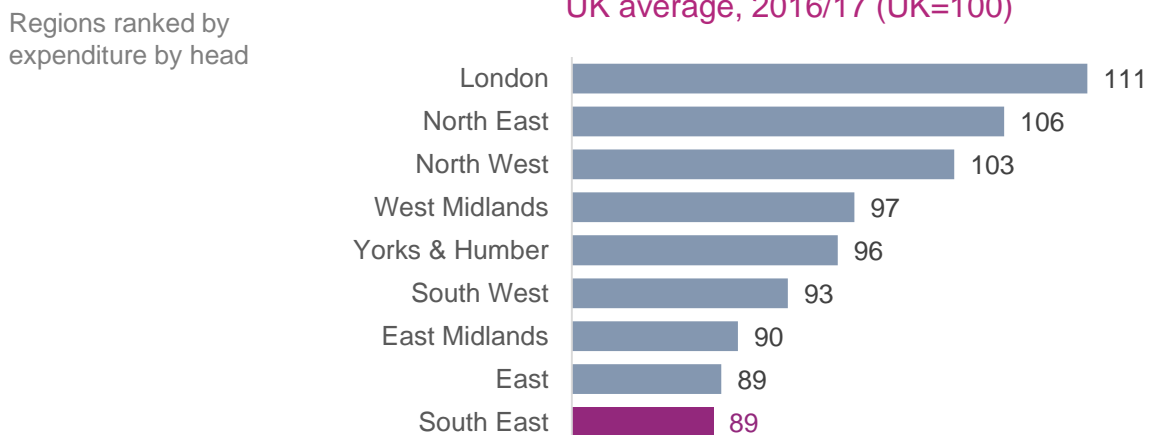


- Economic growth as measured by GVA/GDP depends on two things – how many people are employed and on their productivity. But the extent to which labour get utilised is equally important.
- The South East has one of the highest employment rates in Europe and the region has benefited from the strong growth in employment since the recession.
- However, the ratio of employment to total population in the South East is relatively low compared to most of its European competitors and this will affect total output and the levels of prosperity in the region. The low ratio is explained by the relatively large share of older population. Ageing population implies that the labour market utilisation rate in the region will decrease in the future.
- Productivity is the main driver of competitiveness and living standards over the long run. With the growth rate in output per worker of just 0.36% per annum the South East has lost ground against the most comparator regions in Europe.
- To remain competitive the region will require investment in the main drivers of competitiveness and in particular in Skills, Innovation and Investment.

Total (capital and revenue) 'identifiable public expenditure' per head in 2016/17 (£ million)



Total (capital and revenue) 'identifiable public expenditure' per head relative to UK average, 2016/17 (UK=100)



- Public expenditure (Central Government plus Local Government and public agencies) on services and capital represents a major form of investment that in turn is a key driver of productivity growth and regional and national competitiveness.
- Total public sector expenditure (capital and revenue) in the South East was slightly over £8,100 per head in 2016/17, the lowest in the UK and, about 11.5% below the UK average (£9,160).
- Expenditure in the North West was over £9,400 per head or 3% above the UK average. The North East received almost £9,700 per head or 6% above the UK average while London received almost £10,200 per head or 11% above the UK average.
- The per head public expenditure in the South East was just 88.5% of the UK average compared to 111% of the UK average in London and 106% of the UK average in the North West.
- The per head gap suggests that in 2016/17 the South East had an expenditure (capital and revenue) deficit of over £9bn with the UK average and a deficit of over £18bn with London.

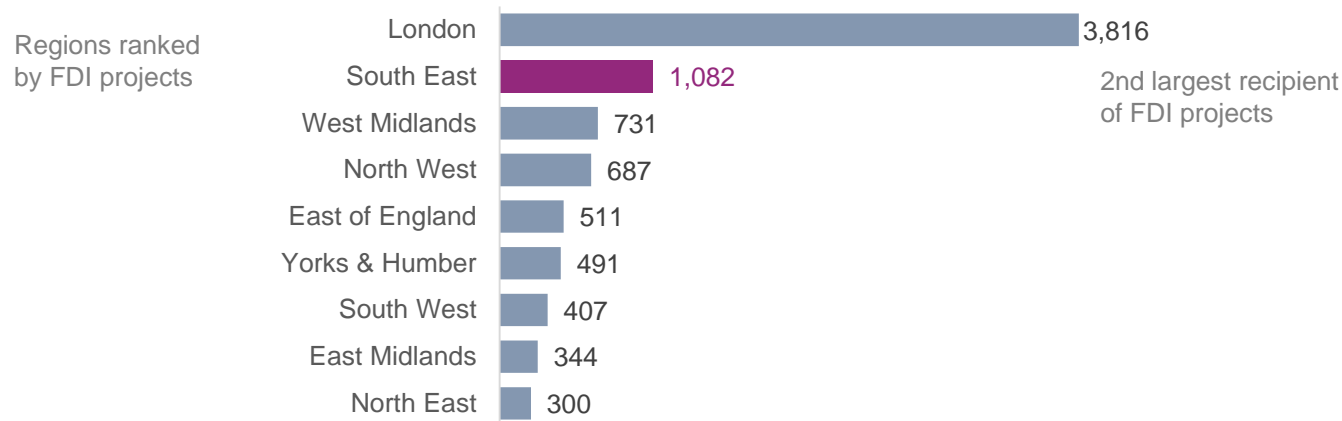
Index of Total per head identifiable expenditure on services by function, 2016/17 (Index, UK=100)

Services by selected function	London	South East
Public order and safety	140	77
Economic affairs	163	89
of which: employment policies	108	60
of which: agriculture, fisheries and forestry	11	60
of which: transport	217	85
Environment protection	77	83
Housing and community amenities	128	60
Health	122	88
Recreation, culture and religion	127	78
Education	121	91
Social protection	90	90
Total Expenditure on Services	111	89

Note: The values in the table are Index scores. Values above 100 indicate expenditure is above the national (UK), whereas values below this suggest the opposite.

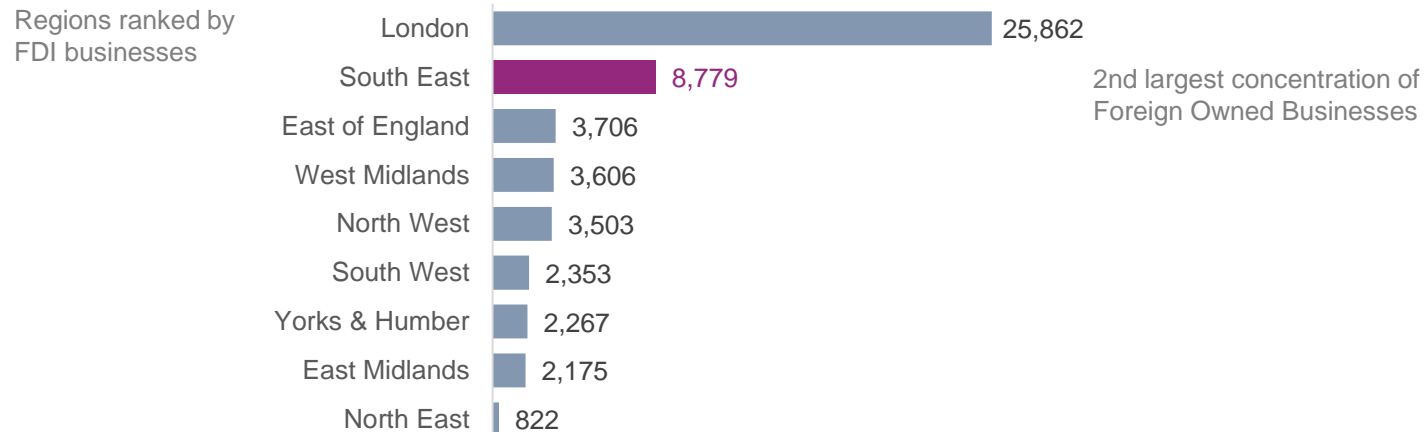
- In addition to having a large overall gap in total expenditure (capital & revenue) with the UK average and other UK regions, the South East also has a large gap with both the UK average and London across most expenditure functions.
- Total per head identifiable expenditure (capital & revenue) on housing & community amenities stands at just 60% of the UK average or at less than half of the per head expenditure in London.
- Expenditure on employment policies is also just 60% of the UK average compared to London's 108% of the UK average.
- The South East is a major gateway to European and global markets but total (capital & revenue) expenditure per head on transport in the South East stands at just 85% of the UK average. On a per head basis total per head expenditure on transport in London is 2.5 times greater than in the South East.
- By 2030 the South East's infrastructure investment gap is projected to reach £15.4bn.*
- The large infrastructure gap and low public sector expenditure across so many core functions will affect the region's competitiveness, restrict economic growth and harm public services if not addressed.

Number of FDI projects, 2012/13 to 2016/17



Foreign Direct Investment (FDI) projects: FDI is a cross-border investment made by a non-UK resident entity where the direct investor acquires at least 10% of the voting power or ownership.

Number of Foreign Owned Businesses and their subsidiaries, 2017

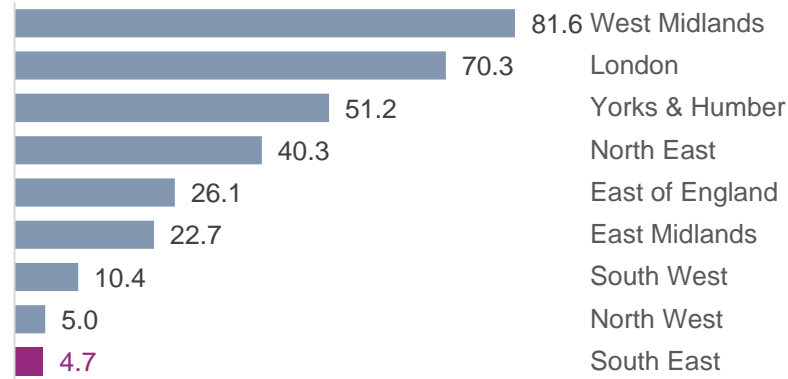


- A substantial body of empirical evidence demonstrates a strong positive relationship between Foreign Direct Investment (FDI) and economic performance.
- Foreign-owned firms, non-UK resident individual or firm where the direct investor acquires at least 10% of the voting power or ownership, accounts for a significant share of employment and on average they tend to be more productive and pay higher wages than UK firms.
- Alongside London the South East is the main destination for inward investment in the UK with the EU and the US companies being the main sources of FDI. Between 2012/13 and 2016/17 the South East after London accounted for the largest share of all FDI projects in the country, over 1,080 projects or 11.2%.
- The South East received more than twice as many FDI projects as East of England and around 50% more than West Midlands or the South West.
- The South East has the second largest concentration of foreign owned businesses in the country. South East is home to almost 8,800 foreign owned businesses and their subsidiaries. Under investment in the critical infrastructure in the region could depress future FDI inflows and/or intensify firm relocation from the region and the UK.

Growth in total R&D spending, 2011 to 2017 (%)

Regions ranked by R&D spending

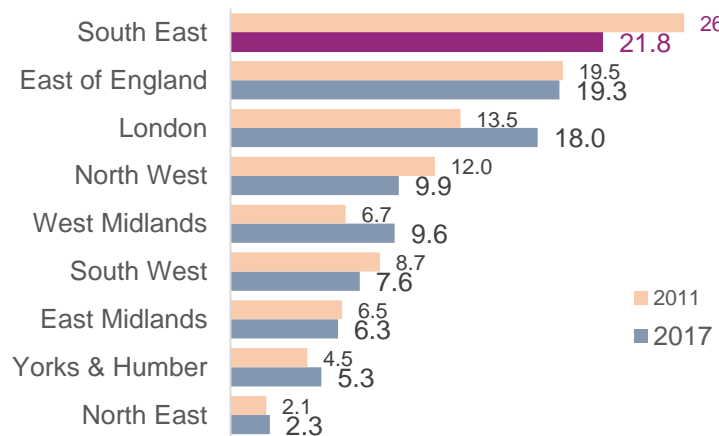
Slowest growth in nominal expenditure on R&D in the country



Share of total R&D spending, United Kingdom (% , 2011 and 2017)

Regions ranked by share of R&D spending

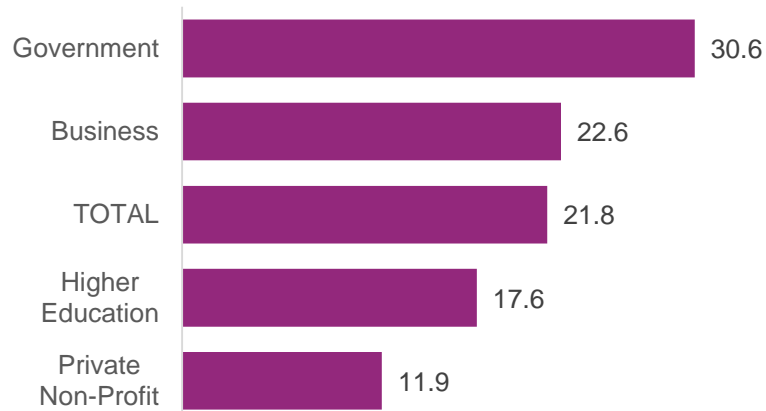
Still highest spend but falling share of R&D expenditure in the country



- Alongside investment, innovation is one of the most important drivers of productivity growth, living standards and regional and national competitiveness over the long-run.
- Expenditure on research and development (R&D) is a key indicator of countries'/regions' innovative efforts. On this measure the South East is the best performing UK region.
- In 2017 total expenditure on R&D was £6.7bn or more than a quarter (21.8%) of all R&D spending in the country.
- Whilst the latest data appears strong, looking at a single point in time could paint a misleading picture about the strength of the region.
- In nominal terms (not adjusted for inflation) total R&D spending in the South East increased by just 4.7% between 2011 and 2017 compared to 81% in West Midlands or 70% in London.
- The South East has seen the sharpest decline in the share of total R&D spending in the UK since 2011. The South East share decreased from 26.6% in 2011 to 21.8% in 2017. London, West Midlands, Yorkshire & the Humber and North East have seen increases in their share of UK's R&D spending.

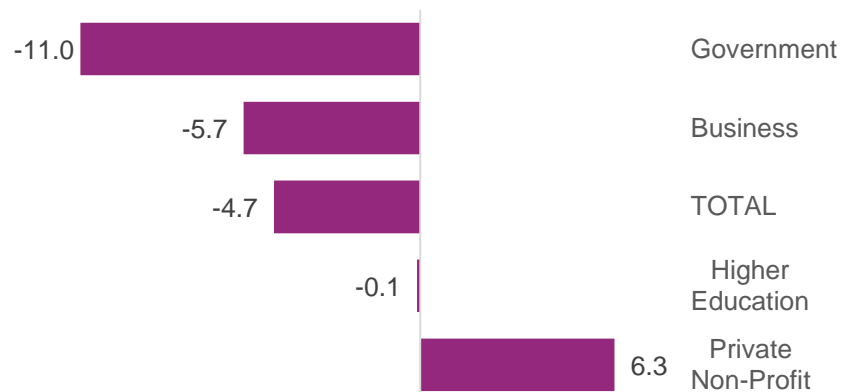
South East's share of total UK R&D spending, 2017 (%)

Ranked by share of R&D spend



Change in the South East's share of total UK R&D spending 2011 to 2017 (percentage points)

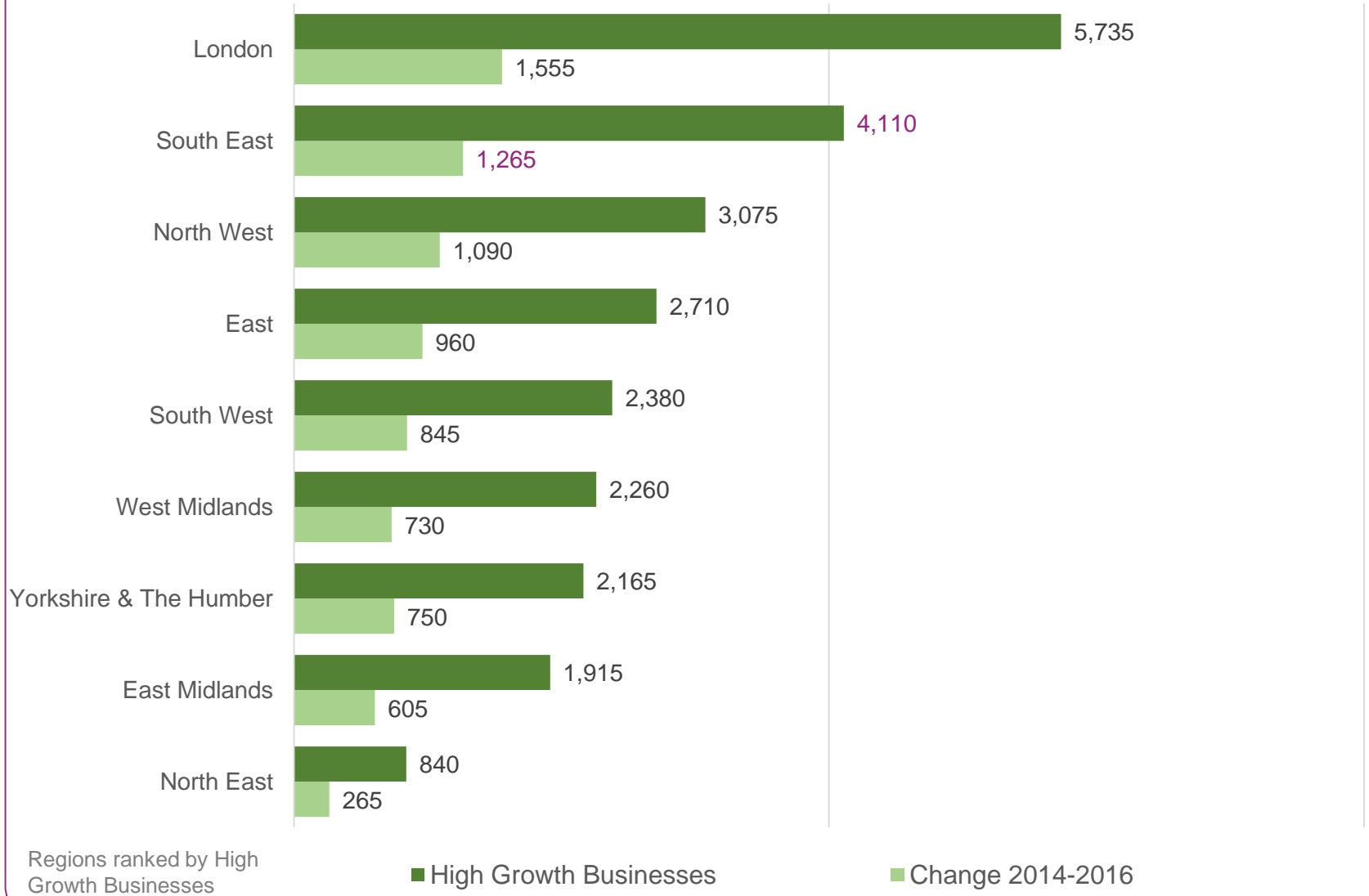
Falling share of Government expenditure on R&D since 2011



Ranked by change in share of R&D spend

- The South East accounts for about 30% of all government expenditure on R&D and about 22.6% of all expenditure by business. On this measure the South East gets the highest share of UK expenditure but the South East has lost ground since 2011.
- Total expenditure on R&D by government in the South East decreased by 27%, from £841 million in 2011 to £611 million in 2017. Over this period the region's share of UK government's expenditure on R&D decreased by 11 percentage points.
- Total expenditure on R&D by business increased by just 6.1% since 2011, while in London it increased by 150%. The South East's share in total R&D expenditure by UK business also decreased, from about 28.4% in 2011 to 22.6% in 2017.
- Falling relative spending on R&D by both business and government will erode the South East and UK's competitiveness and the contribution that the South East makes to public finance.
- Business and higher education account for about 9 in every 10 pounds spent on R&D in the South East (business by about 72.2% and Higher Education by about 17.4%). Government spends some £611 million on R&D in the South East or about 9% of the region's total.

High Growth Businesses (20% + turnover p.a. over three year period)

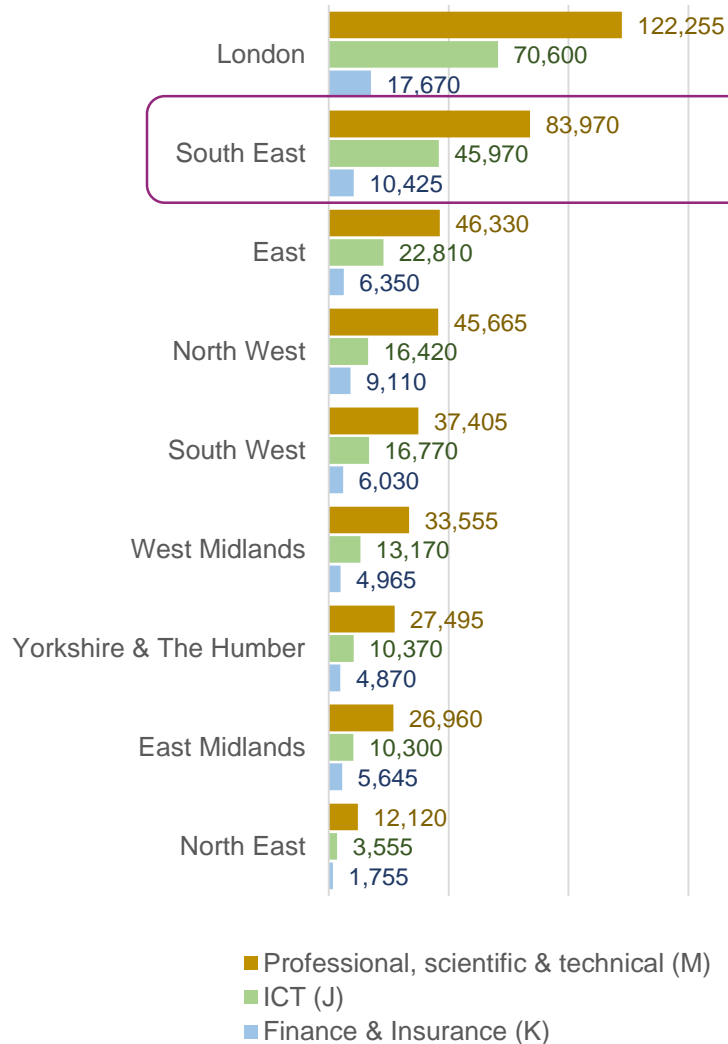


- Just 6% of high growth firms in the UK accounted for half of all job creation. These firms are therefore hugely important to regional competitiveness and growth.
- High growth firms are defined here as any business reporting a 20% or more increase in turnover per annum over a three-year period.
- With 4,100 high growth businesses in 2016 the South East had the second largest number of high-growth businesses in the country after London.
- The region saw the second largest increase in the number of high-growth businesses but in relative (%) terms growth was sluggish.
- Sluggish growth in the number of high growth businesses in the region is perhaps a factor that helps to explain sluggish growth in job density.
- To thrive and prosper high-growth businesses require investment in skills and critical infrastructure.

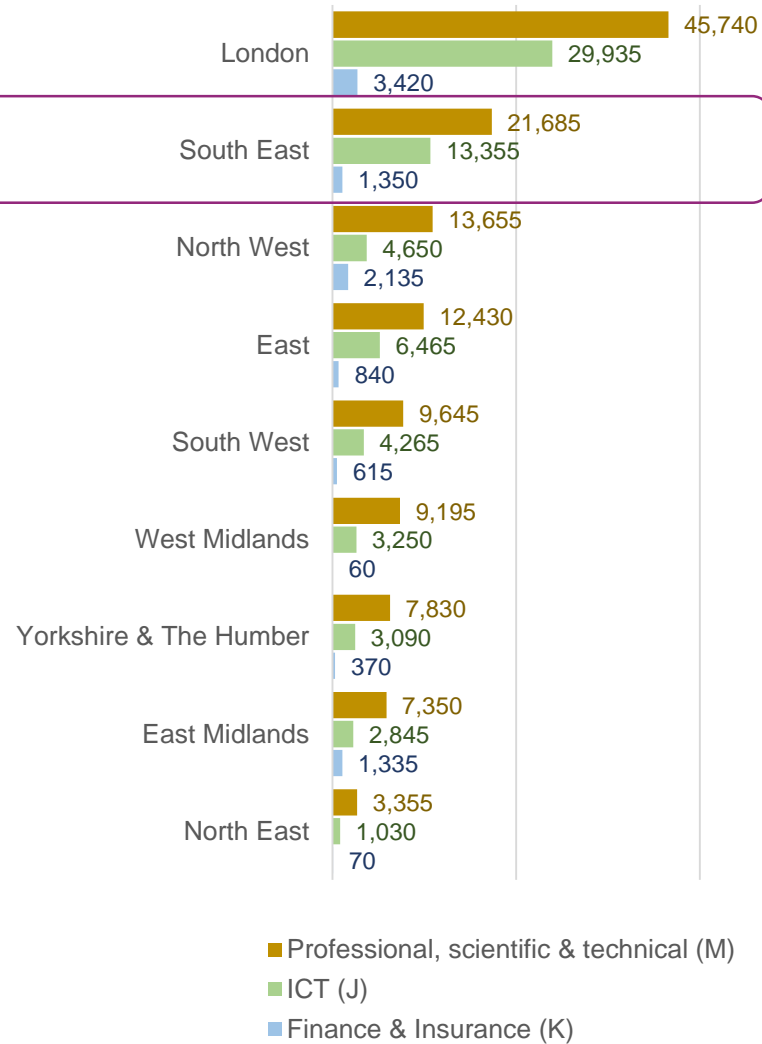
Source: ONS (2018). *NESTA (2009), The vital 6 per cent, How high-growth innovative businesses generate prosperity and jobs.

Investment in critical infrastructure will be needed to support a large number of high-productivity knowledge intensive businesses

Absolute Number of Businesses (2018)



Absolute Change (2010-2018)

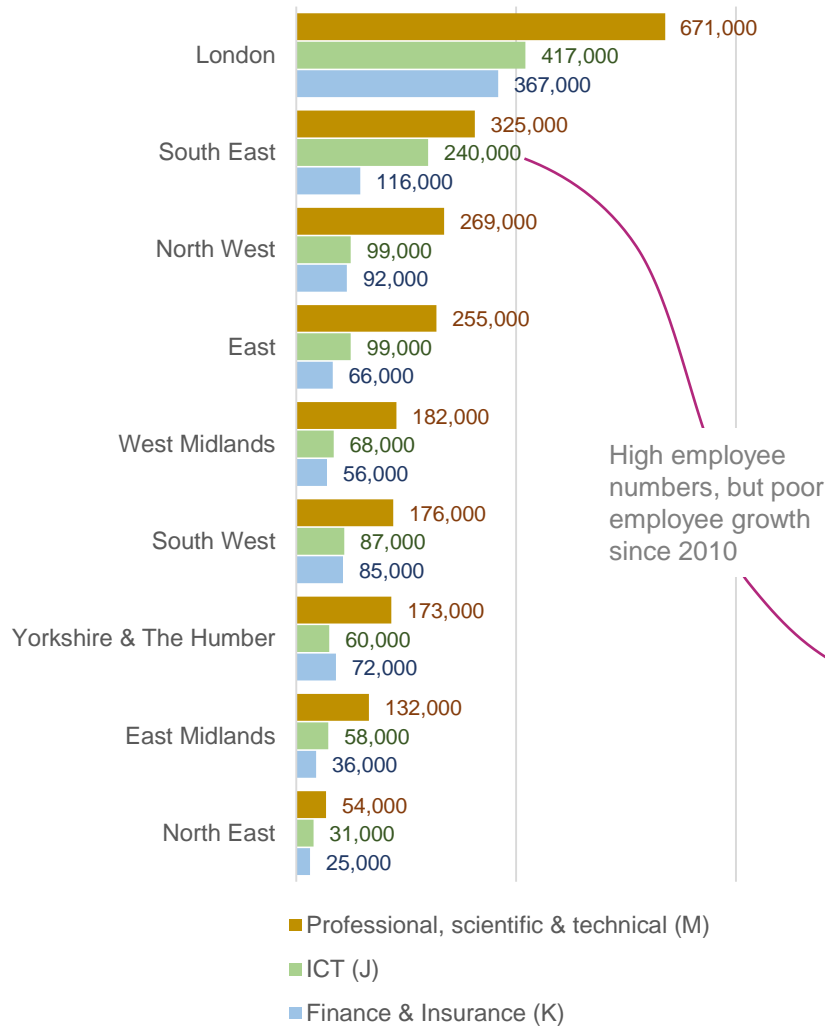


Regions are ranked by absolute numbers in the following order: Professional, scientific & technical then by ICT

- High valued-added sectors that include Professional, scientific & technical; ICT; and Finance & insurance are mostly knowledge intensive sectors. The sectors are more productive and thus make significant contribution to growth. While the sectors may include high growth businesses not all will meet this criteria.
- Across all three sectors the South East has fewer businesses than London – although comparatively more than other regions.
- The South East has over 80,000 Professional, scientific & technical businesses*, close to 46,000 ICT businesses and over 10,000 finance & insurance businesses.
- The South East saw relatively strong growth in the number of businesses in the three broad high value-added sectors since 2010.
- To keep and grow the existing high value-added business base the region will require investment in critical infrastructure (broadband, road and rail) as well as in affordable housing and skills.

Significant employment in high-productivity knowledge intensive businesses but the region is losing ground relative to other regions

Absolute Number of Employees (2017*)



Absolute growth (2010-2017)

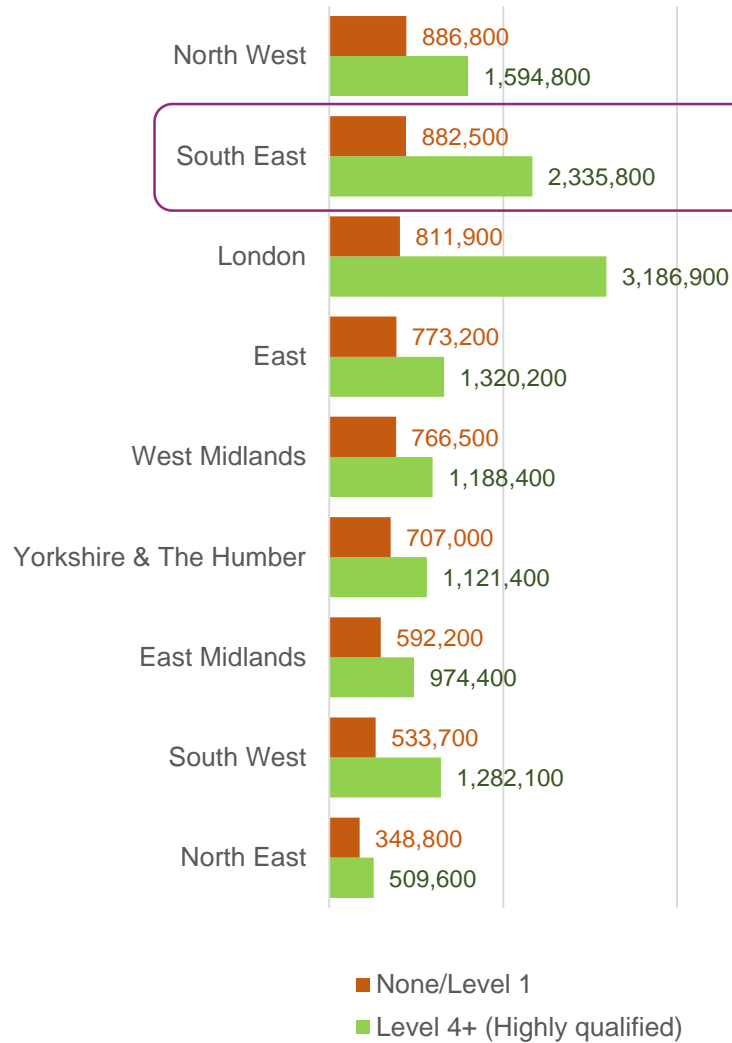


*Regions ranked by absolute numbers ranked in the following order: Professional, scientific & technical; ICT; Finance

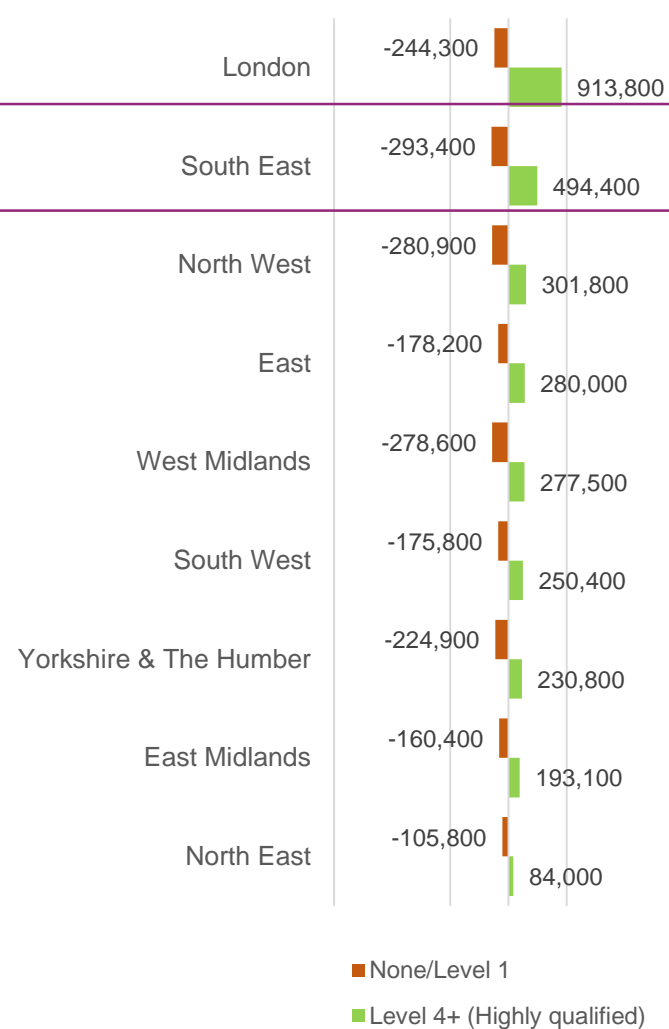
- The three high valued-added sectors Professional, scientific & technical; ICT; and Finance & insurance are predominantly knowledge intensive sectors.
- Across all three high value-added sectors the South East has fewer employees than London – although comparatively more than other regions.
- The South East has 325,000 professional, scientific & technical employees, 240,000 ICT employees and over 116,000 finance & insurance employees.
- In absolute terms the South East growth lagged behind most regions in professional, scientific & technical, while employment in finance & insurance contracted since 2010.
- Sluggish employee growth in the knowledge intensive sectors has affected jobs demand, growth in GVA and it will impact on competitiveness.

Large number of low skill residents but expenditure on education well below the UK average

Number of Residents With None/Level 1 or Level 4+ (regions ranked by 2018 None/Level 1)

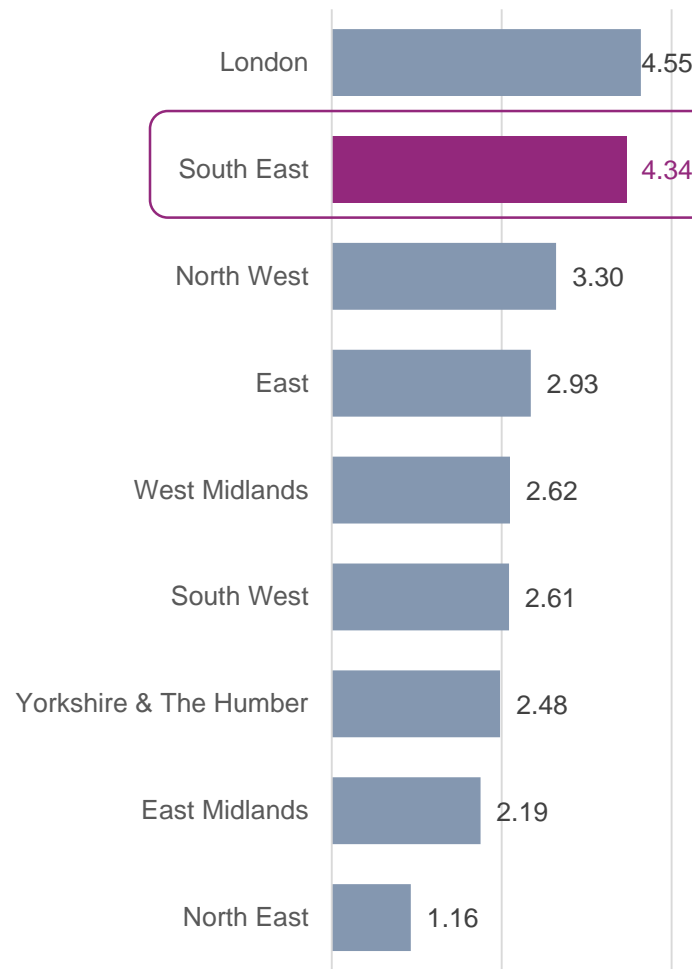


Absolute change 2010-2018 (regions ranked by Level 4+)



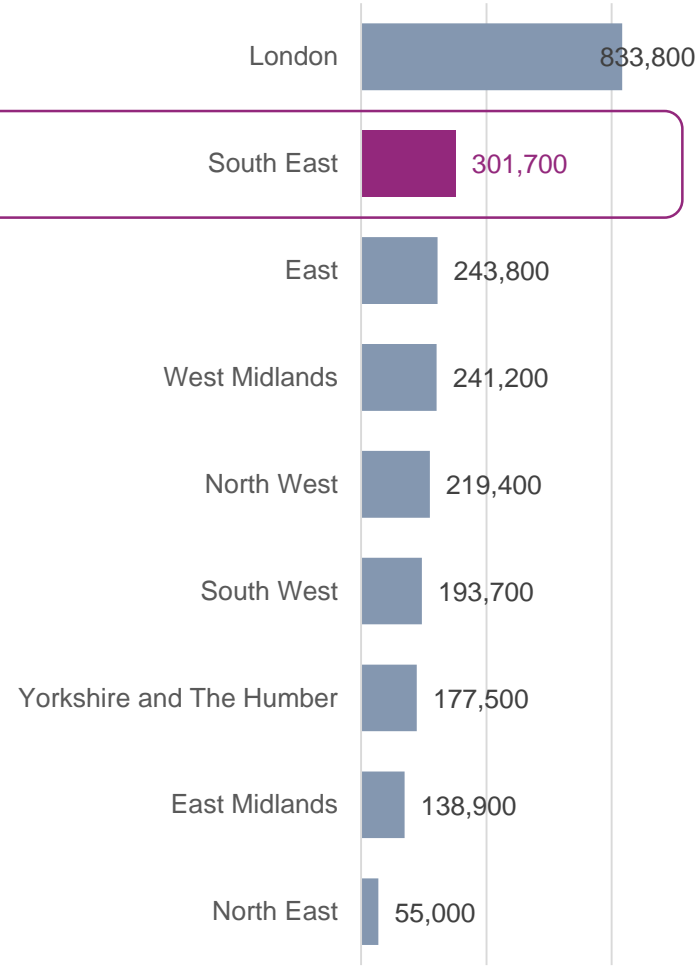
- The South East region alongside the North West has the largest number of working age residents with low skills or no formal qualifications (882,500 residents in 2018).
- At over 2.3 million, the South East has the second highest number of residents with advanced skills Level 4+ (diploma, degree or higher).
- Growth in the number of highly skilled people in the region has lagged behind London and this could constrain future growth.
- Skills are the main drivers of productivity, wage growth, and economic prosperity and a large number of people with low or no skills is a major constraint on faster growth in the region.
- Despite the large number of low skilled and people with no skills per head Central Government expenditure on education in the South East is around 10% below the UK average.

Absolute Employment Levels in 2018 (millions)



Regions ranked by employment levels

Change in Absolute Employment (2010-2018)

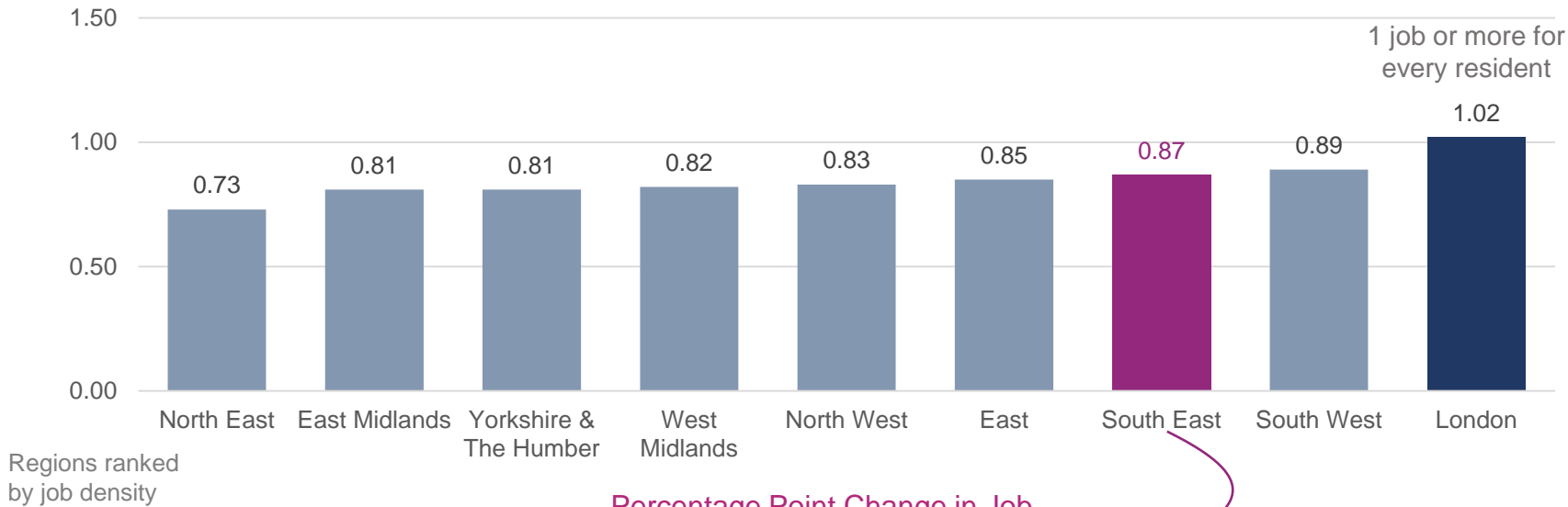


Regions ranked by change in employment levels

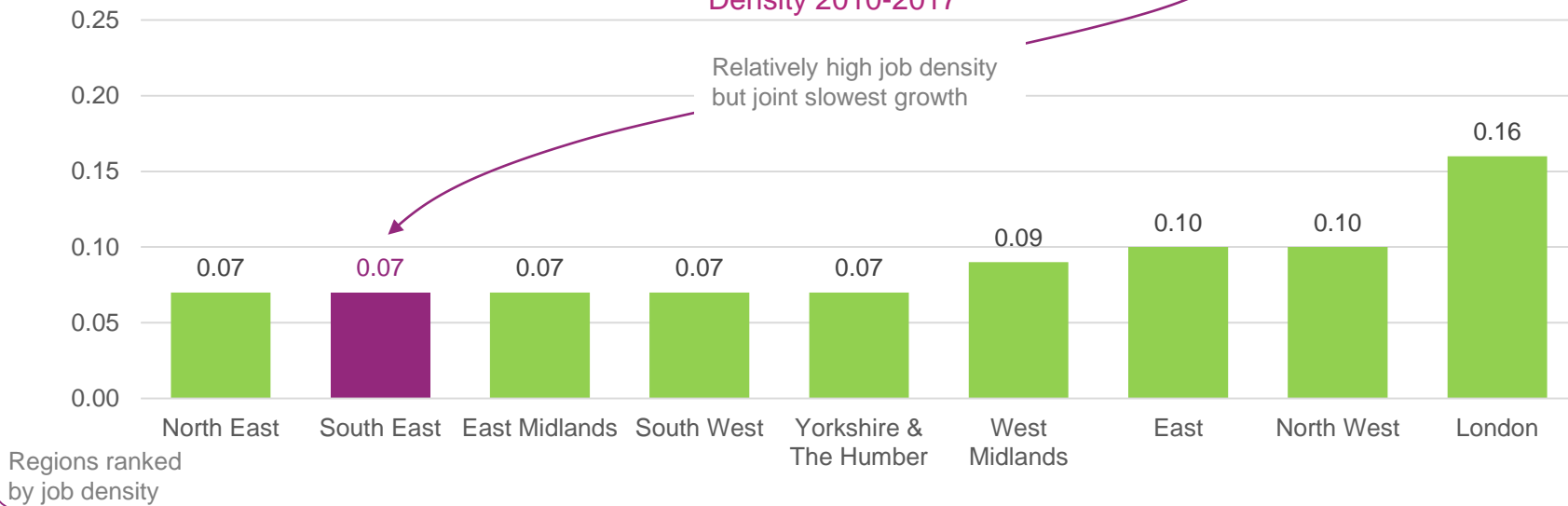
- With 4.34 million residents in employment the South East has only marginally fewer residents in work than London (4.55 million).
- The South East has significantly more employed residents than the other regions; over one million more than the North West and close to four times as many as the North East.
- Between 2010-2018 the South East saw the number of its residents in employment increase by over 300,000 – the second highest increase in absolute terms.
- However, this does not compare as favourably to the over 830,000 additional number of London residents in work. Given the similarities in populations this suggests employment growth in London was significantly faster than in the South East.
- In relative (percentage) terms the South East economy underperformed most other regions which is one of the factors that has constrained faster economic growth in the region.
- Various factors can affect demand for labour but labour supply (closely linked to availability of affordable housing) and investment will affect firm investment and its demand for local labour.

Sluggish labour demand may lead to several possible outcomes such as increase in commuting, economic inactivity or unemployment

Job Density 2017 (1.00 = 1 job for every resident)

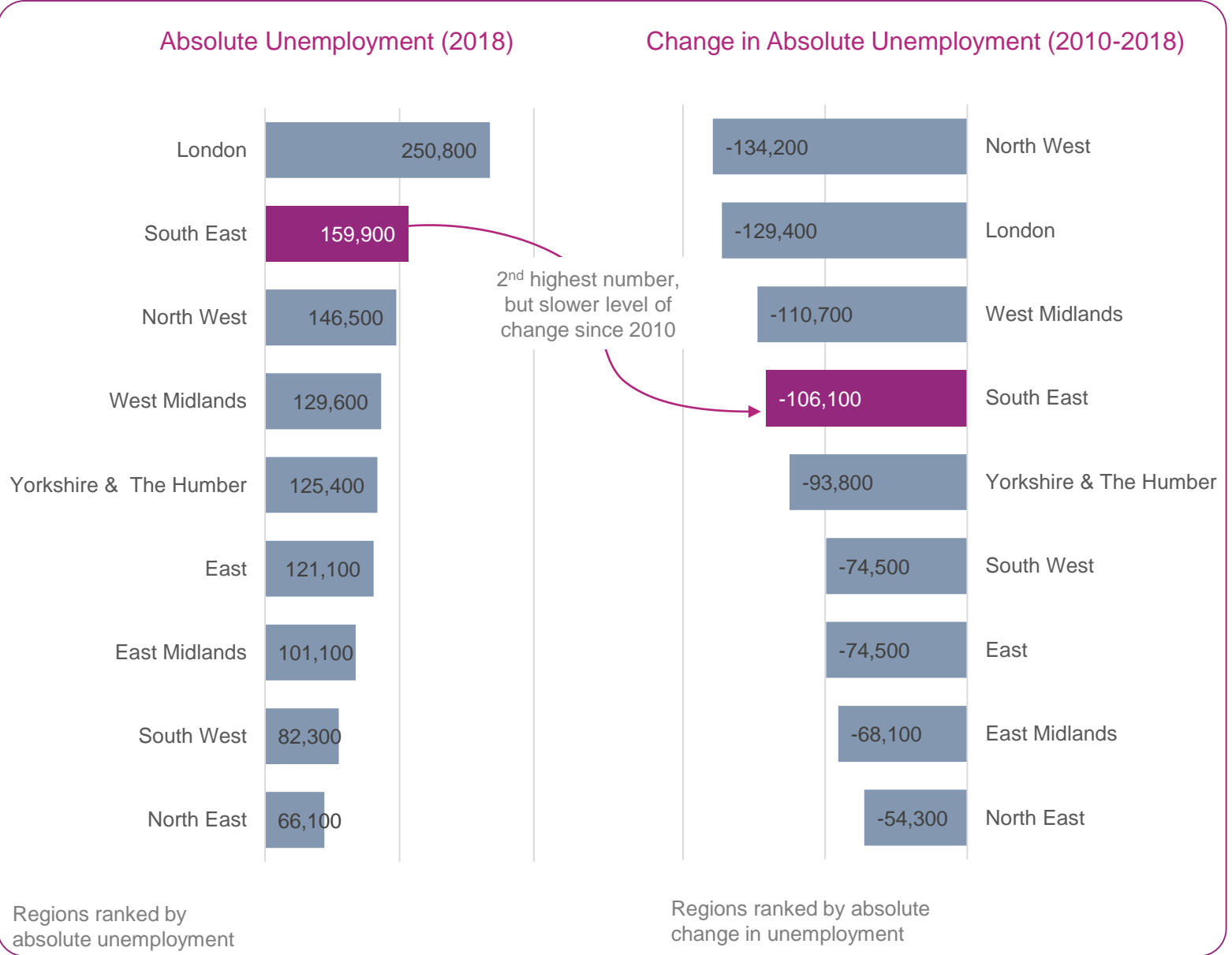


Percentage Point Change in Job Density 2010-2017



- Job Density (the number of jobs per resident of working age) is a widely used measure of local labour demand. A value of 1.00 means there is a job for every working age resident in the area.
- London with a job density of 1.02 is the only region that has at least one job for every resident. This is largely down to the fact that London is a major centre of government, finance and trade in the UK and Europe.
- The South East has the third highest job density in the country (0.87 jobs per resident of working age). This suggests that there is a relatively high local demand for labour.
- One of the slowest growth in local demand for labour since 2010 means that the South East is now ranked behind the South West .
- Sluggish growth in job density points to several possible outcomes such as increase in commuting, slower growth & unemployment in the South East in the future.

2nd largest number of ILO* unemployed people but spending on employment based policies well below the UK average



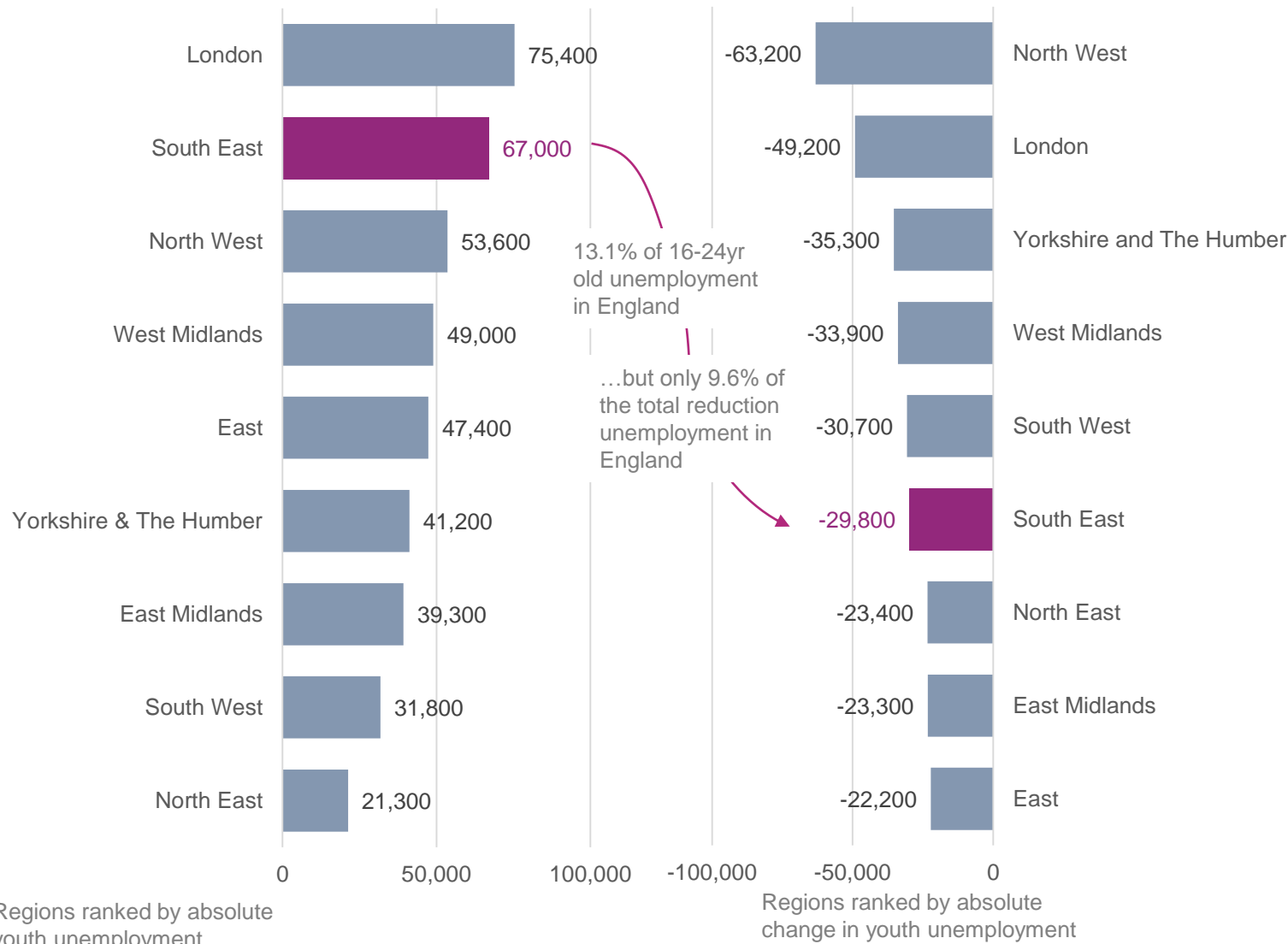
- As at 2018 the South East had close to 160,000 ILO defined unemployment residents, second only to London and in absolute terms close to 2.5 times more unemployed residents than the North East region.
- With the end of recession ILO unemployment levels have fallen across all regions, although the South East has seen fewer residents coming off ILO unemployment compared to the North West, London and West Midlands and in relative terms the region underperformed compared to most English regions.
- Unemployment inflicts a longer term negative effect on people and as such reducing the number of unemployed in the South East is one of the main policy objectives a sustainable and inclusive growth.
- The South East is projected to age faster than other regions and to support future employment growth the region will have to utilise its large pool of unemployed people.
- Employment based policies are expensive but government spending on employment policies in the region stands at just 60% of the UK average (page 14).

Source: ONS (2019). *International Labour Organisation

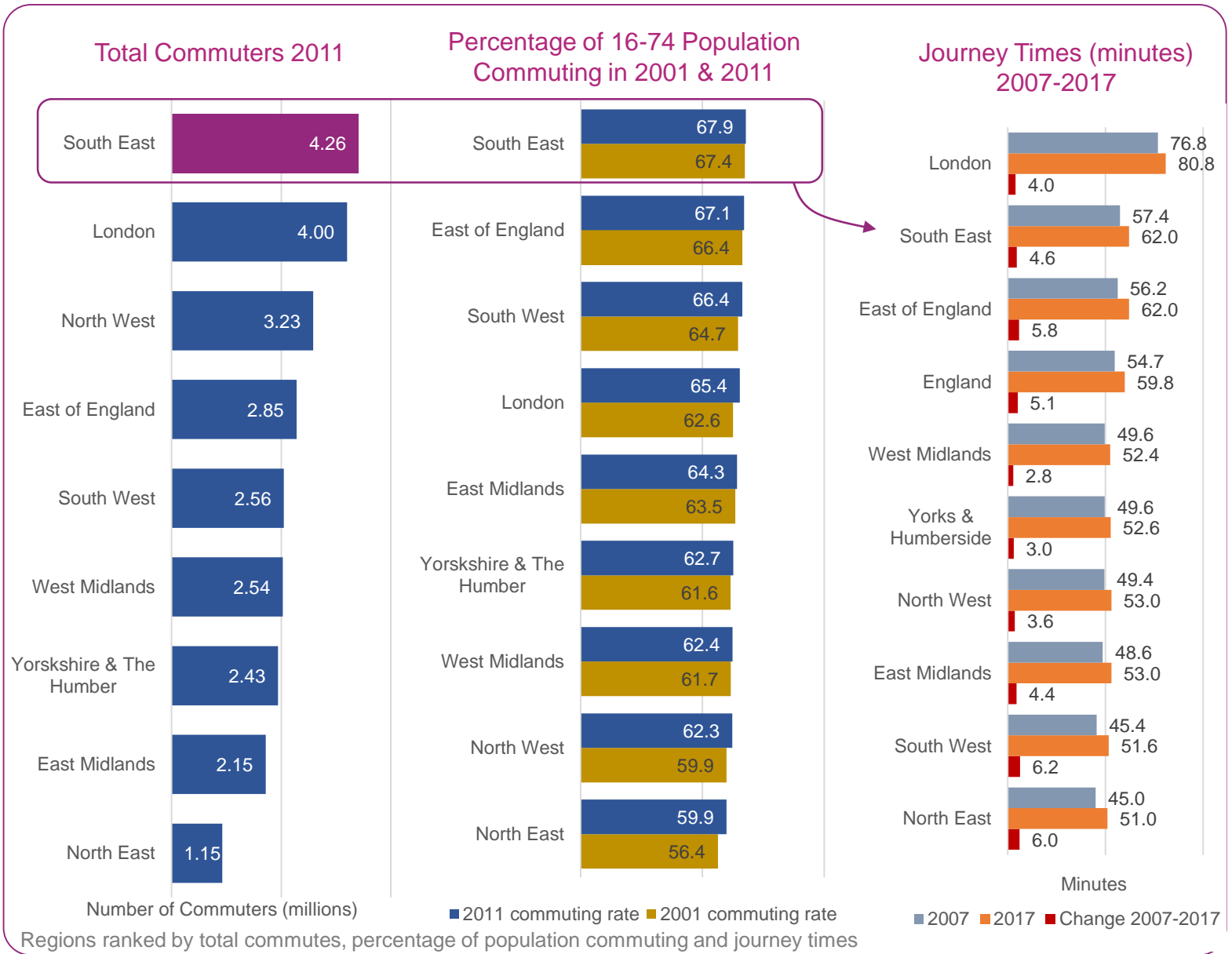
2nd largest number of young unemployed people but the slowest relative decrease in youth unemployment

Absolute Unemployment Levels (2018)

Change in Absolute Unemployment (2010-2018)



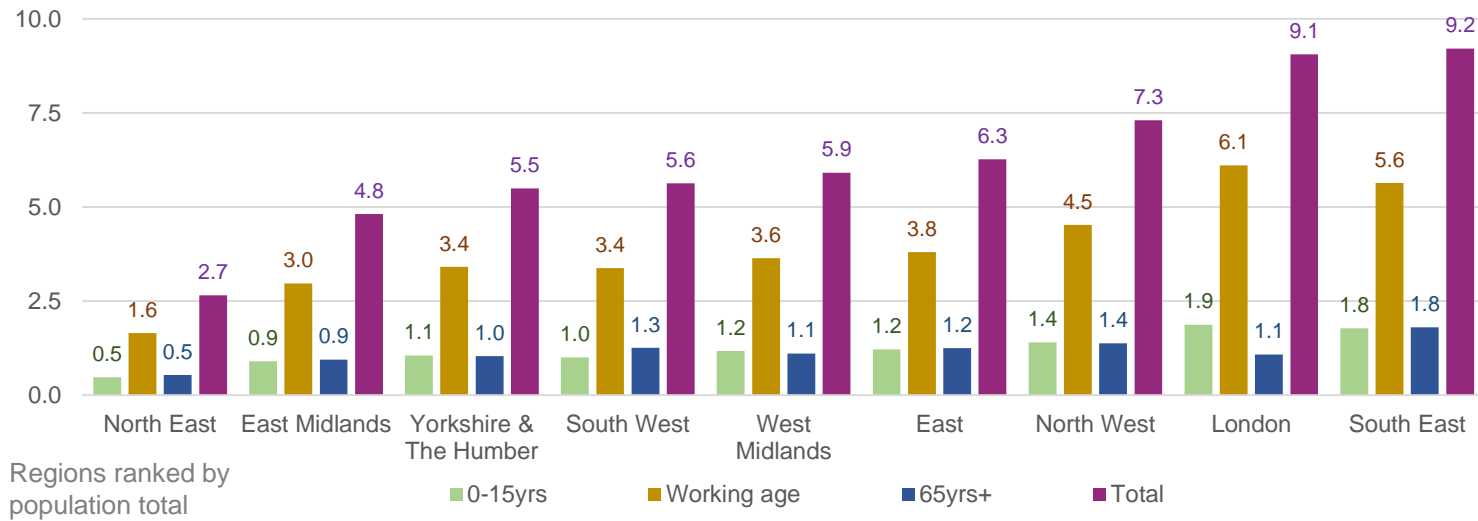
- Being unemployed when young leads to a higher likelihood of lower pay, higher unemployment and reduced life chances later on in life.
- As at 2018 the South East had close to 67,000 unemployed residents 16-24yrs, second only to London and in absolute terms over three times more youth unemployment than the North East region.
- The South East has seen over 29,800 fewer unemployed 16-24yr residents since 2010, when levels of youth unemployment stood at close to 100,000 (97,000).
- However, in absolute terms this is lower than most other regions and more than half the number achieved in the North West (-63,200). In relative terms (relative to the size of its population) this was the lowest in the country.
- The South East accounts for 13.1% of youth unemployed in England, but it accounted for 9.6% of the total reduction in youth unemployment. The region receives just 60% of UK's funding per head on employment based policies (page 14).



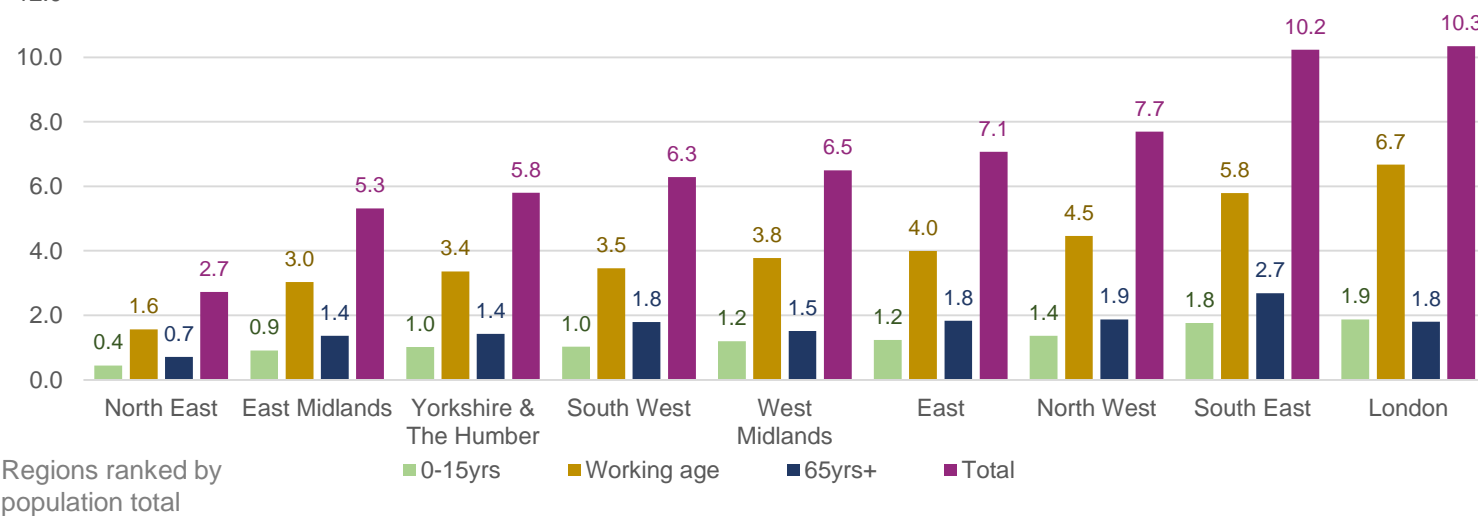
- The South East has the largest number of commuters* in England at over 4.2 million in 2011. Commuting rates are up by 0.5 percentage points on 2001. Getting to work in the South East also now takes longer than in 2001.
- The South East has a number of international gateways (ports and airports) that serve the whole UK economy and good access and connectivity to and from these entry points are critical to domestic and international trade for the South East and the UK as a whole. Transport investment facilitates regional commuting but supports national supply chains and logistics.
- Rising flow of goods to and from global markets through the South East alongside increases in commuting places a disproportionate burden on the region's transport network.
- Connectivity to work is also vital to regeneration in deprived neighbourhoods where access to employment opportunities can be constrained by inadequate modes of transportation, especially provision of bus services.
- However, transport investment per head in the region stands at 15% below the average (see p14).

Source: ONS (2019) and ONS 2011 Census. *A commuter is defined in the Census as a resident in work and undertaking a journey to a place of work by any mode of travel. Journey times is from later survey data and based on average minutes spent traveling to a place of work.

2019 Populations (millions), ranked by total



2041 Projected Populations (millions), ranked by total

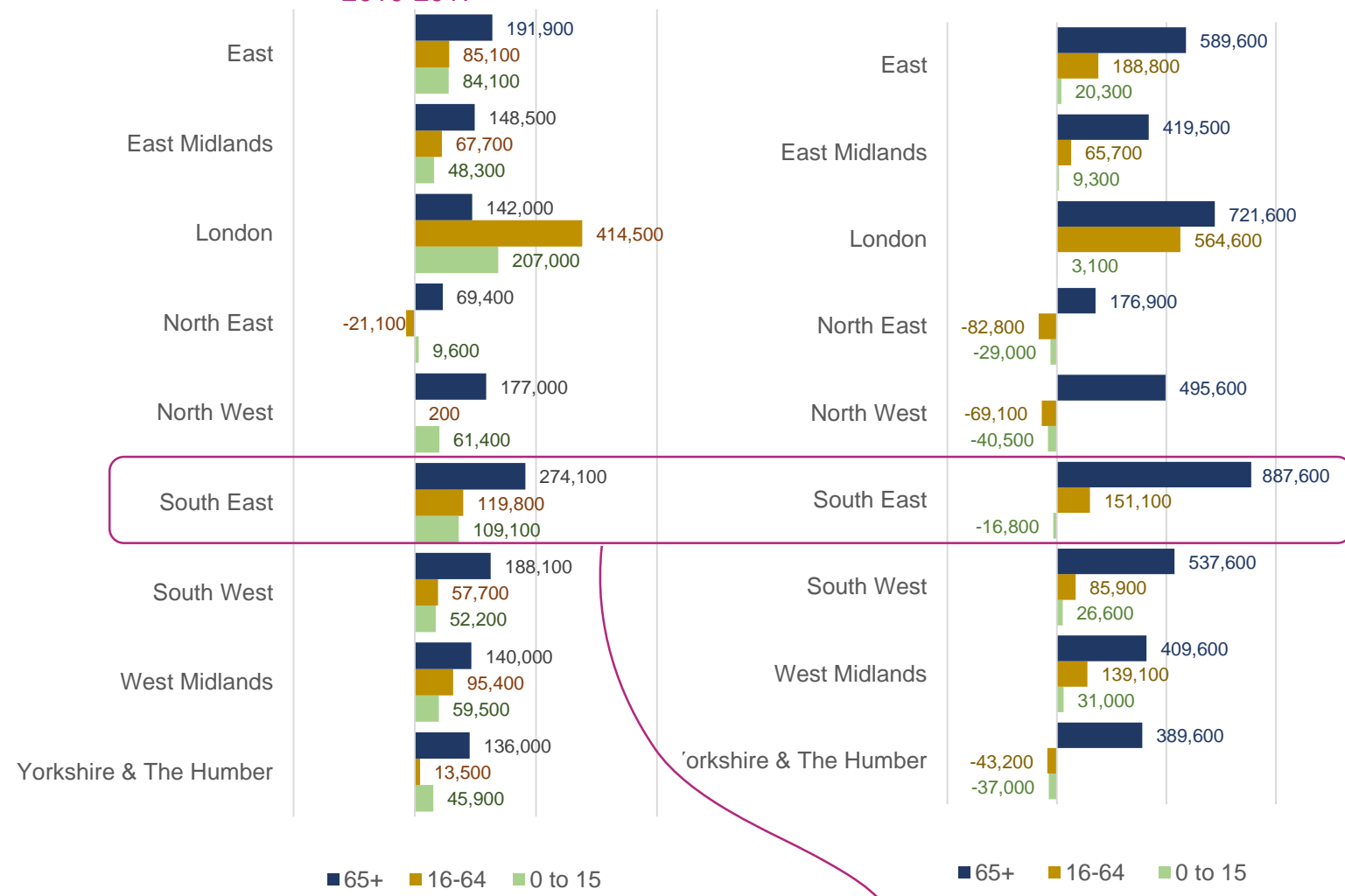


- The South East is the most populous region in England with 9.2 million residents, followed closely by London.
- In 2019 the South East had the second largest child population (0-15yrs) at 1.8 million; the second largest core working age population (5.6 million) - behind London; but the largest 65yrs+ population (1.8 million).
- The South East will have the second largest overall population (10.2 million) by 2021 but the region is projected to have no change in the child population and sluggish growth in the working age population.
- The slower growth in this area could have economic consequences with the region increasingly seeing businesses moving away or relying on imported labour from elsewhere in the UK or abroad, which will place key infrastructure under increasing strain.
- The South East is projected to see the largest growth in the 65yr+ age group which is projected to reach 2.7 million by 2041, close to a million more than London.
- The South East is projected to have more 65 year olds and more 65 year olds than children by 2041.

Sharpest increase in those aged above the core working age group and fastest projected increase by 2041

Actual Absolute Population Growth 2010-2017

Long Term Absolute Projected Population Growth 2019-2041

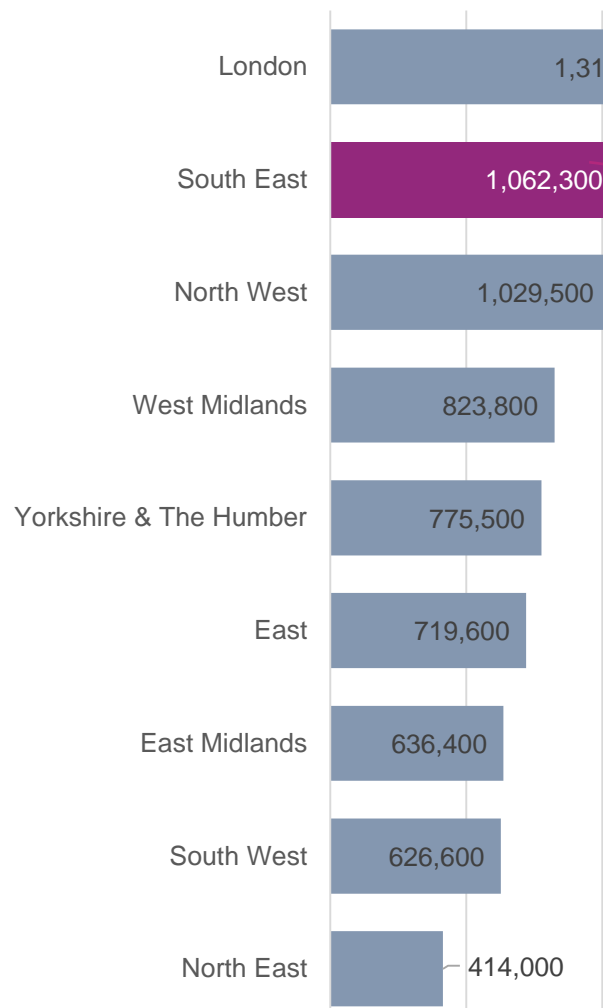


The South East experienced the largest increase in those aged 65yrs+ since 2010 and is projected to see the largest absolute increase going forward to 2041.

- While the core working age population (16-64yrs) in the South East is projected to grow by 151,100 by 2041, this is far fewer than the 565,600 projected for London and fewer than in the East region (188,800).
- As stated on the previous page the slower growth in this age group will have economic implications on labour supply, investment and the type of services that will be required in the future
- The South East saw the largest increase in those aged above the core working age (65yrs+) since 2010. The region now has an additional 120,000 people in this group.
- This age group is more likely to use certain public services such as health but per head expenditure on health in the South East is about 12% below the UK average (page 14).
- The South East is projected to have the largest increase in this age group by 2041, some 887,000 additional residents or over 166,000 more than in London, and more than the West Midlands and Yorkshire & The Humber combined. This will inevitably result in the increase in demand for certain services.

2nd largest number of inactive people and rising dependency on economically inactive to boost labour supply

Absolute Economic Inactivity Levels (2018)
(ranked by size)



Regions ranked by economic inactivity levels

Change in Absolute Economic Inactivity, 2010-2018
(ranked by size of change)



Regions ranked by economic size of change

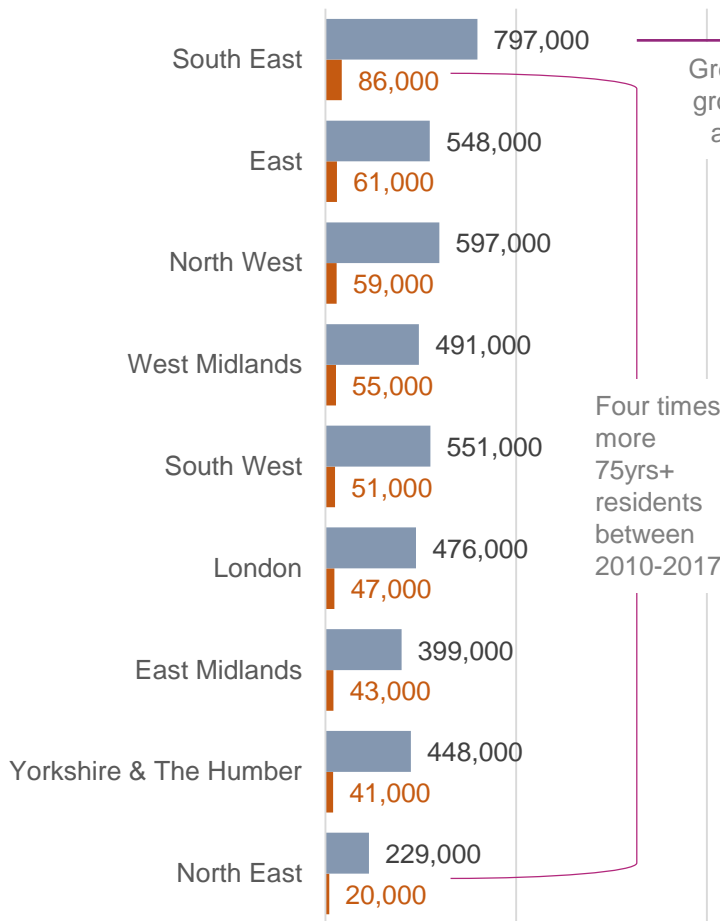
2nd highest number in England

...but slower fall in levels than most regions

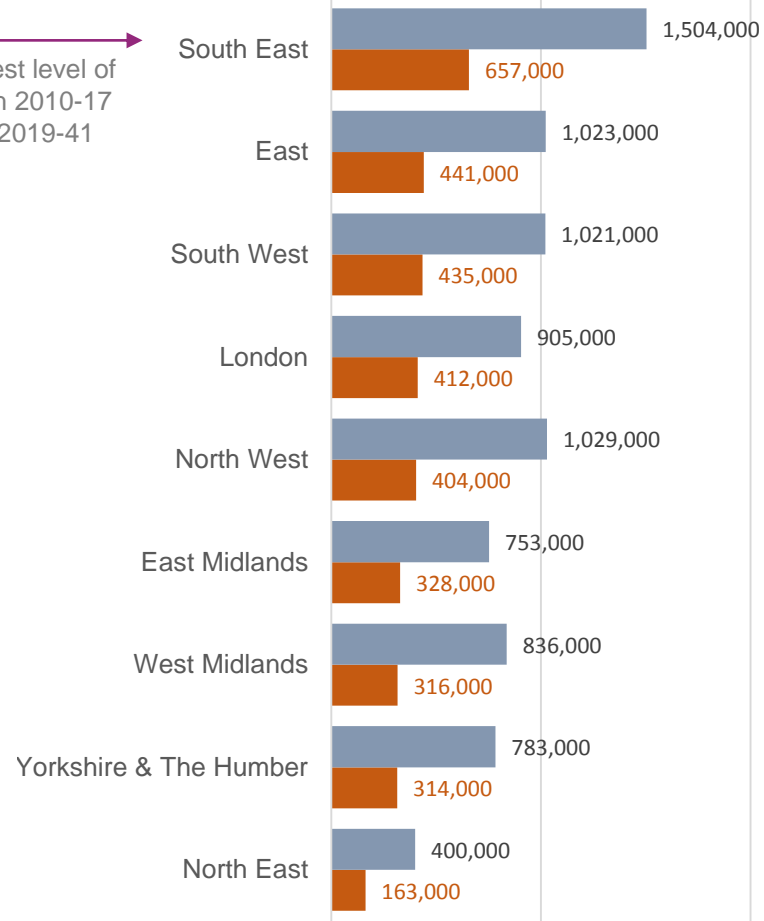
- The South East has over one million economically inactive residents in 2018 – second only to London on absolute numbers.
- There are two times as many economically inactive residents in the South East than there are in the North East, and almost as many economically inactive residents as the South West and North East regions combined.
- The South East also saw one of the lowest decreases in economic inactivity levels between 2010 and 2018 and the lowest decreases in relative (population adjusted) term. A reduction of 52,000 economically inactive residents in the South East is less than half the number lost in the North West (-110,900).
- For men, the most common reason for inactivity is long term sickness which has a cost implication on health & welfare provision and lost earnings. For women, traditionally it has been more about caring for the family.
- The South East is projected to see little growth in working age population and will therefore need to implement policies to attract economically inactive people back into the labour market.

Fastest growth in older population to affect demand for adult care provision and other public services

Actual Absolute Population Growth aged 75yrs+ 2010-2017 (ranked by Growth)



Long Term Absolute Projected Population Growth aged 75yrs+ 2019-2041 (ranked by Growth)



Greatest level of growth 2010-17 and 2019-41

Four times more 75yrs+ residents between 2010-2017

■ 2017 Population ■ Growth 2010-2017

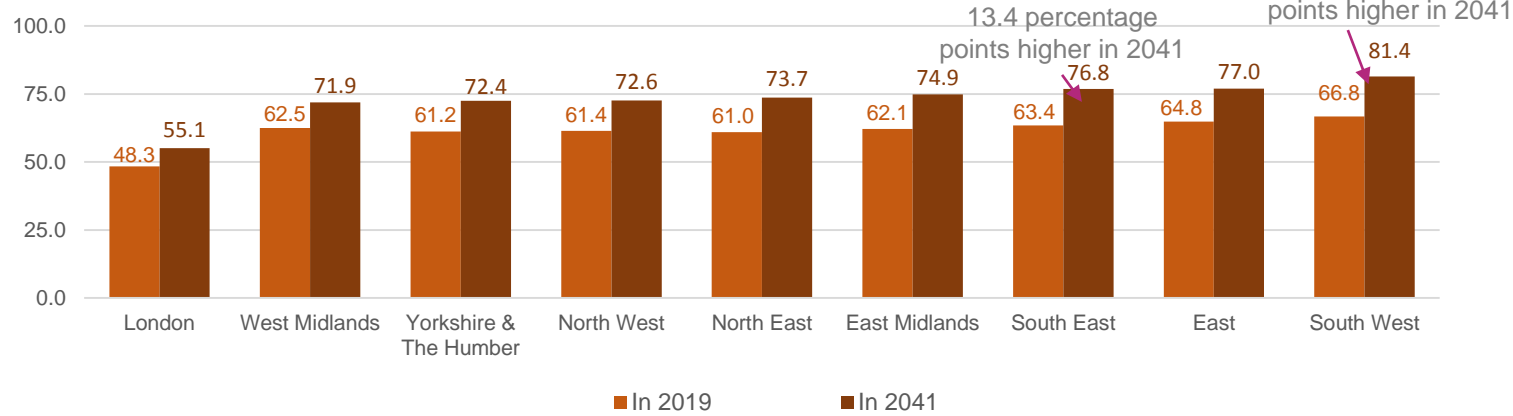
■ 2041 Projected Population ■ Growth 2019-2041

Regions ranked by population growth

Regions ranked by projected population growth

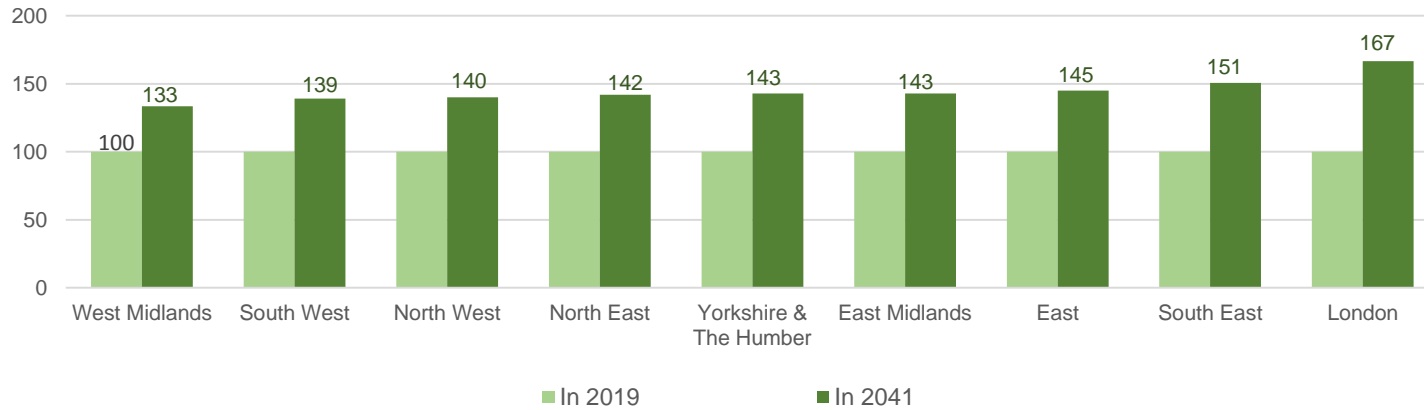
- The South East had the largest older population (those aged 75yrs+) in 2017 with 797,000 residents. This is 200,000 more than the North West, the next largest region.
- The South East also experienced the fastest growth in the older population between 2010-2017 with 86,000 additional older residents over this period, 25,000 more than in East region with the second largest increase.
- The South East on current projections will have over 1.5 million residents aged 75yrs+ in 2041, or 657,000 additional older residents than in 2019. This will be by far the largest population aged 75yrs+ in England and the largest growth in the number of older people in England.
- The South East has the lowest per head 'core spending power' revenue settlement funding & grants from Government and it increasingly relies on local taxation (council tax) to fill the funding gap (page 39).
- The projected growth in the older population in the South East will see faster increases in demand for adult care provision in the South East than in any other region.

Age Dependency Ratio (ranked by 2041 ratio)



The Age Dependency Ratio is the ratio of young and people aged 65yrs+ relative to the working age population and has real economic implications nationally, not least in terms of tax receipts, pension and welfare provision.

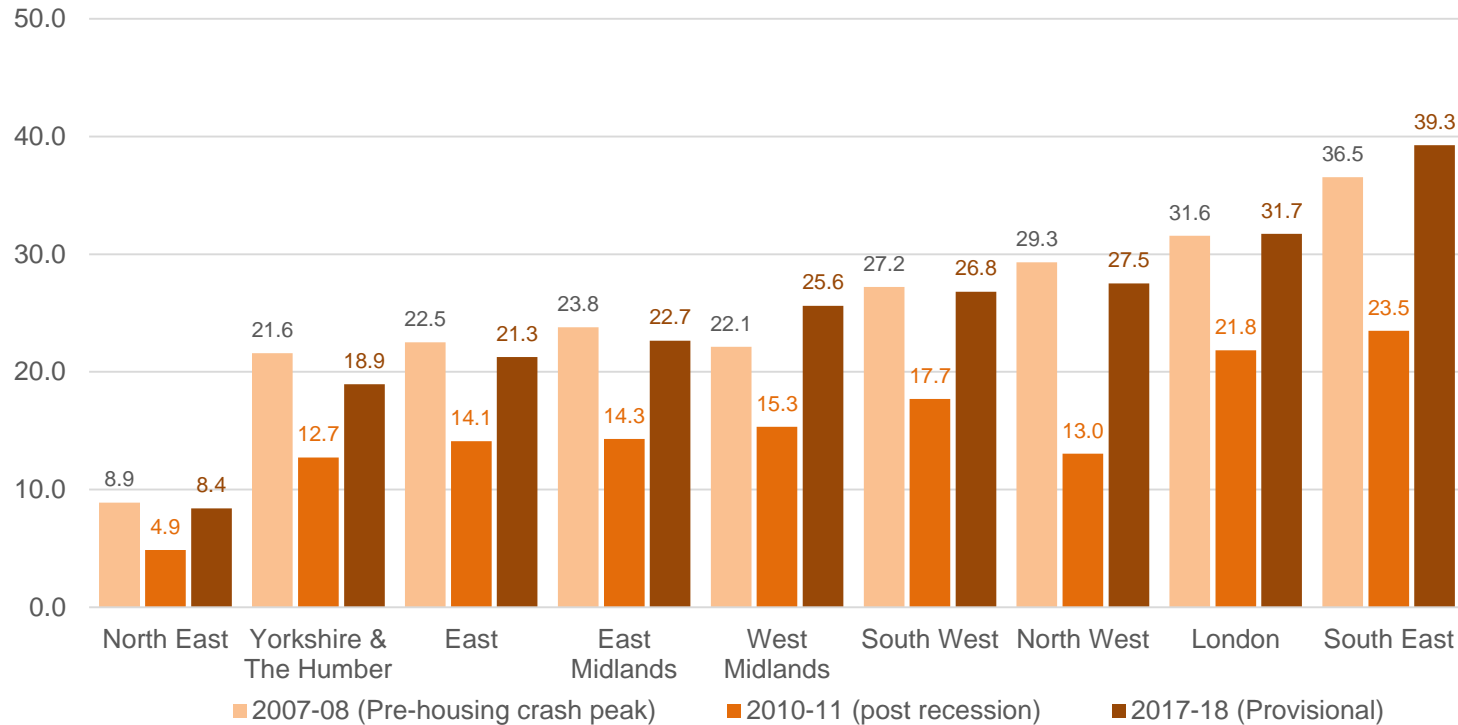
Ageing Index (base year 2019 = 100, ranked by 2041 Index)



The Ageing Index shows the ratio of people aged 65+yrs to children (0-15yrs) in the population and will give a sense of direction in the way the population is likely to age locally in the future – with 2018 taken as the base year.

- The South East region has one of the highest age dependency ratios in England, both currently (2017) and also projected to 2041. The age dependency ratio in the region is projected to be driven by the increase in the older population.
- Based on current projections, dependents (young plus old) will increase from 63.4% to 76.8% of the working age population by 2041. This compares to 48.3% to 55.1% in London.
- This could place considerable pressures on public spending in the South East region with potentially lower tax revenues and lower net contributions that the region makes to the Exchequer versus higher demands on Local Government services (social care, health & welfare spending).
- The South East has one of the highest Ageing Index scores at 152 in 2041 i.e. there will be 52% more 65yrs+ residents than young people by 2041.
- This will mean the retired population in the South East will gradually make up a larger share of the population. Only London will see faster change on this measure.

Net additions to Housing Stock (thousands) ranked by size



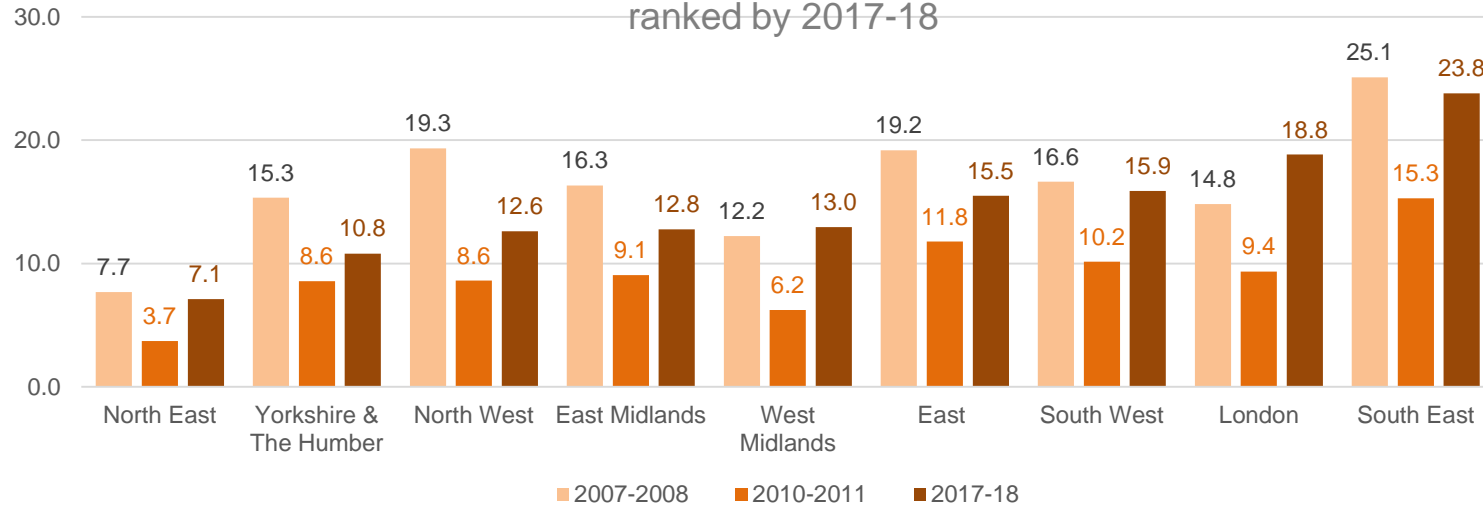
Net additions definition:

Net additions to housing stock is the **absolute change in dwelling stock** in a financial year. It is derived from the number of:

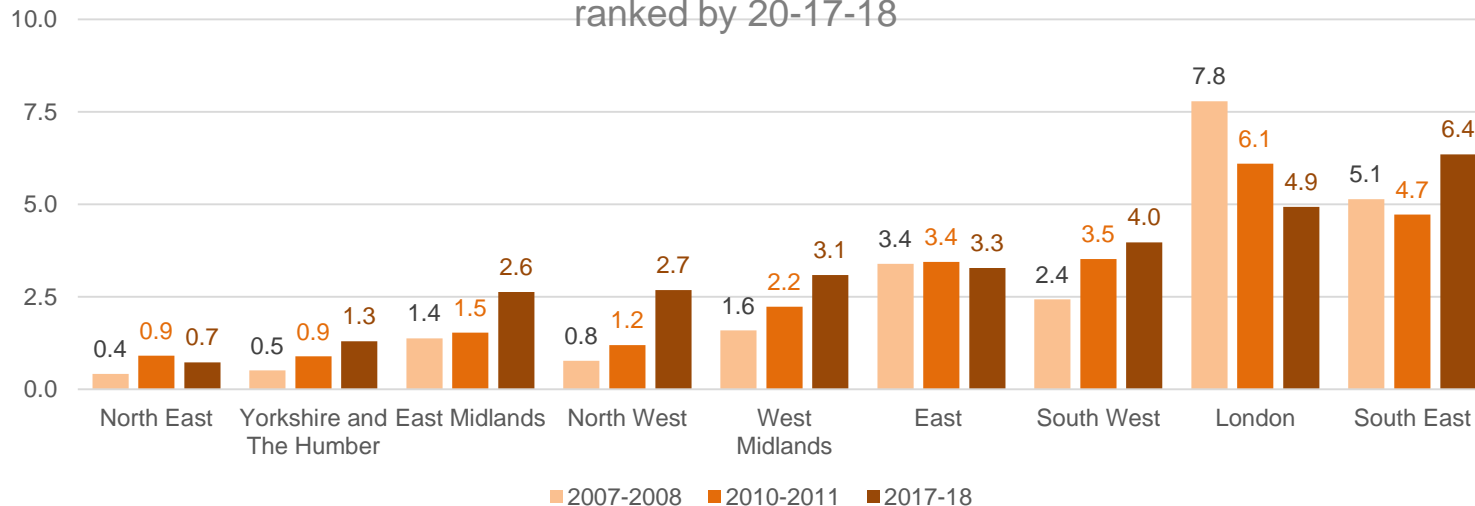
(new build completions + the net gain from dwelling conversions + plus the net gain of non-residential buildings brought into residential use+ plus other gains) - (losses to the dwelling stock (such as mobile and temporary dwellings)- less any demolitions)

- Reflecting population size, the South East has consistently reported the largest number of net additions to housing stock in the years analysed, although there may be variations in different years e.g. in the previous year the South East had the 2nd highest net additions.
- This is up by over 15,700 on the 2010-11 which represents one of the low points in housing completions, and over 2,700 more than 2007-08, the year the housing crash would begin although it would be in the following periods that net additions fell as developments were built-out or moth-balled.
- The South East region is the highest on net additions to housing stock and close to five times the number of net additions in the North East region.
- The overall supply of housing is important to attract and retain labour including key workers in a region which is often viewed as a high-cost region.
- However, government expenditure on housing & community amenities in the South East stands at just 60% of the UK average (page 14).

Private sector New Build completions (thousands), ranked by 2017-18



Affordable Housing New Build Completions (Housing Association/LA, thousands), ranked by 20-17-18



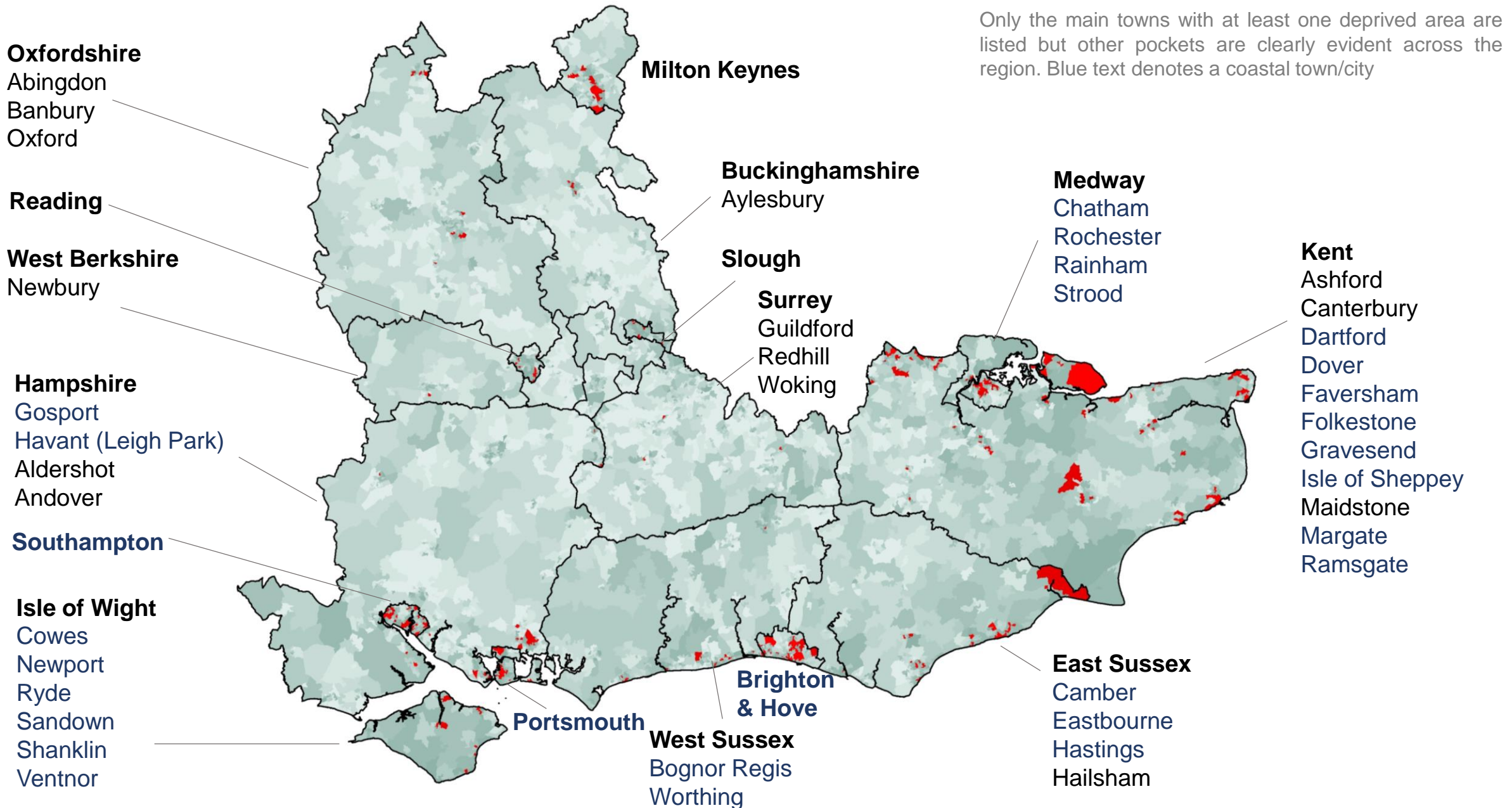
- The South East has the highest levels of private sector completions for new builds in England. In 2017-18 the South East reported 23,800 completions, close to 5,000 more than London.
- This up by over 8,500 on 2010-11 which represents one of the low points in housing completions, but 1,300 fewer than 2007-08, the year the housing crash would begin although it would be in the following periods where completions slowed.
- The South East has the highest levels of affordable housing* (local authority or housing association) completions for new builds in England. In 2017-18 the South East reported 6,350 completions and 1,420 more than London.
- This up by 1,650 up on 2010-11 which represents one of the low points in housing completions, and 1,210 more than in 2007-08.
- The South East region appears to do relatively well on this measure and has often previously had lower levels of affordable completions than London.

Source: CLG (2018). *Affordable housing is social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market – mostly by Local Authority or Housing Association. The common parameter for affordable rent is no more than 80 per cent of the local market rent. Homes that do not meet this are not considered affordable housing for planning purposes.

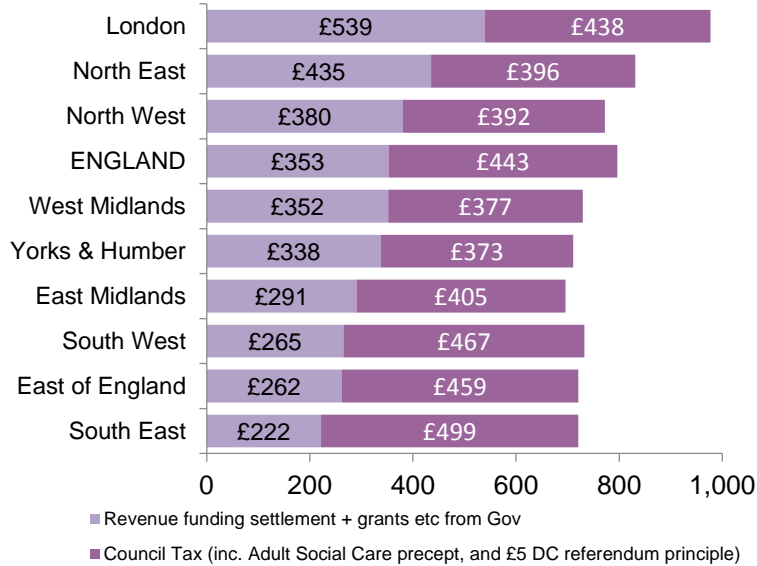
Affluent region but with more deprived areas than in the East and South West regions respectively



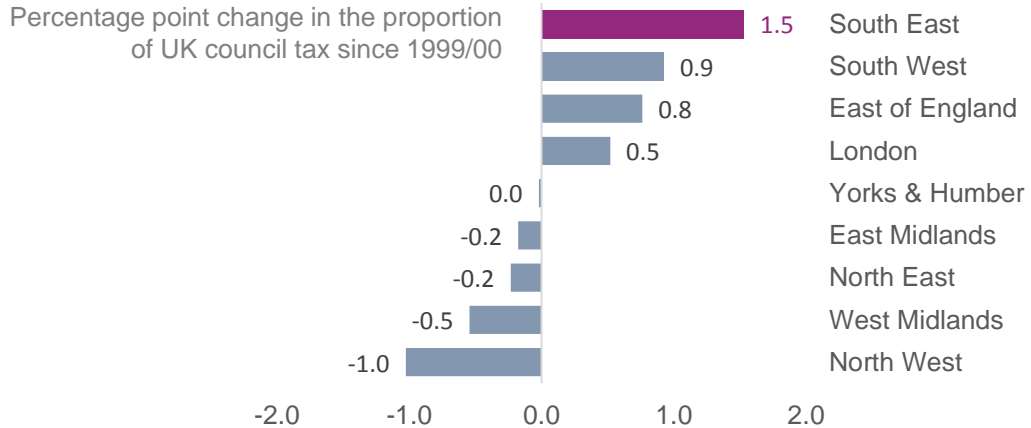
- The South East region has 410 areas that fall within the 20% most multiple deprived places in England, more than the East of England and South West regions respectively.
- The 410 deprived areas in the South East accounted for approximately 665,000 residents, although not every person living in a deprived area will necessarily be experiencing deprivation and the number may have risen or fallen since 2012.
- In terms of policy, it is often easier to tackle deprived individuals over place deprivation, primarily due to constraints on funding and resources.
- Furthermore, even if deprivation policies are delivered locally they are often directed by Central Government e.g. Troubled Families Programme.
- Although spread across the South East (page 38), the most deprived areas in the region tend to cluster in coastal urban communities along the south coast round to the Thames Estuary (see map).
- Since the region receives the lowest spending per head on services in the UK tackling several aspects of deprivation in the region is arguably more challenging than elsewhere in the country.



Local authority revenue 'core spending power' per resident, (service funding) – 2017/18



Change in the share of UK council tax, 1999/00 - 2016/17 (pp)



- The South East is facing significant challenges across a number of areas, from sluggish growth in its workforce and large numbers of inactive and unemployed to the strong growth in older population and associated council services to the need to support deprived communities.
- However, the South East has the lowest per head revenue settlement (funding and grants) from Central Government (part of the 'core spending power') in England. In 2017/18 this stood at £222 per head, over 30% below the England average.
- The lowest local revenue settlement from Central Government means more of the South East's overall council service spending comes from Council Tax. The South East accounts for around 17% of UK Council Tax but even with Council Tax the region has the 3rd lowest average 'core spending power' at £721 per head or £256 below London.
- Between 1999/00 and 2016/17 the South East's share of UK's Council Tax increased by 1.5 percentage points, or close to double the increase in the share of the next highest region. Northern regions receive a much higher spending per head from Central Government and have seen decreases in their share of UK Council Tax.

South East Share (%) and Rank of UK tax revenue

Proportions of	South East (%)	Rank (no)
Income Tax	18.8	2
Capital Gains Tax	22.3	2
Misc. Taxes in Income & Wealth	13.8	1
Corporate Tax	15.2	2
VAT	14.8	2
Fuel Duty	15.6	1
Stamp Duty Land Tax	20	2
Stamp Tax on Shares	10.9	2
Tobacco Duty	13.2	1
Alcohol Duty	14.8	1
Air Passenger Duty	1.1	
Insurance Premium Tax	16.9	1
Climate Change Levy	7.7	
Environmental Levy	15.1	1
Betting and Gaming Duty	10.4	
Landfill Tax	11.1	2
Council Tax	17	1
National Insurance Contributions	16.4	2
Gross Operating Surplus	15.4	1
Interest & Dividends	13.9	1
Rent and Other current Transfers	13.9	2
Vehicle Excise Duty	16	1
Inheritance Tax	24.3	2

 Largest contributor to UK revenue

- Since 2009/10 the South East has contributed over £700 million to Central Government revenue (mainly taxes and national insurance contributions).*
- The South East contributed over £117.43bn to the Treasury in 2016/17, the largest revenue contribution in the country after London (£145.3bn).
- The South East's contribution to Central Government revenue in 2016/17 was greater than the combined contribution from Yorkshire & the Humber, East Midlands and North East regions (£117.36bn).
- Between 2007/08 and 2016/17 the South East accounted for 15.7% of total Central Government revenue raised in the UK compared to London's 19%. However, London's share of Government revenue increased to 20% in 2016/17 compared to 16.2% in the South East. This again confirms the Treasury's increasing dependency on the performance of London's economy.
- With reference to the table, in 10 out of 23 revenue categories the South East is the largest contributor to the UK revenue, and in 10 other categories the region is the second largest contributor to the Treasury.



Produced by the Economic & Business Intelligence Service (EBIS) for the South East England Councils (SEEC)

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