SOUTH EAST ENGLAND COUNCILS
EXECUTIVE COMMITTEE MEETING

Date: 7 December 2010

Subject: **Input to the Local Government Association: Deprivation and public sector reliance in the South East**

Report by: Aidan Shutter – SEEC Policy Officer

Recommendation:

The SEEC Executive is asked to comment on the report and approve the content for submission to the LGA.

---

1. Introduction

1.1 At the last SEEC All-Member Meeting on 19 November, it was agreed that a briefing note be prepared for David Parsons at the Local Government Association (LGA), to provide further details about deprivation and the effect of public sector job losses specific to the South East (as part of David Parsons' LGA responsibilities, he is the South East region's contact).

1.2. At the Plenary meeting, it was noted that senior government officials were saying that the areas most affected by public service job losses would be cushioned from the cuts as far as possible, which in SEEC's view would leave the South East hardest hit.

1.3 SEEC took the opportunity to remind David Parsons of the importance of the South East economy to the rest of the country and to caution against the Government's view that money is better directed to other parts of the country. The fact remains that the South East contributes more to the Treasury each year than is spent on public services across the area, some £18 billion according to latest data[1]. After the South East, the highest net contributors are London and the East of England. **All other areas of the country receive more in public spending than they contribute**

1.4 Whilst, David Parsons was aware of the arguments in favour of the South East, he said it would help his understanding to have a more in-depth briefing note about the critical issues of concern for SEEC member councils and he undertook to raise the issue with the LGA.

2. The key issues

2.1 The future economic forecast will mean tough times ahead for all areas of England. In a recent speech by the Minister of State for Business and Enterprise, Mark Prisk said that it was important to promote private sector growth and in particular to tackle the large imbalance in the economy between the greater South East and the rest of the country. Government direction remains focused on other regions in England 'catching up with the

[1] 2006-07 (Oxford Economics). While some of this contribution represents the link with London, almost £15 billion was directly from employment within the South East.

South East'. This policy is set to continue despite Mr Prisk acknowledging that over the last eleven years the economic gap between the South East and the rest of country remained the same, even though RDAs have spent £19 billion during that time on trying to narrow the gap.

3. Deprivation

3.1 Whilst, the South East is relatively prosperous and can therefore act as a net contributor to the Treasury, this completely overshadows the fact that around 500,000 people live in parts of the South East that rank within the 20% most deprived areas in the country.[2] This deprivation is heavily concentrated in coastal areas like Margate, Hastings and Urban South Hampshire, but pockets of deprivation also exist in otherwise prosperous parts of the inner-South East, including Slough, Oxford, and Milton-Keynes.

3.2 Economic analysis has shown that there is a high degree of disparity between the most and least successful parts of the South East: in fact, some areas of the South East have economic profiles closer to the North East than the rest of the South East. For example 2.16 million people live in Kent, Medway and East Sussex, similar to the 2.56m population of the North East (2007 figures) and both areas deliver GVA per head[3] below the national average. In Kent, Medway and East Sussex GVA was £15,766 (78.2% of national average) compared to the North East's £15,460 (77.5% of national average). In both areas the intensity of the economic, social and infrastructure problems makes it difficult for local partners to tackle them alone. Kent, Medway and East Sussex, along with other parts of the South East, need public sector investment and support as much as other areas of the UK.

4. Public sector employment

4.1 Appendix A shows the latest figures 2008 from BIS showing the split by region between public and private sector employment. *(2009 figures are expected very shortly)*. Many areas of the South East, especially poorer coastal areas, rely on significant levels of public sector employment. In parts of the south coast around 40% of jobs are in education, health and public administration.[4] These areas have been hard hit by the fact that some 40% of South East job losses during April-June 2010 were in the public sector[5]. In addition excluding South East businesses from initiatives like National Insurance discounts ignores the need to encourage new job creation in areas of the South East that desperately need incentives to support economically-led regeneration.

4.2. High levels of public sector employment are not limited to the coastal South East, but also define the economies of more prosperous places, such as Oxford and Guildford. In Oxford, for example, some 46% of jobs are in the public sector, many of them in education. In these areas, the private sector will also feel the effects of public sector cuts, especially those firms reliant on public sector contracts. These areas would also benefit from Regional Growth Fund support to help the transition to higher levels of private

[2] Index of Multiple Deprivation, ONS, 2007
[3] ONS, 2007
[4] ONS Annual Population Survey 2009
[5] HR1 redundancy notification form data via BIS/JobCentre Plus

employment. Towns like Guildford will, at least in the short term, see public sector organisations closing and leaving significant office space vacant.

4.3 In August 2010, SEEDA produced a report entitled 'Public Sector Redundancies: potential impact on the South East'. The report assessed the potential effects of public sector cuts on the South East economy, using the economic forecast by the Office for Budget Responsibility (OBR) from June 2010. The key outcomes from the study were:

- One in four people across the South East are employed in the public administration, education and health sectors. While the share of employment in these sectors is on average slightly lower than the national average, some districts have among the highest shares in the country.

- Of the 10 districts with the highest shares working in these sectors in Great Britain, 3 are in the South East. These are Oxford, with 46% of the workforce in these sectors (largely due to the presence of educational establishments), Hastings with 43% and Canterbury with 41%.

- Of the 50 districts with the highest shares working in these sectors in Great Britain, 9 are in the South East, of which 7 are located along the coast reflecting a general trend of higher public sector employment in coastal areas. Some of the worst affected local authorities are therefore likely to be found in the coastal areas of Kent, East Sussex and Hampshire.

- Office for National Statistics data shows that an estimated 630,000 people are employed in the public sector in the South East.

- Based on the OBR forecast, it is estimated that we could see 74,000 public sector job losses in the South East between now and the end of the 2015/16 financial year.

- We are likely to see a number of private sector job losses as an indirect effect of public sector cuts. This could push total job losses in the South East above 100,000. If this were to be the case, the cumulative loss of GVA in the South East over the 2010-2015/16 period as a share of total GVA would be 6.3% (over £10bn, measured in 2005 prices). Some areas of the South East could see cumulative losses of over 10%.

- Additionally, as this analysis is based on workplace rather than residence data, the effect on the South East economy as a whole will be greater as over 400,000 people commute into work in London. While the proportion of this number working in the public sector is unclear, the effect from redundancies will undoubtedly be significant.

- In absolute terms, Kent and Hampshire are likely to be most affected by public sector job losses, though large urban areas throughout the South East may see significant numbers of losses as they are often home to universities, colleges and local council offices. Broadly speaking, Kent, Hampshire, East Sussex and Oxfordshire are all more exposed to public sector cuts, with other counties better placed.

- Many of the areas likely to be hit relatively hard by public sector job losses are also, by extension, the areas where the private sector is smaller. These are mostly the coastal areas – where unemployment rates tend to be higher (and seasonal) than in other parts of the inner South East and employment growth is expected to be more subdued. As a result, these coastal areas bear more similarities in structure to areas generally understood to be most at risk, such as parts of northern England. In 2007, in the coastal South East less than 3 start-ups per 1,000 population were registered, compared to the average across England of 3.5 per 1,000 population. *(Source ONS VAT registrations/de-registrations 2007).*

4.4 Of course, recently we have seen the LGA say that the scale of job losses over the next 12 months is likely to be 40 per cent higher than was originally thought following details contained in last month's Spending Review. The LGA originally predicted 100,000 posts would go after the Chancellor set out the broad framework for public spending in the June budget. However, the Government's decision to 'front load' a large proportion of the cuts into the first year - rather than allow councils to spread them evenly over the four years of the spending review - is likely to lead to around 140,000 posts being cut.

4.5 The LGA say that the unexpected severity of the first year cuts effectively means councils will have to trim their budgets by an average of 11 per cent in 2011/12. Some authorities will also have to deal with the difficult impact of the loss of the Working Neighbourhoods Fund, which channelled £450 million to different parts of the country. Councils will only be able to work out the precise details after the grant announcements are made in early December.

4.6 Finally, one of the key objectives of the new Regional Growth Fund is for initiatives that will lead to a less public sector dependent economy. However, there will be clear risks if the South East has limited or indeed no access to RGF funds. Firstly, successful areas could miss out on support for projects that offer excellent economic returns (potentially protecting the South East as a net contributor to the Exchequer). Secondly, the South East's significant disadvantaged areas and their 500,000 population would miss out on funding to support economically-led regeneration.

5. Conclusions

5.1 The South East is a region of contrasts that includes both globally successful zones and economically-challenged, deprived areas. Proper investment in the South East offers good returns and potential to help drive the whole of the UK from recession to recovery. Whilst growth in other parts of the UK economy is encouraged, it should not be at the expense of investment and performance of the South East. It will also be critical to bring under-performing areas of the South East up to at least the average national levels of economic performance if we are to successfully reduce reliance on public sector employment in these areas

1 December 2010

Appendix A

Region	2008		
	Private	Public	Total
North East	758,300	269,300	1,027,600
North West	2,343,700	647,700	2,991,500
Yorkshire and The Humber	1,724,200	494,800	2,219,500
East Midlands	1,506,000	368,800	1,874,900
West Midlands	1,862,300	474,000	2,336,400
East of England	1,948,400	419,300	2,368,100
London	3,470,500	697,300	4,167,700
South East	3,085,900	641,600	3,727,800
South West	1,757,500	458,400	2,215,600
Wales	849,500	319,800	1,168,900
Scotland	1,782,300	612,300	2,394,900
GB	21,088,600	5,403,300	26,492,900