LATE SPRING **2022**

South East Councils
Deliver Better Together

# SOUTH EAST 1,000

BIANNUAL REGIONAL MONITOR

Savanta: ComRes

#SEECSouthEast1000

# SEC COMMENTARY – THE CHAIRMAN'S VIEW

SEC publishes the *South East 1,000* Monitor every six months and, since our last edition, there have been many developments of interest. All of us, bit by bit, have been emerging from the pandemic and with that we are seeing changes in how we all work, travel, enjoy leisure time and communicate.

As a unique monitor of public, business, and councillor cohorts, weighted to reflect opinion from across the whole region, the *South East 1,000* has, since its inception in autumn 2020, built up a valuable digest of the views, concerns and expectations of residents, ratepayers and representatives from the UK's most populated region. Offering a firm evidence base, the Monitor underpins SEC efforts to influence policymakers and decision-takers. We aim to secure a strong economic foundation for our region to meet challenges that arose from at the pandemic, Brexit realities, and a growing population which is moving towards 10million at the end of the decade.

The Government's Levelling up and Regeneration Bill currently before Parliament has proposed pathways to create new Combined County Authorities that could secure certain responsibilities and competencies. MPs contemplating new structures should note the views of *South East 1,000* respondents (page 7) and note the affinity that local populations have with their local councils and local representatives.

Finally, as I have said before, the "South East 1,000" should be seen, and utilised, as a reference source by all those with the shared interest of making our region the best place to live, work and do business.

**Cllr Nicolas Heslop, Chair, South East Councils** *(SEC)*

# SOUTH EAST 1,000

South East Councils (SEC) publishes the *South East 1,000* twice a year, in spring and autumn.

Areas for gauging views are focused on:

- Skills
- Transport
- Communities
- Infrastructure
- Decision-making

There are also 'topical' questions on current pressing issues.

Based on responses from around 1,000 stakeholders, across three separate cohorts, the *South East 1,000* is one of the largest and authoritative regular surveys in the region

# METHODOLOGY

Savanta ComRes interviewed people between 16th April and 6th June 2022

Three separate cohorts:

- 514 Members of the Public (18+)
- 262 Business decision makers
- 178 Councillors

Councillor data was weighted by Council type, Council control, Party and Gender.

Business data was weighted to be representative of South East England by Industry & Sector type

Public data was weighted to be representative of South East England adults by Age, Gender and County Savanta ComRes is a member of the British Polling Council and abides by its rules. Full data tables available at **www.comresglobal.com**

# GUEST COMMENTARY – THE ACADEMIC'S VIEW

The South East of England remains key to the economic success of the country. Yet for many decades, the wider South East has largely been taken for granted.

Growth in the population and economic output have made it easy for successive governments to concern themselves with – over the past 50 years – the Urban Programme, development corporations, former coalfield areas, city regions and now, 'Levelling up'.

The challenge of protecting the Union has recently diverted ministerial attention (and funding) to Scotland, Wales and Northern Ireland.

Rarely will ministers put forward policy proposals for the South East, though latterly the region has become a touchstone, along with London, for unhelpful comparisons with other parts of the UK because of its relative affluence as compared to the 'left behind' Midlands or the North.

Every part of the UK deserves a fair and balanced share of central government attention, particularly given how centralised England is. Neglect is rarely a sensible approach to public policy.

**Professor Tony Travers, Director, London School of Economics** *(LSE)*

# SOUTH EAST 1,000

## LEVELLING-UP

Since the publication of the Government's White Paper in February 2022, the term 'Level up' (and 'Levelling up') is now commonplace in every day discussion about departmental policies and, it seems, any Government programme.

However, despite ministerial media appearances since the White Paper's publication pushing the concept and DLUHC Secretary Michael Gove MP publishing the Levelling Up and Regeneration Bill in May, significant numbers of respondents to the South East 1,000 remain unaware or unclear about it.

Asked what they understood by the Government's mission to 'level up', one third (33%) of all respondents said they did not know what it means.

**Four in ten (39%) of the public do not know what levelling up means**. That is an increase of 2% since the last monitor

**39%** of the public
**26%** of businesses

do not know what 'levelling up' means.

**One quarter (26%) of businesses do not know what levelling up means.** That is an increase of 3% since the last monitor

### How to level up?

From a list of named options, respondents were asked what were the most important matters to focus upon to 'level up'. (Multiple choices were permitted).

With the developing cost of living crisis clearly in mind, 'Reducing Poverty' was the top option for all cohorts. 'Lowering Unemployment' was the second preferred option by businesses and the public.

- **'Better Transport connections' at 49% was Councillor's second preferred option to level up**

| | TOTAL | PUBLIC | BUSINESSES | COUNCILLORS |
|---|---|---|---|---|
| Reducing poverty | 57% | 56% | 59% | 58% |
| Lower levels of unemployment | 49% | 48% | 53% | 44% |
| Reduced homelessness | 34% | 38% | 29% | 31% |
| Better transport connections | 30% | 23% | 30% | 49% |
| Lower levels of crime | 28% | 31% | 28% | 17% |
| Fewer closed or boarded-up shops | 20% | 18% | 23% | 20% |
| Reduced levels of mental health problems | 18% | 18% | 17% | 19% |
| More youth clubs or activities for young people | 12% | 13% | 10% | 16% |
| Reduced addiction to drugs or alcohol | 12% | 14% | 10% | 9% |
| Improved parks or public spaces | 11% | 12% | 13% | 4% |
| More community spaces | 7% | 6% | 8% | 6% |
| Improved museums or art galleries | 2% | 1% | 3% | 1% |

### The local priorities for local levelling up

South East Councils reminds policymakers, decision-takers and opinion formers that our region has areas lacking investment, pockets of deprivation and communities in need of regeneration.

Within the context of any programme of activity by government to 'level-up', respondents were asked what they thought should be the top three priorities in their local area. (Multiple choices permitted).

| | FIRST PRIORITY | SECOND PRIORITY | THIRD PRIORITY |
|---|---|---|---|
| **Public** | Increasing affordability of housing 54% | Supporting the local economy 44% | Supporting the High Street 35% |
| **Businesses** | Increasing affordability of housing 50% | Supporting the local economy 49% | Improving local infrastructure 38% |
| **Councillors** | Increasing affordability of housing 63% | Action on the environment & Biodiversity 51% | Improving local infrastructure 49% |

# HOUSING

Previous proposals to calculate housing numbers created much tension particularly in the South East. SEC was keen to probe attitudes towards more house building now.

| | | Agree | Disagree |
|---|---|---|---|
| **SUPPORT BUILDING OF NEW HOMES IN MY LOCAL AREA** | **TOTAL** | **55%** | **26%** |
| | Public | 52% | 26% |
| | Businesses | 55% | 28% |
| | Councillors | 66% | 22% |
| **SUPPORT BUILDING OF NEW HOMES IN SOUTH EAST ENGLAND** | **TOTAL** | **57%** | **23%** |
| | Public | 58% | 21% |
| | Businesses | 56% | 22% |
| | Councillors | 57% | 31% |
| **NEW HOMES SHOULD BE BUILT IN RURAL AREAS OF SOUTH EAST RATHER THAN IN URBAN AREAS** | **TOTAL** | **29%** | **43%** |
| | Public | 32% | 36% |
| | Businesses | 31% | 41% |
| | Councillors | 19% | 66% |
| **NEW HOMES SHOULD BE BUILT ALONG COASTAL AREAS OF SOUTH EAST ENGLAND** | **TOTAL** | **29%** | **35%** |
| | Public | 29% | 35% |
| | Businesses | 30% | 31% |
| | Councillors | 27% | 42% |

# SKILLS

Respondents were asked to list their top three priorities for investment in their local employment market. (multiple options were permitted).

- **The most notable change since the previous monitor was with *'Increasing flexible and part time learning provision'* which increased by 4% to 44%**

| | | |
|---|---|---|
| **TRAINING AND DEVELOPMENT OF EMPLOYEES** | **56%** | **NO CHANGE** |
| Public | 55% | |
| Businesses | 50% | |
| Councillors | 65% | |
| **INCENTIVES TO BUSINESSES TO TAKE ON MORE EMPLOYEES** | **42%** | **DOWN 1%** |
| Public | 43% | |
| Businesses | 47% | |
| Councillors | 37% | |
| **ESTABLISHING BETTER LINKS BETWEEN EDUCATION PROVIDERS AND BUSINESSES** | **44%** | **UP 3%** |
| Public | 33% | |
| Businesses | 40% | |
| Councillors | 65% | |
| **INCREASING FLEXIBLE AND PART TIME LEARNING PROVISION** | **44%** | **UP 4%** |
| Public | 38% | |
| Businesses | 43% | |
| Councillors | 42% | |
| **PROVIDING MORE CHILDCARE** | **38%** | **UP 1%** |
| Public | 39% | |
| Businesses | 34% | |
| Councillors | 39% | |
| **CAREERS AND GUIDANCE** | **24%** | **UP 2%** |
| Public | 24% | |
| Businesses | 20% | |
| Councillors | 18% | |

# WORKING WITH LONDON

**The Wider South East Dialogue enables leaders of South East local authorities to connect with the GLA Mayoral team to discuss strategic policy matters of interest and concern – with the shared aim of seeking to underpin economic prosperity across the Wider South East.** South East Councils has rekindled the Wider South East Dialogue with the GLA and others that had originally run from 2014 until the onset of the Covid pandemic in early 2020.

As with the Spring and Autumn 2021 South East 1,000 monitors, respondents have been asked what named topic areas they thought councils in the South East region should work more closely on with the GLA.

'***Improving transport links between the two regions'*** on 43% was the highest preference overall among respondents. '***Developing initiatives to reduce the impacts of Climate Change***' saw a notable increase among Councillors, up 6% since the previous monitor.

- For the third successive monitor, 'Housing' has not been a top focus issue

| | | | |
|---|---|---|---|
| **IMPROVING TRANSPORT LINKS** | **TOTAL** | **43%** | **CHANGE - 1%** |
| | Public | 39% | -2% |
| | Businesses | 47% | -3% |
| | Councillors | 49% | -2% |
| **IMPROVING HEALTH & SOCIAL SERVICES** | **TOTAL** | **42%** | **CHANGE -2 %** |
| | Public | 45% | -3% |
| | Businesses | 45% | -1% |
| | Councillors | 30% | No change |
| **INITIATIVES TO REDUCE IMPACTS OF CLIMATE CHANGE** | **TOTAL** | **37%** | **CHANGE -7%** |
| | Public | 35% | -6% |
| | Businesses | 41% | -5% |
| | Councillors | 41% | +6% |
| **HELPING BUSINESSES DEAL WITH IMPACTS OF THE UK LEAVING THE EU** | **TOTAL** | **37%** | **NEW** |
| | Public | 38% | New |
| | Businesses | 40% | New |
| | Councillors | 26% | New |
| **INCREASING HOUSING PROVISION AND BUILDING NEW HOMES** | **TOTAL** | **33%** | **CHANGE -4 %** |
| | Public | 33% | -4% |
| | Businesses | 36% | -3% |
| | Councillors | 30% | +2% |

# DEVOLUTION

The Government's Levelling up and Regeneration Bill outlines pathways to create new Combined County Authorities. MPs may wish to note the views of respondents from across the whole South East:

- *Asked if greater powers were to be transferred from central Government at what level they should be transferred to, the majority (64%) did not choose 'county'.*

| | TOTAL | PUBLIC | BUSINESSES | COUNCILLORS |
|---|---|---|---|---|
| **TOWN/CITY/BOROUGH** | **39%** | 35% | 37% | 54% |
| **COUNTY** | **34%** | 33% | 39% | 33% |
| **THE SOUTH EAST REGION** | **20%** | 24% | 21% | 5% |
| **OTHER** | **5%** | 7% | 4% | 1% |
| **DON'T KNOW** | **2%** | 1% | 0% | 6% |

# COMMUNITIES

Policymakers, decision-takers and opinion leaders widely use the term 'Place-shaping'. Ultimately for SEC that is about community. Since its inception in 2020, the *South East 1,000* monitor has sought to probe a sense of 'place', tease out views about community affinity, and gauge local identity.

## What is local?

**Village, town or city continues to increase as respondents clear view of "local" at 69%.** (This compares to 65% spring 2021/67% autumn 2021). Notably County is decreasing.

| | | | |
|---|---|---|---|
| **MY VILLAGE OR TOWN OR CITY** | **TOTAL** | **69%** | **UP 2%** |
| | Public | 6% | Up 4% |
| | Businesses | 64% | Up 2% |
| | Councillors | 81% | Up 1% |
| **MY IMMEDIATE NEIGHBOURHOOD** | **TOTAL** | **13%** | **DOWN 2%** |
| | Public | 14% | Down 4% |
| | Businesses | 13% | Same |
| | Councillors | 7% | Down 2% |
| **MY COUNTY** | **TOTAL** | **10%** | **DOWN 2%** |
| | Public | 9% | Down 3% |
| | Businesses | 13% | Down 3% |
| | Councillors | 8% | Up 2% |
| **MY REGION** | **TOTAL** | **4%** | **UP 1%** |
| | Public | 3% | Up 1% |
| | Businesses | 7% | Up 5% |
| | Councillors | 1% | Same |

## Local affinity and identity

**There is a positive development with more respondents reporting getting on with their neighbours, than before, notably the business cohort is up 7%.**

However, a solid block of respondents continue to feel they do not have a say over important decisions that affect their area, with half (50%) of the public and businesses expressing that view.

| | | | |
|---|---|---|---|
| **I FEEL A STRONG CONNECTION TO MY LOCAL AREA** | **TOTAL** | **AGREE 58%** | **DISAGREE 20%** |
| | Public | 47% | 23% |
| | Businesses | 59% | 23% |
| | Councillors | 91% | 4% |
| **I GET ON WELL WITH MY NEIGHBOURS** | **TOTAL** | **76%** | **9%** |
| | Public | 73% | 10% |
| | Businesses | 75% | 10% |
| | Councillors | 90% | 4% |
| **I FEEL LIKE I BELONG WHERE I LIVE** | **TOTAL** | **65%** | **16%** |
| | Public | 56% | 18% |
| | Businesses | 65% | 18% |
| | Councillors | 91% | 5% |
| **I FEEL LIKE I HAVE A SAY OVER IMPORTANT DECISIONS THAT AFFECT MY AREA** | **TOTAL** | **30%** | **45%** |
| | Public | 19% | 50% |
| | Businesses | 29% | 50% |
| | Councillors | 71% | 21% |
| **I THINK THINGS NEED TO CHANGE IN MY AREA** | **TOTAL** | **51%** | **16%** |
| | Public | 46% | 16% |
| | Businesses | 54% | 15% |
| | Councillors | 61% | 16% |

## Financing local government

A common criticism of the Government's Levelling Up agenda has been that it has not examined how English local government could be, or should be, adequately financed in the future. The Covid-19 pandemic increased the pressures and challenges for local councils trying to reconcile expectations for more local service delivery with limited resources. SEC has the view that Ministers have an opportunity to pursue a 'reset' and enable what can be, as opposed to seeking to 'recover' what went before. Councils should be encouraged to actively explore innovation in revenue raising.

**Increasing numbers of respondents to the *South East 1,000* believe that certain taxes, levies, or charges should be set or managed at the local council level**. When asked if they thought a certain tax or fee should be at a national, regional or local level, all six options saw an increase in 'local' preference for the third consecutive monitoring period (over fifteen months).

| | | Should be set and managed within LOCAL council area | Should be set and managed at a REGIONAL level | Should be set and managed at a NATIONAL level |
|---|---|---|---|---|
| **VEHICLE EXCISE DUTY (CAR TAX)** | **TOTAL** | **14% UP 2%** | **13% NO CHANGE** | **60% DOWN 4%** |
| | Public | 15% | 14% | 55% |
| | Businesses | 15% | 15% | 60% |
| | Councillors | 11% | 7% | 80% |
| **APPRENTICESHIP TRAINING LEVY** | **TOTAL** | **28% UP 4%** | **22% DOWN 4%** | **31% DOWN 4%** |
| | Public | 25% | 20% | 30% |
| | Businesses | 28% | 23% | 32% |
| | Councillors | 36% | 26% | 31% |
| **BUSINESS RATES** | **TOTAL** | **45% UP 4%** | **21% DOWN 4%** | **24% DOWN 1%** |
| | Public | 34% | 23% | 27% |
| | Businesses | 49% | 22% | 24% |
| | Councillors | 72% | 11% | 15% |
| **STAMP DUTY (HOUSE TAX)** | **TOTAL** | **27% UP 6%** | **18% DOWN 2%** | **41% DOWN 6%** |
| | Public | 26% | 17% | 40% |
| | Businesses | 27% | 22% | 38% |
| | Councillors | 31% | 13% | 51% |
| **AIR PASSENGER DUTY (FLIGHT TAX)** | **TOTAL** | **9% UP 1%** | **12% DOWN 14%** | **61% DOWN 3%** |
| | Public | 10% | 14% | 53% |
| | Businesses | 10% | 9% | 68% |
| | Councillors | 6% | 12% | 75% |
| **LOCAL TOURIST TAX (HOTEL TAX)** | **TOTAL** | **40% UP 3%** | **23% DOWN 2%** | **18% DOWN 2%** |
| | Public | 33% | 24% | 18% |
| | Businesses | 36% | 23% | 22% |
| | Councillors | 68% | 16% | 11% |

# COMMUNITY PLANNING

The Government's *'Planning for the Future'* White Paper in autumn 2020 generated much debate and disquiet particularly among councillors in the South East. Taking note, the new Levelling Up and Regeneration Bill, currently before Parliament has proposals that Ministers claim will "give local residents more involvement in local development".

**When asked at what level they thought Planning and Building decisions that affect their community should be taken, the majority (56%) of respondents to the South East 1,000 said 'local' – by their district or borough council.**

| | TOTAL | PUBLIC | BUSINESSES | COUNCILLORS |
|---|---|---|---|---|
| **LOCAL: MY LOCAL DISTRICT OR BOROUGH COUNCIL** | **56%** | 49% | 51% | 87% |
| **COUNTY: THE COUNTY COUNCIL** | **20%** | 21% | 23% | 11% |
| **REGIONAL: AN AUTHORITY COVERING THE SOUTH EAST REGION** | **11%** | 12% | 17% | 2% |
| **NATIONAL: CENTRAL GOVERNMENT AGENCY OR DEPARTMENT** | **5%** | 6% | 6% | 0% |

# CLIMATE CHANGE AND ADAPTATION

The *South East 1,000* monitor probes respondents' awareness about local Climate Adaptation – preparing and planning activity to address the impacts of Climate Change.

Previous monitors found, that overall, the greater number of respondents indicating they knew something about adaptation measures being undertaken in their local area.

However, **sizeable numbers say they do not know about Climate Change Adaptation measures being undertaken locally:**

- **Over half the public polling cohort at 57%**
- **Just under half of the business cohort at 45%**

Addressing Climate Change and adapting to its impacts will be a major and continual undertaking. The 'do not know' figures above suggest there may be a case for local authority communications teams to review how to convey their council's approach to tackling Climate Change.

**57%** of the public
**45%** of businesses
**5%** of councillors

Do not know about Climate Change Adaptation measures being undertaken locally

## Responsibility

Broadly equal numbers of all respondents thought government and councils should be responsible for taking measures to tackle climate change. Respondents were probed on what they are doing, or may be planning to do, on a personal level, to help tackle Climate Change impacts based on several named options. (Multiple choices permitted).

- **Over two thirds (67%) said they were using energy-efficient appliances and lighting at home**
- **Nearly one third (28%) planned to make their homes more energy efficient.**
- **Only 10% said they actively planned to buy or drive an electric vehicle.**

| | | Recycling more (paper, plastics, aluminium, food waste, clothes) | Using energy-efficient appliances and lighting at home | Insulating my home (e.g. double glazing, loft, floor or wall insulation) | Buying sustainable goods or services that have a low carbon footprint | Eating less meat / having a vegetarian / vegan diet | Making my home heating more energy-efficient (e.g. switching from gas to electric) | Buying and/or driving electric vehicles |
|---|---|---|---|---|---|---|---|---|
| I have already done this or I am doing it | **TOTAL** | **85%** | **67%** | **56%** | **38%** | **34%** | **28%** | **10%** |
| | Public | 83% | 62% | 51% | 30% | 29% | 27% | 5% |
| | Businesses | 86% | 68% | 54% | 44% | 38% | 32% | 13% |
| | Councillors | 93% | 80% | 71% | 55% | 42% | 25% | 18% |
| I will never do this | **TOTAL** | **1%** | **1%** | **4%** | **2%** | **29%** | **7%** | **15%** |
| | Public | 1% | 1% | 5% | 3% | 31% | 8% | 18% |
| | Businesses | 4% | 2% | 4% | 4% | 26% | 8% | 8% |
| | Councillors | 0% | 0% | 3% | 3% | 33% | 7% | 14% |

## What can help to do more?

SEC is interested in learning what more facilities, services or support could be made available in local areas to help communities address the impacts of Climate Change. Respondents were presented with several named options with multiple choices permitted. 47% overall, wanted 'financial assistance for insulating homes.

- 41% of all respondents cited **increased public transport options**
- 41% of all respondents cited **better cycling and walking routes**
- 50% of councillors want financial assistance to insulate homes
- 31% of all respondents cited **more electric vehicle charging points**

# TRANSPORT

*'Reducing transport related carbon emissions to net zero by 2050'* **remains the highest ranked local priority for respondents overall at 49%** – although that is a decrease of 5% on the same question for the previous South East 1,000 monitor.

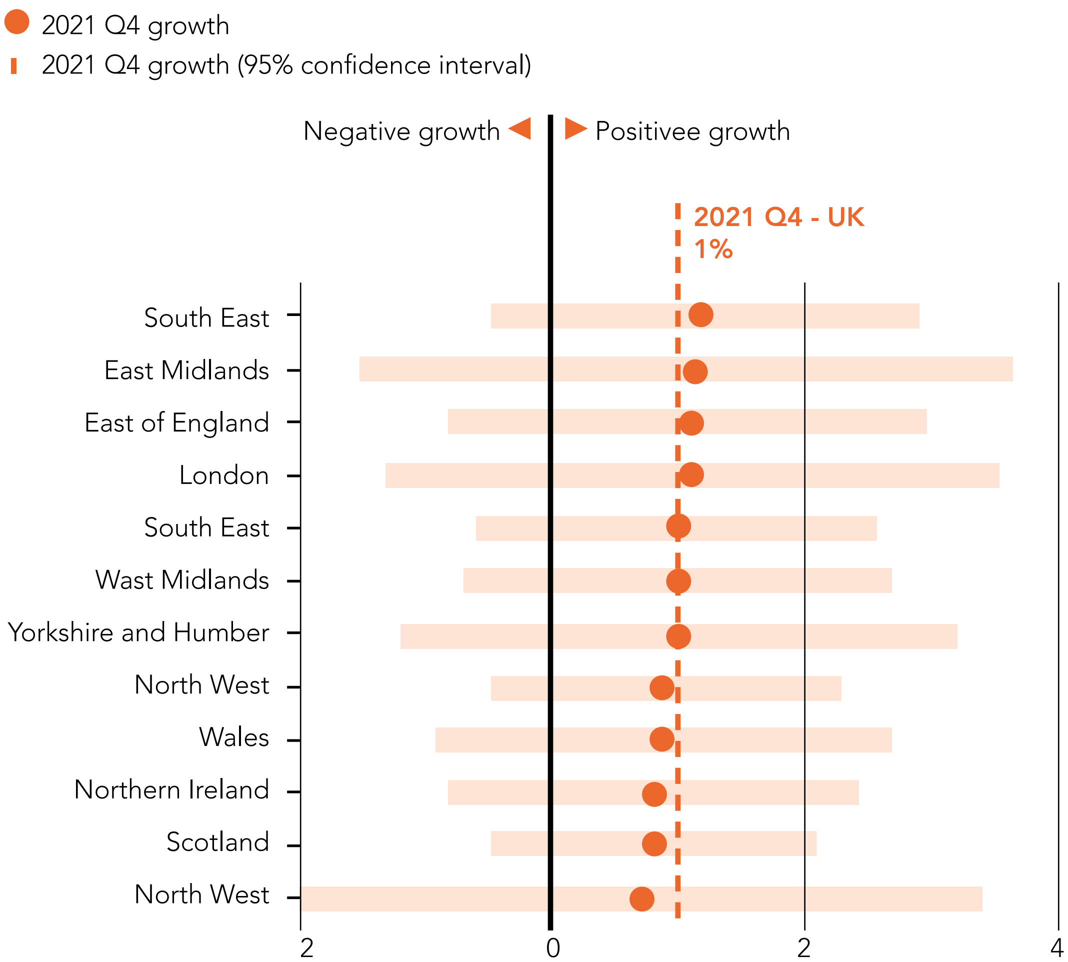
The highest preference within the Councillors polling cohort was 'a network that promotes active travel and active lifestyles' with over half (53%) citing that.

# THE ECONOMIST'S VIEW

## *SE Councils economic update- June, 2022- Vicky Pryce*

The economic situation has changed markedly since the last update, much of it in an unexpected way. The economy did recover by some 7.4 % in 2021 after the near 10 % fall in 2020[1] . By the end of 2021 all regions were growing quarter on quarter despite the partial new lockdown in November as new modelling done by the ONS suggested, with the South East just on the UK average of 1% , just below London and alongside the West Midlands and Yorkshire and the Humber.

Model-based estimates of regional GVA growth for the English regions, Wales, Scotland, and Northern Ireland for Quarter 4 2021

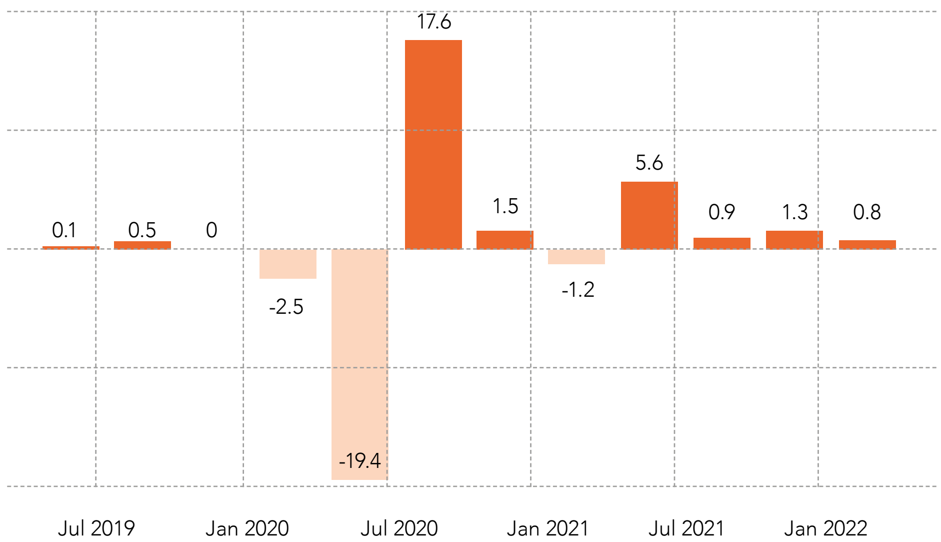



Source: Office for National Statistics

But activity in 2022 has been rather hesitant and quite volatile. The Omicron variant once again delayed the full opening up of the economy and the trouble for the travel and hospitality and tourism industry continued for much longer than other sectors as the furlough support from the government was stopped in September but the travel and other restrictions were not lifted until mid- March. Shortages of EU workers hasn't helped. Interestingly some 1.3m people seem to have left the workforce by comparison to pre-pandemic, partly explaining what looks like a very low unemployment rate of just 3.6%. There are serious staff shortages and record number of vacancies in the UK which companies across all sectors- and large parts of the public sector too- are finding hard to fill.

Still , GDP in March was some 1.2% above pre-pandemic levels but there was a lot of variability between sectors[2]. While services overall were 1,5% above, consumer facing ones were still 6.8% below . and while construction had recovered to be 3.7% higher , industrial production was still 1.6% lower[3].

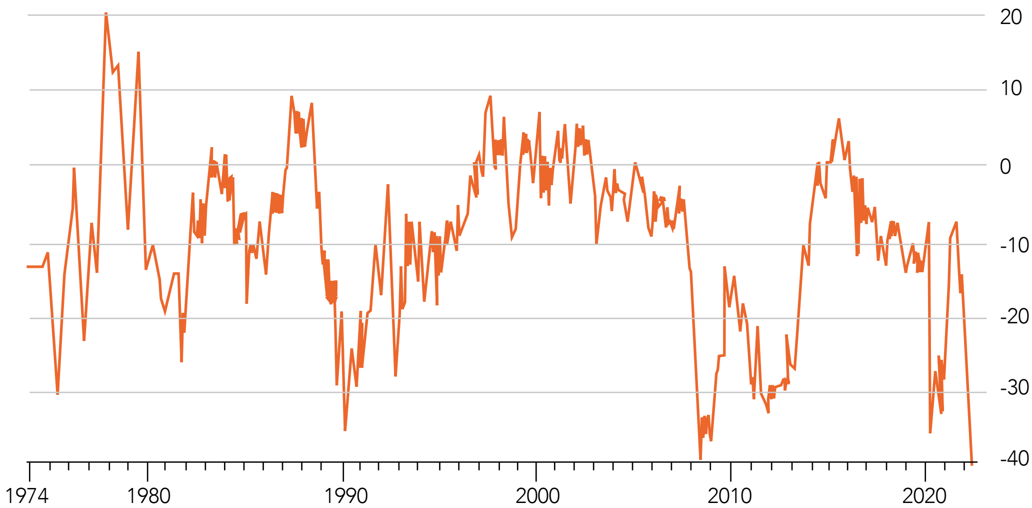
## Uk DGP growth rate - %




Tradingeconomics.com | Office For National Statistics

But if that is a sign of a growing economy, the underlying trends are worrying. We may all have been forgiven for forgetting the rising cost of living crisis during a very successful and joyful early June Jubilee week, with the beleaguered hospitality sector benefitting disproportionately. Consumer confidence was already dropping in the early part of the year and the impact of the Russian invasion of Ukraine has made things worse.

## UK consumer confidence fell to record low in May 2022




Globally, higher energy and food prices, given the large dependence of Europe and the wider world on Russian oil and gas and on Ukraine's and Russia's wheat ,grain and fertiliser exports amongst others ,has dented growth prospects . The World Bank has announced a $170b special crisis fund for poorer countries to stave off what it termed a possible humanitarian catastrophe. And the IMF has been forced to scale down their forecast for the world economy for this year twice in last 6 months.

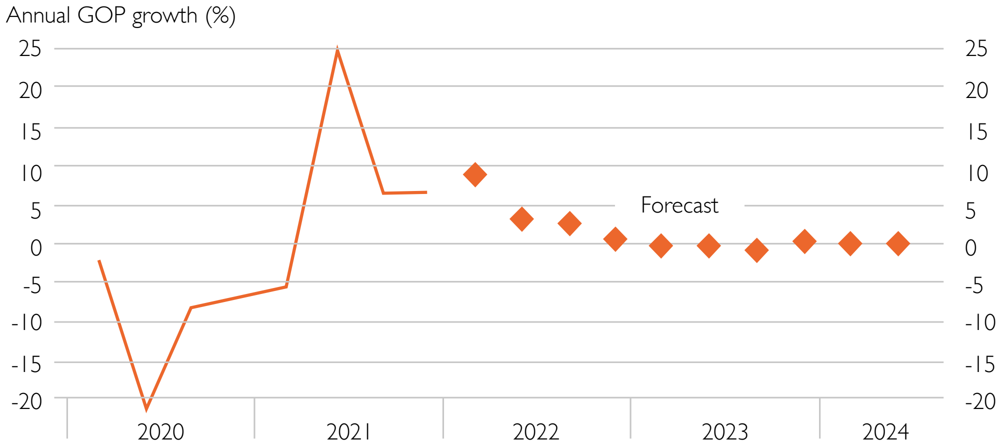
Their latest estimates in late April reduced global growth to just 3.6% for this year . For this year the biggest downgrades are in some European countries such as Germany which depends on Russia for some 54% of its gas needs.

## What next for the UK

Although the UK is less dependent on Russian oil and gas, it is still affected by the high global prices for energy, the economy stagnated in February and in fact declined slightly in March. On May 4 the Bank of England's Monetary Policy Committee raised rates by a further 0.25% to 1% ,while forecasting that inflation would peak at over 10% in the last quarter of this year, compared to its target 2%. Its central forecast also was for a slowdown this quarter with zero growth in 2022 Q4 and not much improvement thereafter.4 Much of this is due to their expectation that real personable disposable incomes will fall more sharply in 2022 than at any time since records began in 1964.

This contraction in demand will mean that CPI inflation in 2 years time come down to near target and then below target in three years' time. Clearly though the impact on growth of this scenario is quite dramatic as the chart below indicates.

**UK GDp Falling to stagnation territory next year - Bank of England MPC, May 2022**




## What can governments do

The IMF warns if anything of downside risks from a further escalation of what now looks like a prolonged war in Ukraine and the tightening of Western sanctions on Russia, including a phased oil import ban. Gas embargoes may well follow. Governments have been forced to step in again. While the improvement in the Covid outlook allowed the end of various support measures and an attempt to restore government finances, this is now being reversed . In the UK the package announced by the Chancellor in the Spring Statement in March and then added to on May 26 have released an extra £37b into the economy[5]- though some of this is to be financed by a £5b windfall tax on oil and gas companies. However any relief is tempered by the fact that the increase in the National Insurance rate for employers and employees is still going ahead, although the threshold for paying it for employees has gone up to be in line now with that for income tax. There is also very little direct help to companies in relation to higher and ,at times, crippling energy and other input costs.

What else can the government do? An urgent redistribution to the most needy is essential and this has been the focus of the Chancellor's new measures so far. A rethinking of energy security is also underway. But a more long term recipe for action in the UK comes from the Levelling Up White Paper produced just before the war started in February with the help of Andy Haldane, the former Bank of England Chief Economist[6]. It was followed by a Levelling Up and Regeneration Bill being introduced to Parliament to ensure its agenda is pursued which includes a new Infrastructure levy which the Centre for Cities[7] has argued is a better way for councils 'to capture revenues from new development to fund new infrastructure'

The medium to long term nature of the White Paper's ambitions with clear targets for 2030 are welcome as any effort will only work if sustained. And the areas highlighted, contributing to a region's success are broadly right- Physical capital, such as infrastructure and housing; human capital , in other words the skills of the labour force; intangible capital , such as the extent of innovation in the region; financial capital , i.e. the availability of funding for firms; social capital, meaning mostly the strength of local and regional communities; and institutional capital – local leadership, capacity and capability.

All these are sensible and come with a pot of money which regions and local leaders can bid for and access. But there is arguably very little new in the analysis and the prescriptions are not materially different to what has been suggested for the last few decades. Productivity remains low by comparable standards, with output per head in the UK still some 25% below that of Germany. There is moreover concern that given the avowed aim to ' to reduce inequality between the South East and the rest of the country', if the net result is a shift of resources from the more productive ones to less productive areas ,the whole of the UK will suffer.

Not surprisingly the White Paper is trying to alley those fears by pointing out in the introduction that :

*"Levelling up is not about making every part of the UK the same, or pitting one part of the country against another. Nor does it mean dampening down the success of more prosperous areas. Indeed, by extending opportunity across the UK we can relieve pressures on public services, housing and green fields in the South East. And levelling up can improve well-being in the South East by improving productivity in the North and Midlands. "*

Clearly one to watch.

1 https://commonslibrary.parliament.uk/research-briefings/sn02784/
2 https://tradingeconomics.com/united-kingdom/gdp-growth
3 https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/march2022
4 https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2022/may/monetary-policy-report-may-2022.pdf
5 https://www.gov.uk/government/publications/cost-of-living-support/cost-of-living-support-factsheet-26-may-2022
6 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052046/Executive_Summary.pdf
7 https://www.centreforcities.org/blog/how-can-reform-ensure-the-new-infrastructure-levy-is-a-success/

# DELIVER BETTER TOGETHER

With most South East local authorities as members, South East Councils (SEC) aims to work in partnership to make the region a great place to live, work and do business.

SEC aims to provide and act as a unified democratic voice on South East interests to:

- Promote and maintain the South East's position as a leading global economy
- Seek and secure fair funding across the diverse landscape of the region
- Monitor and highlight the economic and social pulse of the region

Much of our work involves making the case to Government, Parliament and Industry, as well as through the media: utilising case studies, facilitating local delegations and hosting events.

SEC is the secretariat for the All-Party Parliamentary Group for the South East.

We are proud to be an associate member of the Local Government Association (LGA).

For further information on this report please contact

South East Councils (SEC)
First Floor, Council Offices
Argyle Road, Sevenoaks TN13 1HG

W: *secouncils.gov.uk*

**Sean McKee**
Director

E: *seanmckee@secouncils.gov.uk*
T: *07884 252881*