



South East Councils (SEC) response

Left Behind Neighbourhoods APPG inquiry: Inquiry into levelling up

“We hear about the ‘affluent’ South East in the headlines – despite that the relative affluence of local residents does not always translate into council spending power as one might think.

The stereotype of the South East as a land of rolling green pastures does not reflect the reality local authorities deal with every day. The reality is that the South East has some of the most deprived communities in England, yet at the same time, it has one of the highest relative costs of living.

Local authorities in our regions are dealing with a unique combination of intersecting challenges – the high cost of living, shortages in skills, and as a hub for international trade and travel, the impact of Covid-19 in coastal areas and airport towns was particularly devastating.

And Council budgets are at breaking point. It’s time to recognise that the funding model for English Local Government is broken.

Only a precious few can keep track of the true number of funding pots, whilst our members have seen tens of thousands of pounds wasted on rejected competitive bids, which was once again confirmed to be the case following last week’s second round of levelling up funding allocations.

Since Leader of the Labour Party Sir Keir Starmer unveiled the “Take Back Control Bill” council leaders have been asking themselves... is this really going to bring the change we need, or are we going to see another decade of flip-flopping around the elephant in the room?

Fixing this broken system is the transformational improvement we need to empower local authorities to deliver on the principles of levelling up in the long term.

It’s time to bring an end to local authorities having no choice, but to beg for money from Westminster.”

Cllr Nicolas Heslop, Chair, South East Councils



1.0 Introduction

- 1.1 [South East Councils \(SEC\)](#) is a cross-party, voluntary membership association that works to ensure that the South East is a great place to live, work and do business. SEC promotes the views and interests of all tiers of local government across the South East and is recognised as an associate member of the Local Government Association (LGA). With the majority of the 70 local authorities across the region as members, we seek to provide a unified democratic voice on South East interests.
- 1.2 SEC's "[Towards a Greater South East](#)" (TAGSE) agenda works towards five priorities: (1) efficient Transport to keep our region moving; (2) Affordable, decent Housing to grow sustainably; (3); Collaboration for a Smarter and Greener future; (4) Adequate Skills provision to compete successfully; and (5) Practical Devolution to empower our region.
- 1.3 SEC serves as the Secretariat for the [All-Party Parliamentary Group \(APPG\) for the South East](#), chaired by Sally-Ann Hart MP. Over the last year, the work of the APPG has focused on what levelling up should look like in the South East. On 27 July, the South East APPG published a report following its inquiry: [Financing the future – what does levelling up mean for South East England?](#)
- 1.4 Published twice a year, the [South East 1,000](#) biannual regional monitor, sees SEC partner with polling agency Savanta ComRes to produce a unique monitor of public, business and civic cohorts. It is the largest and most authoritative regular survey of councillor, business, and public opinion in the region. Our [latest edition](#) was published on 30 November 2022.
- 1.5 On 22 March 2022, we published "[Resetting the South East – Levelling up after Brexit, Climate Change and COVID](#)", a SEC-commissioned report by think-tank Localis. It investigated the role of the South East in Levelling Up and what is necessary for its constituent local authorities to deliver – individually and collectively – on this multi-layered and ambitious set of environmental, economic, and social transformations.
- 1.6 On 19 October 2022, we co-hosted "[Tomorrow's South East](#)" - [Summit of the South East \(SOTSE\)](#), a conference in Westminster co-hosted with Localis, with The MJ as official media partner and supported by Willmott Dixon with former Local Government Minister Paul Scully MP, civic and business leaders to discuss levelling up, shared challenges and pressures and planning for growth.
- 1.7 The [Wider South East Dialogue](#) enables leaders of South East local authorities to connect with the Greater London Authority (GLA), London Councils, and the East of England Local Government Association (EELGA) to discuss matters of interest and concern. On 8 July 2022, we co-hosted the [London and Wider South East Conference](#).
- 1.8 SEC welcomes the opportunity to respond to this [consultation on levelling up](#). We acknowledge that this inquiry will assess the extent to which the White Paper's policy programme aligns with the needs and aspirations of people who live in the most deprived or 'left behind' neighbourhoods, and what transformational improvements are needed to level up over the long term.



2.0 Summary – Key points

- **The Levelling Up White Paper plays up to an unrealistic stereotype that the South East of England is a land of rolling green pastures, without significant socio-economic challenges.**
- **Deprived communities in the South East (intra-regional inequalities) were rendered effectively invisible by sweeping inter-regional generalisations.**
- The South East is home to some of the most deprived communities in England, such as Hastings and Sheppey East.
- Deprived communities in the South East face a unique combination of intersecting challenges, including a relatively **higher cost of living, skills shortages**, and as a hub for international trade and travel, the **impact of Covid-19** in coastal areas and airport towns was particularly devastating.
- Deprivation is particularly visible in our disconnected rural and coastal areas, as well as **pockets of deprivation** even in the most prosperous areas.
- The relatively higher cost of living in the South East reduces the relative spending power of individuals and families on low incomes, compared to those on equivalent incomes living in lower cost areas.
- **Transformational improvements of local government finance and meaningful fiscal devolution would go a long way towards levelling up more effectively in the long term.**
- Higher incomes of local residents **do not translate into higher council spending power** to the extent that is assumed, despite the relative affluence of the region.
- The **second round of levelling up funding**, announced 18 January 2023, saw our members see tens of thousands of pounds wasted on rejected competitive bids with a mere 19% bid success rate in the South East; notwithstanding the inefficiency of the system at large, the South East was again accused of receiving an unfair share in the media, despite, for example, the North East receiving over three times as much per head than the South East and London together.
- The South East has a proven track record of economic stability, being one of only three consistent net contributors to the Treasury, alongside London and the East.
- Our South East 1,000 monitor (SE,1000) provides a demonstratable **appetite for devolution** and several insights into desires across sectors and issues, yet Directly Elected Mayors (DEMs) are not a popular concept in the region.
- SEC is calling for a **financial devolution pilot** and the establishment of a **South East Finance Commission**, which could be run in confidence in a region with a proven track record of economic stability and an appetite for devolution, to provide valuable insights for the Government as it explores a myriad of devolution models.



3.0 To what extent does the Levelling Up White Paper’s policy programme align with the needs and aspirations of people who live in the most deprived or ‘left behind’ neighbourhoods across England?

3.1 The publication of the **Levelling Up White Paper** on 2 February 2022 and the **Levelling-up and Regeneration Bill** from 11 May 2022 have been commendable steps towards empowering local authorities to deliver most effectively deliver on the ambitious set of twelve levelling up “missions”.

3.2 **However, the Levelling Up White Paper alienated people who live in the most deprived neighbourhoods in the South East by overemphasising the differences between regions, rather than within them.**

3.2.1 Our SEC commissioned 22 March 2022 report: **Resetting the South East – Levelling up after Brexit, Climate Change and COVID** by Localis thinktank brought to light how the White Paper inaccurately portrayed the levelling up agenda as a zero-sum game¹. It pitted the South East and London against the rest of the country, to the detriment of deprived neighbourhoods in the region who are rendered effectively invisible (see Figure 1).

“Although focused in terms of outcomes on individual communities, the element of the levelling up endeavour which aims to uplift communities, improve social infrastructure and regenerate the built environment in places ‘left behind’ by growth is often couched in regional language.

Inequality between regions is a visible and undeniable factor of the UK economy. However, this means that inequality within regions can be hidden by the relative affluence of high earners when thinking about places left out of growth and prosperity. The South East is in places no different to other regions. Some of the country’s most difficult places to live in terms of social mobility are in the region.”

– Resetting the South East: Levelling Up after Brexit, Climate Change and Covid, Localis (2022)

Figure 1.

3.2.2 From the very start of the White Paper in its Executive Summary, the paper makes a **sweeping regional generalisation** that minimises the lived experiences of deprived neighbourhoods in the South East. It reads: *“While London and much of the South East have benefited economically, former industrial centres and many coastal communities have suffered. This has left deep and lasting scars in many of these places, damaging skills, jobs, innovation, pride in place, health and wellbeing.”*²

¹ <https://www.secouncils.gov.uk/resetting-the-south-east-levelling-up-after-brexit-climate-change-and-covid-report-with-think-tank-localis>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf (p. xv)



3.3 As June 2021 research by the Oxford Consultants for Social Inclusion (OCSI) for the **Left Behind Neighbourhoods APPG** has demonstrated, **the South East is not without significant deprivation**. The research found that LBNs have a lower density of community spaces, cultural, educational, leisure and green assets than other deprived areas in England.³ This included several parts of the South East, including:

- **Sheppey East, Swale:** One of the ten LBNs with the lowest density of community space assets; the lowest density of educational assets of all LBNs alongside Knottingley in Wakefield; and one of four LBNs amongst the areas with the lowest density of community or cultural assets on three or more measures alongside Brightmet (Bolton), Norton South (Halton), and Yarmouth North (Great Yarmouth).
- **Sheerness, Swale:** One of the ten LBNs with the lowest density of educational assets in their neighbourhoods.
- **Warren Park, Havant:** One of the ten LBNs with the lowest density of sport and leisure assets; and one of the eight LBNs with no shops or within 1km of the local area.
- **Dane Valley, Thanet:** One of the four LBNs with no mutual societies in their neighbourhoods alongside Alton Park in Tendring, Gorse Hill in Worcester, and Greenhill in North West Leicestershire.
- **Bondfields, Havant:** One of the ten LBNs with the lowest rates of registered mutual societies.
- **Folkestone Central, Shepway:** One of the ten LBNs that received the most grant funding per head up to May 2021; and scored as one of the ten lowest areas on the predicted strength of local social relationships compared to the England average.

3.4 Hastings, for example, is also one of the most deprived communities in England. A coastal town on the East Sussex coast, it was ranked joint 17th as one of the twenty local authority districts with the highest proportion of neighbourhoods in the most deprived 10 per cent of neighbourhoods nationally alongside North East Lincolnshire, on the former Ministry of Housing, Communities & Local Government's English Indices of Deprivation 2019 (IMD 2019).⁴

3.5 It should also be said that it is not only the bottom 10% most deprived communities that need greater attention, but also **pockets of deprivation** more generally – households and neighbourhoods struggling to make ends meet even in more prosperous areas.

3.5.1 **One District council member of SEC told us for this inquiry** that in “north Oxfordshire, the economy has been buoyant yet there are geographical concentrations of households suffering exclusion from the economy.” The council is working to tackle problems arising from economic exclusion in localised pockets

³ <https://www.appg-leftbehindneighbourhoods.org.uk/wp-content/uploads/2021/06/APPG-Community-Data-Dive-Report-for-APPG-S7.pdf>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835115/loD2019_Statistical_Release.pdf



of deprivation, such as in parts of the area that rank “amongst the 20% most deprived in England.”

- 3.6 Published on 27 July 2022, an **inquiry by the South East APPG into levelling up also brought light to the unique and intersecting challenges faced in the South East**. Challenges facing the region were said to include pockets of deprivation, disconnected rural areas, skills shortages, the impact of Covid-19 in coastal areas and airport towns, and the higher average cost of living.⁵
- 3.6.1 One contributor, **Leader of Oxford City Council Cllr Susan Brown**, commented in relation to how deprived communities in the South East often have **lower spending power** than people with equivalent incomes living in more affordable areas due to the higher cost of living. She said: ***“No-one could suggest that Middlesbrough is wealthier than Oxford, but there are households on the Government’s national living wage in both Middlesbrough and Oxford, but those on £8.91 an hour will find it doesn’t go very far at all in Oxford.”***
- 3.6.2 Considering the cost of living on a sector basis, **housing, for example, is more expensive in the South East than the rest of the country** besides London. The latest DLUHC figures as of 18 January 2023 show that **the average house price in the South East is £402,466, second highest after London’s £542,311** (November 2022).⁶
- 3.6.3 **Cllr Emily O’Brien**, Councillor for Ouse Valley & Ringmer, Lewes District Council, Deputy Chair of the LGA’s People & Places Board, and SEC Executive Board member added for this inquiry submission to the Left Behind Neighbourhoods: ***“Higher relative costs in the South East mean that the same amount of money goes less far than in other regions. Higher costs, such as buildings and workforce, raise the cost of service delivery in turn.”***
- 3.6.4 The APPG South East’s inquiry also heard that the **South East receives well below average in some areas of levelling up – such as skills**, as under Mission Six in the White Paper. Dr Sue Pember, Hoxex, the lead professional body for Adult Community Education and Learning, told the inquiry: “The South East in adult education actually doesn’t get the prime share of the funding; there’s places in the SE that get £1.70 per head compared to an average of £3.50, compared to other parts of England that are at £7.”⁷
- 3.6.5 **Levelling up should not be about North versus South and must not come at the price of “levelling down” the South East**, the inquiry concluded.⁸

⁵ <https://www.secouncils.gov.uk/south-east-appg-publishes-inquiry-report-on-levelling-up>

⁶ <https://www.gov.uk/government/statistics/uk-house-price-index-for-november-2022/uk-house-price-index-summary-november-2022>

⁷ https://www.secouncils.gov.uk/media/2022/07/2022-07-28_South-East-APPG-Inquiry-report-Circulation-copy.pdf (p. 7)

⁸ Ibid. (p. 14)



3.7 The South East 1,000 biannual regional monitor sheds some insight into how the delivery of the White Paper’s policy programme could better align with the needs and aspirations of people who live in the most deprived or ‘left behind’ neighbourhoods across the South East of England.

3.7.1 The latest (Autumn 2022) edition of the South East 1,000 biannual regional monitor was published on 30 November 2022. It included **polling on devolution, financing local government and local priorities** across various sectors including housing, transport, and the environment – serving as an indexing of the views, expectations and concerns of public, business and civic cohorts from across the whole region on key levelling up issues.

3.7.2 **On devolution – the main preference of all respondents (39%) for any devolution was to their town, city or borough level (Figure 2).**

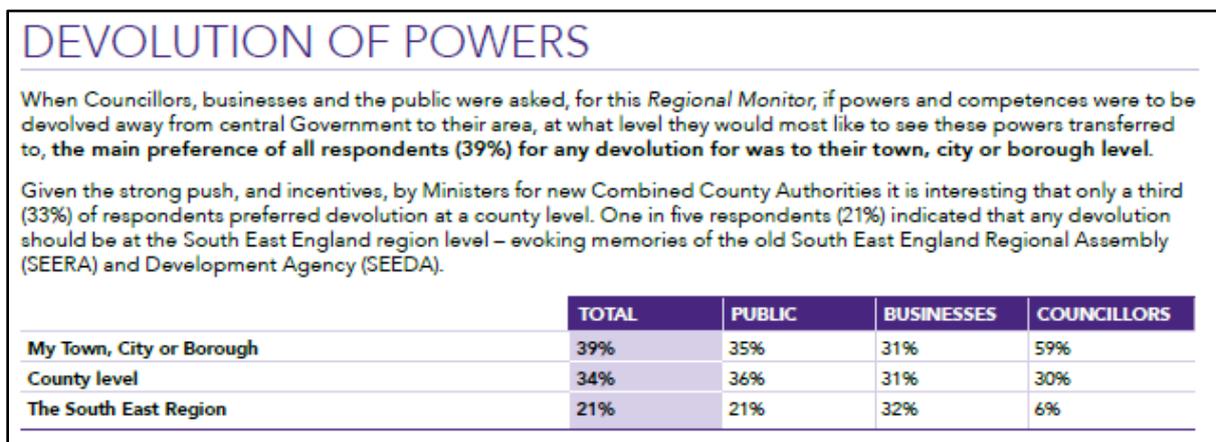


Figure 2.

3.7.3 **On local control** – respondents were asked if they would support or oppose their local area gaining more power on specific policy areas. There was clear and strong support, overall, for **more local power over Transport (77%), Skills (75%) and Housing (74%)**. Notably, overall, a majority of respondents believed their local area should have more power over **Tax and Spending (52%)** (Figure 3).

3.7.4 **On financing local government** – there was a widespread increase in preferences for certain taxes, levies or fees being set and managed at a regional level (see Figure 4). All six options probed saw the ‘Regional’ preference increase on the previous monitor, some significantly:

- For example, an overall 8% increase in support, to 30%, for the Apprenticeship Training Levy;
- While support in the Councillor cohort for Stamp Duty almost doubled to 21% (compared to 13% in Spring 2022).



LOCAL CONTROL

From a suite of options, respondents were asked if they would support or oppose their local area gaining more power on specific policy areas. There was clear and strong support, overall, for more local power over the policy areas of Transport (77%), Skills (75%) and Housing (74%).

Notably, overall, a majority (52%) of respondents probed, believed their local area should have more power over Tax and Spending.

		SUPPORT	OPPOSE
Transport (bus services and local trains)	TOTAL	77%	9%
	Public	73%	7%
	Businesses	75%	14%
	Councillors	87%	5%
Providing Affordable Housing	TOTAL	74%	11%
	Public	70%	11%
	Businesses	68%	17%
	Councillors	90%	6%
Providing access to Skills and Training	TOTAL	75%	7%
	Public	72%	6%
	Businesses	75%	11%
	Councillors	84%	5%
Tax and spending	TOTAL	52%	22%
	Public	47%	22%
	Businesses	50%	26%
	Councillors	69%	16%

Figure 3.

FINANCING LOCAL GOVERNMENT

Pandemic driven impacts and related changes ravaged various local authority income streams whether business rates, parking fees, social rents or tourism take. While councils fronted Covid efforts in every district, unitary and county, the "national recovery" that Ministers spoke of was not, and is still not, adequately funded. SEC has advocated that Councils should be encouraged to actively explore innovation in revenue raising.

Since its inception in 2020, the South East 1,000 Regional Monitor has found increasing numbers of respondents holding the view that certain taxes, levies, or charges should not be set or managed at the national level but rather the local or regional level. A notable point for the Autumn 2022 Monitor is that **there is a widespread increase in preferences for certain taxes, levies or fees being set and managed at a Regional level**. All six options probed saw 'Regional' preference increase on the previous monitor, some significantly; for example an overall 8% increase in support, to 30%, for the Apprenticeship Training Levy, while support in the Councillor cohort for Stamp Duty almost doubled to 21% (compared to 13% in Spring 2022).

		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	12% DOWN 2%	15% UP 2%	62% UP 2%
	Public	12%	15%	58%
	Businesses	14%	18%	58%
	Councillors	11%	10%	73%
Apprenticeship training Levy	TOTAL	24% DOWN 4%	30% UP 8%	29% DOWN 2%
	Public	24%	30%	29%
	Businesses	20%	36%	31%
	Councillors	33%	32%	25%
Business Rates	TOTAL	39% DOWN 6%	26% UP 5%	26% UP 2%
	Public	32%	25%	30%
	Businesses	34%	31%	31%
	Councillors	64%	22%	11%
Stamp Duty (House tax)	TOTAL	19% DOWN 8%	20% UP 2%	50% UP 9%
	Public	17%	18%	50%
	Businesses	19%	23%	50%
	Councillors	23%	21%	51%
Local tourist tax (Hotel tax)	TOTAL	39% DOWN 1%	25% UP 2%	19% UP 1%
	Public	34%	26%	18%
	Businesses	33%	26%	26%
	Councillors	60%	22%	10%

Figure 4.



- 3.7.5 **On local priorities** – the top priority amongst respondents (40%) was increasing housing affordability, a top two issue for respondents to the Monitor since the South East 1,000 began in 2020.
- 3.7.6 **On housebuilding** – a majority of all respondents support building new homes in their local area (57%) and in the South East (60%), but many do not favour housebuilding in rural (42%) or coastal (36%) areas.
- 3.7.7 **On planning and building decisions** – the main preference amongst all respondents (58%) was for this to be taken at a local level by their local district or borough council compared to the county (20%), region (13%) or national level (3%).
- 3.7.8 **On transport** – Reducing transport related carbon emissions to net zero by 2050' remains the highest ranked local priority for respondents overall at 50%; the joint second preference, from named options with multiple preferences permitted, was a 'transport network that protects and enhances natural and historic environments' (43%).
- 3.7.9 **The polling in the South East 1,000 can be seen as a step towards the South East determining its own destiny.**
- 3.7.10 The indexing of the views, expectations and concerns of public, business and civic cohorts from across the whole region demonstrate an appetite for greater control at the local and regional level – evidencing, in part, SEC's position the transformational improvements needed to level up in the long term, as outlined in the following section of this submission.



4.0 What transformational improvements are needed to level up over the long term?

- 4.1 The elephant in the room that was missing from the Levelling Up White Paper was **meaningful fiscal devolution and reform of local government finance in order to empower local authorities to deliver on the levelling up agenda in the long term.**
- 4.2 **A Borough council in Kent informed SEC of how the existing system of local government finance has caused difficulties in providing services to residents for the purposes of informing this inquiry.**
- 4.2.1 Although the Borough is relatively affluent, the council emphasised to SEC that **the average earnings of residents is not in step with the resources available to the Council.** It has a much lower-than-average 'core spending power' in Kent and despite the relatively high wages of local residents, it has some of the highest costs and cost-drivers in the county (such as considerable planning constraints).
- 4.2.2 Members have told SEC that the competitive bidding process for the various funds generates excessive costs. **One member told SEC: "A really important point to make is that economic development, regeneration and 'levelling up' take time, yet funding mechanisms chop and change and wax and wane.** As with businesses, local authorities need a predictable operating environment if they are to increase and sustain investment into promoting growth."
- 4.2.3 **The use of competitive pots has occurred in the context of declining overall spending power.** A Borough council told SEC that from 2010 to 2018 they saw the removal of its Revenue Support Grant in a context of double-digit inflation adding hundreds of thousands of pounds to contract costs, contributing to budget shortfalls.
- 4.2.4 **The council tax system is outdated and insufficient to produce much needed revenue streams.** A SEC member council pointed out to us that: "Council Tax [is] linked to the value of properties over thirty years ago". The council tax system was designed in the context of a standard dwelling being in Band D. Most properties in the area are in Band C and over a third of properties benefit from a Single Person Discount. The council followed: "Council Tax bands have changed very little compared with the prices of houses. The most expensive house in the Borough will pay **only three times the rate of the smallest one-bedroom bedsit** despite the actual difference in values being nearer fifty times greater."
- 4.3 A 2014 report by Localis found that the cost of **competitive bidding** averaged £20,000 to £30,000 per bid.⁹
- 4.4 Difficulties with **competitive bidding** were also voiced during the South East APPG's inquiry into levelling up, including how the use of competitive funding pots has acted to **disincentivise cross-boundary collaboration**, as well as forcing council

⁹ https://www.localis.org.uk/wp-content/uploads/2014/07/loc_competitivebidding.pdf



leadership to **exhaust resources** by skewing long-term projects to meet **changing objectives set at the Ministerial level**.

4.5 **Transformational improvements in local government finance could improve the capability of local authorities to level up in the long term.**

4.5.1 Our members have seen tens of thousands of pounds wasted on rejected competitive bids. This was once again confirmed to be the case following last week's second round of levelling up funding allocations, where only 19% of the bids from the South East were successful.¹⁰¹¹

4.5.2 In response to the announcement that the second round of the levelling up fund had been allocated on 18 January 2023, SEC issued a statement that, in part, responded to widespread insinuations in the media that the South East had received an unfair share.¹²¹³ SEC pointed out that: *"the North East, a region populated by 2.6 million people, received 5.2% of the funding in this second round. The South East, populated by 9.3 million, and London, populated by 8.8 million, received 10.1% and 7.3% respectively. This means that **the North East received over three times as much funding per head than the South East and London together.**"*¹⁴

4.5.3 However, the statement made by SEC's Chair Cllr Nicolas Heslop, emphasized that *"instead of pitting regions against each other – what we need to do is think long term and address the elephant in the room affecting councils in every part of the country. It's time to recognise that **the funding model for English Local Government is broken.**"*¹⁵

4.5.4 To borrow a line from Boris Johnson when he was mayor referring to London, it's time the South East "was treated like a grown up on tax"; the South East is a "political giant but a fiscal infant."¹⁶

4.5.5 **SEC is calling for a financial devolution pilot that could be run in confidence in a region with a proven track record of economic stability and an appetite for devolution.**

4.5.6 With Localis, we are suggesting the establishment of a **South East Finance Commission** to investigate how appropriate fiscal levers could help the region to self-fund investment to most effectively level up in the long term and provide valuable insights for the Government as it explores a myriad of devolution models.¹⁷

¹⁰ <https://www.gov.uk/government/news/landmark-levelling-up-fund-to-spark-transformational-change-across-the-uk>

¹¹ <https://www.lgcplus.com/politics/devolution-and-economic-growth/revealed-over-three-quarters-of-levelling-up-bids-missed-out-23-01-2023/>

¹² <https://www.theguardian.com/politics/2023/jan/19/michael-gove-denies-south-east-favoured-levelling-up-funds>

¹³ <https://www.bbc.co.uk/news/uk-politics-64321755>

¹⁴ <https://www.secouncils.gov.uk/south-east-councils-respond-to-levelling-up-fund-round-2>

¹⁵ Ibid.

¹⁶ <https://www.standard.co.uk/news/mayor/mayor-boris-johnson-it-s-time-london-was-treated-like-a-grownup-on-tax-8617345.html>

¹⁷ <https://www.secouncils.gov.uk/south-east-is-ripe-for-a-fiscal-devolution-trial>



FURTHER INFORMATION

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