



ALL-PARTY PARLIAMENTARY GROUP FOR THE SOUTH EAST INQUIRY

FINANCING THE FUTURE - WHAT DOES LEVELLING UP MEAN FOR SOUTH EAST ENGLAND?



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Foreword



Sally-Ann Hart MP

Chair, The APPG for the South East

Levelling Up has become a critical issue for the South East as the Levelling Up and Regeneration Bill progresses through Parliament. The Levelling Up White Paper started to define the vision for devolution, fair funding allocation, and importantly, the role of local government in delivering tangible change for communities.

The discussions we held as part of the APPG South East inquiry have been

timely and lively, reflecting the strength of feeling on this topic across the South East.

Whilst we wholeheartedly support the notion of targeted investment and support for those who need it most, however we must not overlook the pockets of deprivation, disconnected rural communities and the skills shortages that set back areas *within the South East*, just as much as regions in the North.

Sweeping decisions on devolution models, funding criteria or investment for growth risk overlooking the potential of the South East as an established powerhouse, to continue to deliver the UK's economic recovery.

Thank you to all the local councils and regional stakeholders who have taken the time to set out considerations for the levelling up agenda.

I'm grateful to South East Councils for providing this digest of the issues, questions and concerns that have featured in our discussions and for helping to shape our collective position. I look forward to leveraging this powerful collection of views to secure the very best for the South East.



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(Photo: Front cover) Hastings, East Sussex, is the 17th most deprived local authority district in England - ranked by the proportion of neighbourhoods in the most deprived 10 per cent nationally in the former Ministry of Housing, Communities & Local Government's English indices of deprivation 2019.

Written submissions received

Associated British Ports (ABP)

CBI

Coast to Capital LEP

Enterprise M3

FSB

Gatwick Airport

Hampshire County Council

Holex

Kent & Medway FSB

Lewes District Council

Localis

NFU

Oxford City Council

Railfuture LSE

Reading Borough Council

Sevenoaks District Council

Solent LEP

South East LEP

Surrey County Council

Sussex Health and Care Partnership

Thames Valley Berkshire LEP

Thames Valley Forum

Transport for the South East

West Berkshire Council

Witnesses giving oral evidence

First evidence session – 26 January 2022 (Chaired by **Sally-Ann Hart MP**)

- **Dr Sue Pember CBE** – Policy Director, Association of Adult Education & Training (HOLEX)
- **Jonathan Werran** – Chief Executive, Localis think tank
- **Tim Aker** – Development Director, FSB Kent and Medway
- **William White** – South East Regional Director, NFU

Second evidence session – February 23 2022 (Chaired by **Sally-Ann Hart MP**)

- **Cllr Peter Fleming** – Executive Member, District Councils Network
- **Cllr Susan Brown** - Leader, Oxford City Council
- **Cllr Tony Page** – Deputy Leader, Reading Borough Council
- **Rupert Clubb** – Lead officer, Transport for the South East
- **Sue Simmonite** – Sustainable Development Manager, Associated British Ports (ABP)
- **Susie Watson** - Regional Director, CBI

Executive summary

Ahead of the Government's Levelling Up White Paper expected in 2022, the [All-Party Parliamentary Group for the South East](#) launched an inquiry on Friday 10 December 2021 – Financing for the future – what does levelling up mean for South East England? The Levelling Up Whitepaper was then published on February 2, 2022, followed shortly thereafter by the announcement of the Levelling-up and Regeneration Bill in the Queen's Speech 2022. The Government's stated objective is to: "reverse geographical disparities between different parts of the United Kingdom by spreading opportunity more equally."¹ The Bill is now going through Committee Stage.

Written and oral evidence

The South East APPG received a large number of written submissions of evidence from a range of organisations. This was followed by two panel discussions, which took place on 26 January 2022 and 23 February 2022 respectively. They were both chaired by Sally-Ann Hart MP, Chair of the South East APPG. This report builds on the written and oral evidence presented during the inquiry and offers four recommendations across the most common themes of levelling up, devolution, and local government finance:

Levelling up

The most common concern expressed during the inquiry was that levelling up in its current form presents a major risk to the South East. It is thought that the agenda will justify the diversion of central government funding away from the region to be redistributed across the rest of the country – at a time when investment is more critical than ever amid decarbonisation, Brexit, and Covid-19 recovery challenges. As one of the few net contributors to the Treasury, levelling up the South East is a vital part of levelling up the country as a whole. "Levelling down" the South East would be incredibly harmful not only to the region itself but also to the UK economy at large.

Moreover, this inquiry found that parts of the South East are as much in need of levelling up as any other region, with some of the most deprived areas in the UK, and with the economies in coastal areas and airport towns disproportionately impacted by Covid-19. The relatively higher cost of living in the South East makes it harder for those on the lowest incomes to get by compared to those living in more affordable areas.

Devolution

The Government's commitment to offer every part of England that wants one a devolution deal, with powers at or approaching the highest level of devolution, has been welcomed. However, the framework in the Levelling Up Whitepaper requires Directly Elected Mayors (DEMs) for "Level 3" devolution powers. There is clearly no major appetite for DEMs in the South East. Local authorities are concerned that the push to install DEMs reflects a desire to further centralise the system of local government in this country, rather than genuinely offering the highest level of devolved powers.

Local government finance

To finance the future – local authorities taking part in the inquiry emphasised the importance of meaningful fiscal devolution, which has been noticeably absent from the levelling up agenda. The ability to introduce tourism taxes and greater flexibility to set council tax, business rates, property related taxes, and specific local levies were all mentioned. It was also found that competitive pots have pitted councils against each other rather than promoting constructive working relationships, and that they also tend to focus on funding one-off projects rather than long term programmes such as adult skills provision, making it even more difficult for local authorities to plan for the future.

Recommendations

- **Recommendation 1:** Levelling up should not be about North versus South and must not come at the price of "levelling down" the South East.
- **Recommendation 2:** To be truly effective levelling up must build on place-strengths with a renewed focus on skills and business driven economic clusters.
- **Recommendation 3:** Higher levels of devolved powers should not require further centralisation and directly elected mayors where it is not desired.
- **Recommendation 4:** Levelling up must address the ultimate issue of local government finance in the short and long term with an emphasis on certainty and flexibility.

¹ Explanatory Notes to the Levelling-up and Regeneration Bill 2022-23, page 7: Published 11 May 2022. <https://publications.parliament.uk/pa/bills/cbill/58-03/0006/en/220006en.pdf>.

First evidence session

Sally-Ann Hart MP (Chair) | Dr Sue Pember CBE - Policy Director, Association of Adult Education & Training (HOLEX) | Mr Jonathan Werran – Chief Executive, Localis think tank | Mr Tim Aker – Development Director, Kent & Medway FSB | Mr William White - South East Regional Director, NFU

The South East must not be “left behind” – it contains pockets of deprivation that require levelling up as across the country.

Dr Sue Pember explained that investment in skills in the South East is relatively low compared to other regions – pointing out there remained significant deprivation and skills gaps particularly in coastal areas and former mining country in areas like Kent. She expressed concern that levelling up would mean redirecting investment away from the South East to other parts of the country to areas less in need of funding.

There was broad agreement among the panel that the South East has pockets of deprivation and faces major challenges on skills, housing, transport, and business recovery following the Covid-19 pandemic, especially in coastal areas. Yet the framing of the South East as a successful region is contributing to an impression that the region does not need investment.

NFU shared that it's easy to understand why so many think the South East would need no more support, however, the South East is seventh for digital connectivity and the level of data and broadband speed required for modern farming technologies to grow the UK's domestic agri-food production is tremendous.

“What we don't want is levelling down in the South East and levelling up somewhere else.”
Dr Sue Pember, HOLEX

“Despite the surface prosperity the South East contains pockets of deprivation, especially in coastal areas, that are in as urgent need of fixing as anywhere else in the country.”
Jonathan Werran, Localis

“The South East is in seventh place for digital connectivity... you might think you're just driving tractors around the place and putting animals in fields. The level of the technology and data behind those elements of doing business in our sector is enormous” – William White, NFU

“The industry [agri-food sector] credentials were getting lost in all this noise about how wonderful the performance of the South East region is. There is almost a feeling that we were forgotten for farming in this region.”
William White, NFU

Levelling up the South East is vital for the UK's long term economic recovery as a whole.

The South East is a “bastion” of the UK's export driven growth sectors, said Jonathan Werran. The region is a vital national strategic asset to level up everywhere across the UK by leading on the Government's Global Britain agenda to secure inward investment and driving net zero growth ambitions.

“Clearly as one of only two regions of the country that are net contributors to the Exchequers coffers, the role of the South East region in advancing the levelling up agenda for national renewal remains pivotal and must be seen in that context as the bastion of the country's export driven growth sectors and hopes. The region has to be central to any attempt to attain long term national economic recovery.” – Jonathan Werran, Localis

Coastal areas and airport towns were hit particularly hard by Covid-19.

The panel discussed the impact of Covid-19 on the tourism and culture sectors – where many residents in coastal towns and airport towns like Crawley, due to its proximity to Gatwick Airport, suffered significantly as a result of the lack of the tourist trade.

The Government's levelling up agenda does not address local government finance.

Jonathan Werran made the case that the Government should not underestimate the issue of local government finance – arguing councils should be able to raise revenue to operate sustainably.

The South East does not get its fair share of funding on skills.

Dr Sue Pember emphasised the scale of the skills gap in the South East, sharing that 1 in 5 adults in the region have got the literacy level of an 11 year old. Both higher level paid courses and entry-level learning for those with complex needs such as those who have experienced homelessness are important.

Dr Sue Pember followed saying that it's not large scale central Government initiatives alone that will fill the skills gap. Rather, capacity and relationships need to exist at the local level for services to be sufficiently agile.

“Money is much better organised locally; it's not something that central Government does very well. Trying to have big central Government initiatives doesn't work because they're not agile enough. What we do need is when a company is about to make lots of people redundant, we need to act that week – not in six months time” – Dr Sue Pember, Holey

Business confidence in the South East reached the worst levels in the UK as a result of Covid-19.

“One-off capital injections, tournament financing for bits of levelling up fund money won't cut it. You need surety, long term finances, and given the South East's contribution to the exchequer, its fiscal surplus – that needs to be strongly recognised.”

Jonathan Werran, Localis

“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.”

Dr Sue Pember, Holey

Tim Aker shared the findings of FSB's Q4 2021 Small Business Index revealing that the South East was hit hardest by Covid-19 and lockdown measures. Investment intentions were the lowest nationally and the gap between those who plan to invest and those who don't was the narrowest.

Propagating relationships between public, private and the third sector is critical.

The panel discussed the value of councils working together with universities and schools as well as business particularly in order to address skills gaps in local areas.

Levelling up has not addressed main pressure points on the South East.

Jonathan Werran argued that the Levelling Up White Paper and wider agenda has not addressed critical issues in the South East including the housing crisis, congestion, poor infrastructure, and faltering public services driven by demographic changes.

Procurement reform offers an avenue for reinvesting in local areas.

Tim Aker shared the FSB's work with Preston council's modernisation of procurement practices whereby contracts when broken up are able to become viable for bids from small businesses. This approach has helped keep more spending in the local supply chain.

Businesses in the South East feel they lack moral and political support from the Government.

Tim Aker shared the feelings of small businesses represented by the FSB that they do not feel the Government are behind business.

William White echoed this feeling from the NFU's standpoint admitting it's hard to define but farmers do not feel the Government care about the importance of the UK growing its own food. Sally-Ann Hart MP noted the importance of understanding levelling up as “not solely dependent on financial support”.

“The investment intentions for South East businesses are the lowest nationally.”

Tim Aker, Kent & Medway FSB

“Moral support would be a good start because it's free.”

Tim Aker, Kent & Medway FSB

Second evidence session

Sally-Ann Hart MP (Chair) | Cllr Peter Fleming - Executive Member, District Councils Network | Cllr Susan Brown - Leader, Oxford City Council | Cllr Tony Page - Deputy Leader, Reading Borough Council | Rupert Clubb - Lead Officer, Transport for the South East | Sue Simmonite - Sustainable Development Manager, Associated British Ports (ABP) | Susie Watson - Regional Director, South East & Thames Valley CBI

The concept of the South East as a wealthy region is not a reality for many.

The panel discussed how places in the South East like Oxford and Reading though wealthier than the average UK town or city, are some of the most unequal in the UK, whilst the levelling up agenda has focused on differences between regions rather than within them.

“Reading has consistently been ranked 1st in the Good Growth for Cities Index and is ranked in the top 10 for business numbers, private sector jobs, GVA, and qualifications in the Centre of Cities 2021 City Monitor, but at the same time, we are identified as the third most unequal city in terms of wealth.” – Cllr Tony Page, Reading Borough Council

On the other hand, the panel discussed how parts of the South East are just as deprived if not worse off on average compared to towns and cities in the North and Midlands. Cost of living is much higher than average in Oxford. This means money goes less far for those on the same or lower incomes in more affordable areas.

“
“When I got off the train at Manchester railway station, I could get a free bus into town. My residents couldn’t get a bus whether it was paid for or otherwise.”
”
Peter Fleming, District Councils Network

“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.” – Cllr Susan Brown, Oxford City Council

Cllr Peter Fleming called on the Government to recognise that every borough and district in the South East has “pockets of deprivation” but made the point that this did not come across in the Levelling Up White Paper.

Business clusters in the South East compete in a competitive global marketplace – funding levelling up throughout the rest of the country

The panel discussed the role of the South East as a gateway for international trade and investment. Ports in Southampton, Portsmouth, Dover, Shoreham, as well as Gatwick and Heathrow airports all move goods and services to and from the UK.

It was agreed that the region is particularly strong in specific sectors operating in successful place-based clusters, such as research and development. For example, in Oxford, the life sciences and bio-tech sector is able to take advantage of expertise from Oxford University, skilled labour in the city of Oxford, and businesses working together in clusters. The CBI emphasised that from a business perspective, for levelling up to work it must understand that businesses require an optimal environment to be viable and build on the existing strengths of regions; some may be best suited to alternative industries like cybersecurity.

“One of the catalysts for levelling up is the business driven economic clusters” – Susannah Watson, South East & Thames Valley CBI

“
“Our ports are the gateway to the world.”
”
Sue Simmonite, ABP

The panel recognised that trying to carve up successful clusters in the South East and move them elsewhere in the UK would not be viable, and in fact be damaging to the whole of the country.

The levelling up agenda has not addressed the ultimate issue of local government finance

The Levelling Up White Paper made no significant changes to how councils are funded. Cllr Tony Page raised the impacts of competitive bidding processes for funding pots. They pit councils against one and other rather than fostering working relationships to cooperate on shared cross-boundary issues like transport.

Whilst Cllr Susan Brown explained that the ad hoc nature of funding pots and transient nature of Ministerial roles makes it incredibly difficult for councils to plan for the long term.

“Most projects require sustained funding over a long period of time if they’re going to be successful and make a real difference to local people. Frankly, the funding pots rarely do fit those sorts of projects because you’ve got to skew them to meet the objectives of whatever flavour of the month.” – Cllr Susan Brown, Oxford City Council

Cllr Tony Page emphasised that the tendency of central Government to channel funding pots into capital investment is disproportionate, considering that local councils need greater flexibility to spend on the day to day needs of local areas like upskilling, which take long-term committed revenue streams rather than one-off project-funding.

Cllr Peter Fleming saw the Levelling Up White Paper to be promoting an incredibly “top down” approach with a lack of intent to provide greater controls to local authorities rather than more civil servants. District Councils have

“You cannot simply suggest to international organisations that what they really ought to do is invest in Oldham rather than Oxford, because actually they won’t, they’ll invest in Shanghai or Boston.”

Cllr Susan Brown, Oxford City Council

“Levelling up presents that opportunity to devolve the tools needed to bring about a step change in prosperity that not only benefits the South East but the wider UK economy.”

Rupert Clubb, Transport for the South East

struggled to provide basic services as a result of the long term shift away from regular direct funding streams from central government towards irregular and unpredictable pots.

Local government finance – solutions?

The panel turned to discuss solutions to the local government finance issue. Cllr Tony Page suggested that councils receive greater powers to set local taxation measures such as council tax and property taxes.

“We’re the only Government in Western Europe where central Government controls the ability of local authorities to be able to raise their own resources.” – Cllr Tony Page, Reading Borough Council

Cllr Susan Brown called for councils to be allowed to introduce tourism taxes at the local level. She argued that tourism taxes in many European cities had demonstrably not harmed tourism whilst helping to bring in much needed revenue that goes completely untapped in England.

There is little support in the South East for Metro Mayors.

The panel acknowledged that there is little appetite for directly elected Mayors (DEMs) in the South East. Cllr Tony Page and Cllr Susan Brown were against whilst Cllr Peter Fleming admitted he was undecided. Given that Level 3 powers in the Levelling Up and Regeneration Bill are limited to regions with DEMs, the opposition to DEMs in the South East is a major obstacle to a suitable devolution arrangement. There is no “Level 2+” option.

“This is not devolution that is proposed, it is delegation. The obsession with elected mayors makes it easier for the centre to deal with localities; it doesn’t in any way devolve new powers of fundraising powers.” – Cllr Tony Page, Reading Borough Council

“District councils that have already seen direct Government funding go feel that a lot of the narrative is about pushing the end of District Councils and a levelling up to a mayoral model where they can get 30 or so people into a room.” – Peter Fleming, District Councils Network

“The failure to address reform of local government finance fundamentally undermines any commitment to devolution.” –

Cllr Tony Page, Reading Borough Council

Written submissions

Associated British Ports (ABP) | CBI | Coast to Capital LEP | Enterprise M3 | FSB | Gatwick Airport | Hampshire County Council | Hoxley | Kent & Medway FSB | Lewes District Council | Localis | NFU | Oxford City Council | Railfuture LSE | Reading Borough Council | Sevenoaks District Council | Solent LEP | South East LEP | Surrey County Council | Sussex Health and Care Partnership | Thames Valley Berkshire LEP | Thames Valley Forum | Transport for the South East | West Berkshire Council

Questions

The inquiry called on organisations to provide evidence asking thirteen guiding questions:

1. Is “levelling up” anymore of a programme than the “Big Society” was?
2. What should success criteria for Levelling Up look like?
3. Must Levelling Up be an endeavour solely dependent on financial support?
4. Should councils be the vehicle to coordinate Levelling Up activity?
5. How many councils in the South East region are dealing with income and revenue pressures?
6. Are there common pressure points of concern among councils in the South East?
7. What is the funding situation for participating councils? a. Short term? b. Long term?
8. How many councils in the region might be close to issuing a S114 notice?
9. What “adequate freedoms” might help councils could deliver world-class local services?
10. What alternative or new options could be explored to secure funding for local authorities? Are there commercial options that could be sustainable for the long term?
11. Should local businesses pay more for services? How much more and for what?
12. Does greater funding to a local authority area require a mayor?
13. Any other thoughts or observations

Levelling Up shouldn't be about North vs South

Inequality within regions and pockets of deprivation must be taken more seriously

Most respondents emphasised the importance of understanding deprivation in the South East. Though a wealthy region at large, some of the “richest” cities have the deepest income and social inequality. Pockets of deprivation are commonplace across the region and particularly concentrated in coastal areas.

“We have communities experiencing severe deprivation and spatial inequality – particularly in the more urban areas of Southampton, Portsmouth, Gosport and Havant, as well as on the Isle of Wight.”
Hampshire County Council

“Sevenoaks is considered an affluent district and it is true that there are wealthy residents within Sevenoaks town and other areas; however by contrast there are several pockets of severe deprivation, particularly concentrated in the towns of Swanley and Edenbridge” – Sevenoaks District Council

The South East LEP went further, using an index of need for places to be levelled up – using “four core metrics – job density, percentage of jobs in low paid sectors, sector skill levels and claimant count”.

“Some of the communities on the South coast, for example, are ‘left far behind’ with health outcomes normally associated with least well-off areas of the North East and North West of England.”
Enterprise M3

“Patients in some coastal areas of Sussex, such as in Brighton and Hove, are 20% more likely to die from cancer than patients in areas such as Mid Sussex.”
Sussex Health and Care Partnership

“Areas such as Hastings, Gravesham, Thanet, Tendring, Thurrock, Eastbourne, Dover, Folkestone & Hythe, Rother and Swale all score highly... more in need of levelling up than many other parts of the country.” – South East LEP

The Association of British Ports (ABP) shared that there are significant pockets of deprivation within the local authorities of Southampton and New Forest and near the Port of Southampton such as Redbridge, which is amongst the 20% most deprived areas in England and a neighbour to four areas all ranked in the top 10% lower layer super output areas (LSOAs).

“The changing nature of the UK’s manufacturing base, and the decline of traditional heavy industries, has left many coastal communities detached from centres of growth and opportunity.”
ABP

Levelling up (or “levelling down”) the South East will have major knock on effects on the rest of the UK

A number of respondents emphasised the interconnectedness of industry in the South East with the rest of the country. The growth of bio-tech and life sciences jobs in Oxford is clustered with Cambridge in an “Ox-Cam arc” with supply chain benefits in the North of England. ABP detailed economic benefits of the Port of Southampton that extend far beyond the South East.

“Of Astra Zeneca’s 8,000 UK employees, there are c2,000 in Cambridge, yet around 5,000 in Cheshire and Merseyside” – Oxford City Council

“11,700 jobs in the automotive sector in the West Midlands [are] directly supported by the port. Together the port and its customers support 45,600 jobs across the UK and contribute £2.5 billion to the economy” – ABP

“Median house prices in East Hampshire and Winchester are now over twelve times as high as median incomes.”
Hampshire County Council

Greater devolution in the South East is desired, not Metro Mayors

Surrey County Councils explained that they do want devolution, but not a directly elected mayor. The implication of this may be that for devolution deals to work in the South East, there may need to be a “Level 2+ option” – considering that Level 3 in the Levelling Up White Paper requires a directly elected mayor for the highest level of powers to be devolved to an area.

“It is important the White Paper recognises that Sub-national Transport Bodies can offer a mechanism for devolution in areas such as the South East which do not currently have mayoral combined authorities.”
Transport for the South East

“We want to see Surrey County Council given similar local freedom and flexibilities that have already been given to areas like Greater Manchester. This will help us plan locally and address specific local concerns and issues, including through specific local taxation.” – Surrey County Council

Transport for the South East (TfSE) present devolution to sub-national transport bodies as an opportunity to support the Government to deliver devolution deals to regions without directly elected mayors.

The levelling up agenda fails to address key pressure points on the South East

The region faces major challenges on housing and transport infrastructure, which may be disrupted further due to increased working from home amid the Covid-19 recovery.

“There has been significant interest shown in Sevenoaks as a result of residents seeking to vacate the capital and locate somewhere more rural but within easy striking distance of London. This may put further pressure on local housing markets and by implication make levelling up even more challenging” – Sevenoaks District Council

“It must not be assumed this net surplus is forever resilient or has ever been achieved without public sector finance and support.”
Enterprise M3

Success in the South East cannot be taken for granted

Enterprise M3 made the point that public and private success stories like the region's net surplus contribution to the Treasury alongside only London and the East of England as well as the development of the Oxford AstraZeneca vaccine are not guaranteed and require continued support.

Uncertainty around Brexit has made doing business in the South East more difficult

The South East's export-driven economy has suffered from uncertainty around Brexit making levelling up in the region that much more important.

"Many of our local businesses have cited large numbers of cancelled orders due to new certification procedures and increased costs to deliver to EU countries, impacting on profit margins and elevating risk." – Coast to Capital LEP

Significant investment is required for decarbonisation to achieve Net Zero

The FSB emphasised that transport infrastructure, particularly in rural areas in the South East, is critical to line up with the Government's Net Zero agenda.

"Charging points are currently too spread out in rural areas, and nearly always located on A roads, which may be out of the way for many... Priority investments include the digitalisation of agriculture, productivity growth, including the potential to replace labour with automation in order to create higher value jobs, environmental improvements which can be delivered in parallel with productive farming, along with policy recognition for agriculture's role within a low carbon economy" - NFU

Airport towns in the South East have faced monumental challenges as a result of the Covid-19 pandemic

Crawley and Slough are reliant on Gatwick Airport and Heathrow Airport respectively for much of the employment in the area. The Covid-19 pandemic virtually eliminated the tourism industry.

"The Covid-19 pandemic has had a major financial impact on Gatwick and the wider aviation sector. Gatwick saw just 569,000 passengers in the first six months of 2021, resulting in a £244m loss for this period alone."

Gatwick Airport

"Heathrow Airport provided 88,900 direct on and off airport jobs, of which 76,000 were at the airport itself. Many workers undertaking those jobs live in Slough. Given that London Heathrow saw a drop of 66% in air transport movements between March 2020 and March 2021, it isn't difficult to imagine the economic damage that the pandemic has caused" – Thames Valley Berkshire LEP

There should be a renewed focus on skills provision

Levelling up must build on the strengths of regions – not every region is the same

The South East is particularly strong in sectors like research and the life sciences. Rather than encourage every region to compete to develop in the same way, levelling up should build on existing strengths, promoting clustered hubs of specialised industry.

The levelling up agenda must recognise the importance of clusters

Respondents made clear that clustered working between networks of often neighbouring organisations is critical to the regions success – for levelling up to be successful it must propagate these private-public-third sector partnerships rather than apply over-centralised "cookie cutter thinking".

"The ambitions and actions in the recovery plans focus on areas such as skills and enhancing our world class clusters in sectors and services which match UK Government priorities for example Environmental and Life Sciences" – Thames Valley Forum

Skills gaps are making it difficult for organisations in the South East to compete on a global stage

The ABP emphasised that significant skills gaps at higher levels is harming productivity and making it more difficult for British ports to remain internationally competitive in a ferociously competitive market.

A long-term localised approach to funding is needed

The over-reliance on funding pots harms the delivery of levelling up

Local authorities cannot plan for the long term because of the seemingly ad hoc delivery of several funding pots. Councils need certainty to deliver on long term key objectives like decarbonisation. Competitive bidding for pots means that allocations depend much on the skill of the bid-writers than necessarily being based on need.

“We are not convinced that a competitive bidding process which pitches local authorities against one another and creates significant financial burden for all councils to compete is providing value for money for residents.”

West Berkshire Council

New powers to raise local taxes and levies would go a long way to strengthen local government finances

“Longer term government funding streams... will be needed to provide the certainty required for planning, and developing capacity for delivery as well as securing additional inward investment. We need flexibilities to raise income locally (e.g. tourist tax, business rate retention) which could provide a strong underpinning for local levelling up priorities.” – Oxford City Council

Pockets of deprivation are not being factored into funding pot priorities

Respondents raised issue with the method by which DLUHC has ranked local authorities by priority of receiving funding based on a calculation of overall deprivation. The way funds have been allocated is not adequately factoring in inequality within regions and pockets of deprivation.

“In many Local Authority areas, prosperity and deprivation sit side by side, and analysis at the Local Authority level can mask over deep rooted and long-standing deprivation” – Solent LEP

The Solent LEP shared an analysis of the Levelling Up Fund index, which ranked local authorities into three categories by priority. They argue this method is too simplistic - failing to take into account pockets of deprivation in the South East.” Whilst the Coast to Capital LEP shared serious concerns that the design of pots intended to level up the country will mean less investment in the South East.

“With the move to new regional economic investment streams, including the Levelling Up Fund and Community Renewal Fund and the UK Shared Prosperity Fund, we expect to see significantly less public investment in our places, as in the wider South East. Most of our local authority areas are in the lowest priority category for the Levelling Up Fund.” – Coast to Capital LEP

“Clusters create an ecosystem of start-ups, anchor institutions, education providers and business and facilitate economic growth by co-locating businesses in concentration.”

CBI

Reflections and recommendations

Levelling up

Recommendation 1: Levelling up should not be about North versus South and must not come at the price of “levelling down” the South East.

As one of the few net contributors to the Treasury, levelling up the South East is a vital part of levelling up the country as a whole. “Levelling down” the South East would be incredibly harmful to the UK economy at large.

Decarbonisation, Brexit, and Covid-19 recovery challenges mean it is more critical than ever for Government and business to invest.

- The Government must not take the past success of the South East for granted and expect it to continue if the tide is not turned on investment.

The South East has deprivation like every other region in the UK – including some of the most deprived areas. The neglected inequalities within regions, overemphasising inequalities between regions. A step change is needed in the narrative and delivery of levelling up.

- The Government must give greater credence to inequality WITHIN regions and pockets of deprivation.

Taking the regional narrative of levelling up at face value – parts of the South East are just as deprived if not more than other UK regions like the Midlands and the North. Yet the cost of living is higher – making it harder than average for those on low incomes to get by.

There are areas where the South East is at a distinct disadvantage. The economies in coastal areas and airport towns in the South East were disproportionately impacted by Covid-19, and ports by a lack of certainty around Brexit negotiations. The South East has also received disproportionately less than other regions to invest in skills, despite higher costs.

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“Levelling up should help every place to reach its productivity potential: levelling up the economy can’t mean making everywhere the same, because different places play different roles in the economy.”

Oxford City Council

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Recommendation 2: To be truly effective levelling up must build on place-strengths with a renewed focus on skills and business driven economic clusters.

Businesses in the South East feel they lack “moral” and political support as a result of feeling excluded in the language and investments that have made up the levelling up agenda. This is harming business confidence, which reached a record low in Q4 2021 in the South East amid Covid-19. Levelling up must build on the strengths of regions to effectively achieve economic growth and renewal.

Attempting to carve up and redistribute already successful economic clusters will do more harm than good.

- The Government should recognise that businesses and universities operate in a non-negotiable, highly competitive, and global market environment.

Many places in the South East like Oxford compete against international competitors like Shanghai and Boston for inward investment that will be spent abroad if conditions are not favourable.

To be truly effective, levelling up must empower place-strengths by propagating business driven economic clusters.

- The Government should promote partnerships between private, public, and third sector bodies where there is scope for industry expansion and growth – particularly to address skills gaps.

The South East is particularly strong on life sciences and bio-tech, for example, whereas some areas may have incredible potential for renewable energy, cyber security, robotics, or e-sports.

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“We do not have enough technicians, engineers or health and social care professionals to meet the many vital challenges we face, from building our green maritime economy to meeting the health and care needs of our ageing population.”

ABP

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Devolution

Recommendation 3: Higher levels of devolved powers should not require further centralisation and directly elected mayors where it is not desired.

The Government's commitment to offer every part of England that wants one a devolution deal, with powers at or approaching the highest level of devolution, is welcome. However, the framework in the Levelling Up White Paper requires them for "Level 3" devolution powers, yet there is no significant appetite for directly elected mayors (DEMs) in the South East.

- The Government should be open to a "Level 2+" option for the South East – to allow devolution deals where desired that empower local authorities without DEMs.

There are major concerns in the South East that the levelling up agenda is being used to further centralise the system of local government in this country. It appears that central Government desires more DEMs across the country in the style of London's Mayor and metro mayors across the regions. District Councils are concerned that the delivery of levelling up will include a "double whammy" of less powers and less funding.

- The Government should recognise the value in the closeness to communities and neighbourhoods played by lower tier councils, and ensure they are listened to in devolution negotiations across the South East.

Local government finance

Recommendation 4: Levelling up must address the ultimate issue of local government finance in the short and long term with an emphasis on certainty and flexibility.

The devolution of fiscal powers has been noticeably absent in the levelling up agenda. The trend of increasingly centralised local government through DEMs may be more convenient for

"It doesn't feel like a particularly localist agenda. It feels quite top down."

Cllr Peter Fleming, District Councils Network

"Local authorities need to have a long-term vision and availability of funding at a sufficient scale and over a longer period to give councils sufficient time to deliver transformational change."

Lewes District Council

central Government, but it does not devolve the financial muscle that is much desired in the South East. In this respect, levelling up has been described as facilitating "delegation" rather than devolution.

The decline of direct government funding for councils and increased use of funding pots has meant an overemphasis on one-off capital funding projects, rather than long-term projects that require consistent revenue like adult skills provision.

- The Government should recognise that funding pots have over-emphasised one-off capital funding projects in place of consistent revenue streams for long-term levelling up projects and reverse this trend.

Councils in the South East frequently feel they are being pitted against each other to bid in competitive pots. The pots fail to reflect spending based on need – but rather money is spent where councils pay more effective consultants, or where councils in varying circumstances have more budgetary scope to pay for consultant or officer services. Pots are also unpredictable. They come and go depending on the Minister or Government agenda of the day. These frequently change and do not reflect a commitment to ensure that spending most effectively meets local need.

- Government must recognise the inefficiency competitive pots force on councils ability to plan manage long term projects to level up, where it would be more efficient to co-work across local authority boundaries on issues like transport and decarbonisation.

The Government should take note of the strong desire for greater fiscal responsibilities in the South East as it looks to deliver the highest desired level of devolution across the region.

- In the short term, the ability for local authorities to introduce tourism taxes, would be particularly welcomed by coastal areas and tourism hotspots that were some of the worst hit by Covid-19.
- In the medium term, greater flexibility to control council tax, business rates, property-related taxes, and specific local levies would stabilise local authority revenue streams to spend on levelling up, by increasing the funding available or allowing councils to encourage inward investment by lowering taxes.
- In the long term, the Government should eliminate or significantly cut the number of funding pots, with a renewed focus on direct central Government funding to councils with an emphasis on consistent revenue streams, rather than one-off capital projects.



South East Councils

Deliver Better Together

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