

February 2022

Office of The Rt Hon Kevan Jones MP

NORTH EAST AND COUNTY DURHAM POST 2010

**AN ENQUIRY INTO SPENDING
IN THE NORTH EAST REGION
AND COUNTY DURHAM BY
THE COALITION &
CONSERVATIVE
GOVERNMENTS**

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Summary



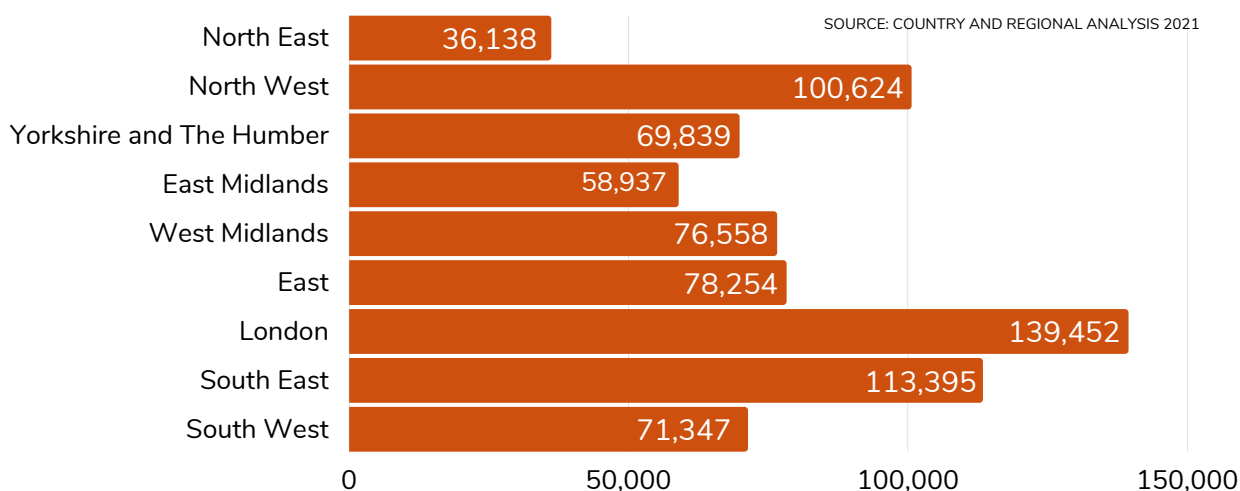
Expenditure by Region

The Country and Regional Analysis (CRA) published in November 2021 provides the latest data on identifiable expenditure for the regions throughout the UK.

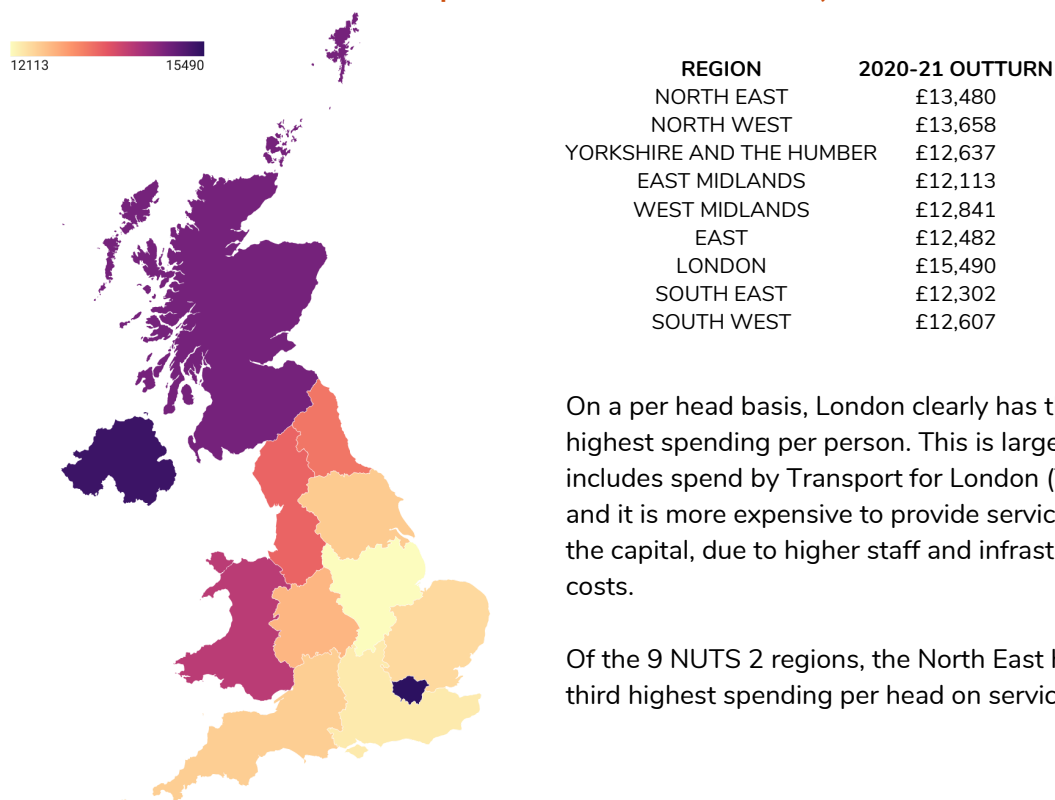
The CRA sets the overall total expenditure on services (TES) framework which broadly represents total and current and capital spending of the public sector. For CRA analysis, expenditure is divided into identifiable and non-identifiable. Around 92% of expenditure on services is identifiable meaning it benefits individuals, enterprises or communities in particular regions. Examples are health, education, and social protection spending.

SOURCE: NATIONAL STATISTICS: COUNTRY AND REGIONAL ANALYSIS GUIDANCE

Real terms : Total Regional Identifiable Expenditure On Services, 2020-21, £millions



Real Terms : Total UK Identifiable Expenditure On Services Per Head, 2020-21



On a per head basis, London clearly has the highest spending per person. This is largely as it includes spend by Transport for London (TfL) and it is more expensive to provide services in the capital, due to higher staff and infrastructure costs.

Of the 9 NUTS 2 regions, the North East has the third highest spending per head on services.

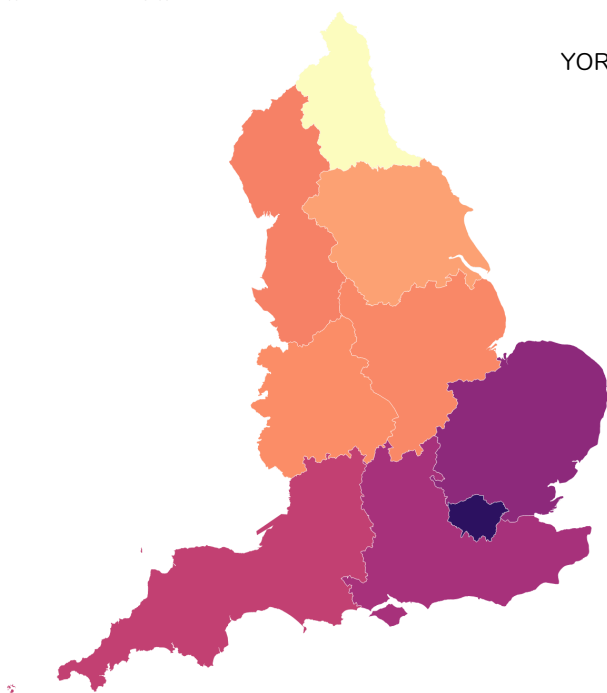
SOURCE: COUNTRY AND REGIONAL ANALYSIS 2021

1) Real terms figures are the nominal figures adjusted to 2020-21 price levels using GDP deflators from the Office for National Statistics (released 30 September 2021)

2) Per head figures calculated using the latest mid-year population estimates from the ONS.

Real Terms: Increase In Total UK Identifiable Expenditure On Services Per Head, 2008-09 to 2020-21

1966 3760



REGION	CHANGE, £
NORTH EAST	£1966
NORTH WEST	£2632
YORKSHIRE AND THE HUMBER	£2465
EAST MIDLANDS	£2591
WEST MIDLANDS	£2562
EAST	£3307
LONDON	£3760
SOUTH EAST	£3186
SOUTH WEST	£3049

The North East has received the smallest increase in expenditure per head in England. London, South East and the East have received the biggest increases.

This was even more prominent before COVID-19, between 2008-09 and 2019-20 with the North East receiving a real terms cut of -£510 per person. In contrast, the East received a £485 increase per person in real terms.

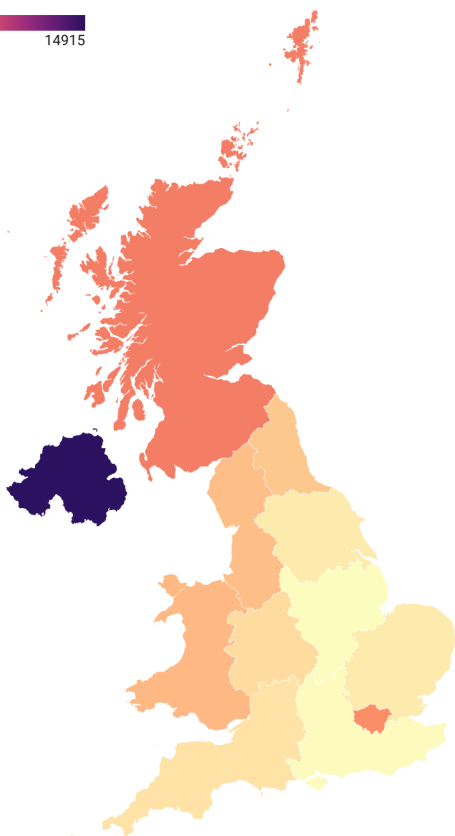
SOURCE: COUNTRY AND REGIONAL ANALYSIS 2013, 2016 & 2021

1) Real terms figures are the nominal figures adjusted to 2020-21 price levels using GDP deflators from the Office for National Statistics (released 30 September 2021)

2) Per head figures calculated using the latest mid-year population estimates from the ONS.

UK Identifiable Expenditure Excluding Local Government, Per head, 2020-21

10163 14915



REGION	2020-21
NORTH EAST	£10,947
NORTH WEST	£11,085
YORKSHIRE AND THE HUMBER	£10,426
EAST MIDLANDS	£10,163
WEST MIDLANDS	£10,638
EAST	£10,439
LONDON	£11,752
SOUTH EAST	£10,181
SOUTH WEST	£10,552

When spending only considers central government and public corporations, expenditure in the North East is above England's average of £10,721.

SOURCE: COUNTRY AND REGIONAL ANALYSIS 2021

1) Real terms figures are the nominal figures adjusted to 2020-21 price levels using GDP deflators from the Office for National Statistics (released 30 September 2021)

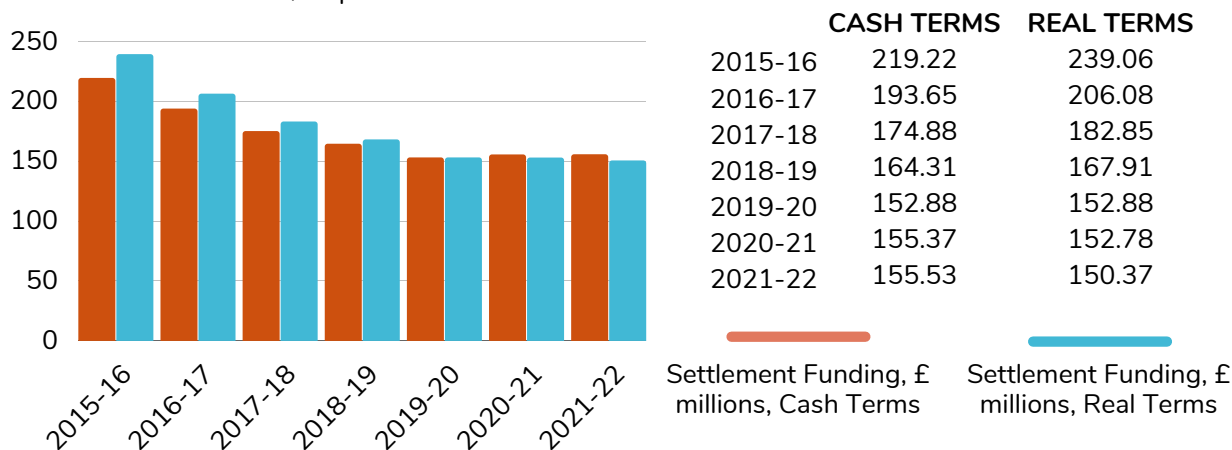
2) Per head figures calculated using the latest mid-year population estimates from the ONS.

Local Government Funding

An all-encompassing comparison of local government funding to the region from 1997 to the present comes with several difficulties. Durham underwent reorganisation during the period along with changes in responsibilities and grants, meaning it may seem like there are large changes in funding, but this is not the case. On the issue, the House of Commons Library stated that it is not “meaningful to make direct comparisons between funding figures across multiple years, except for years after 2015/16.”

Settlement Funding

Durham's settlement funding in millions since 2015/16, in both cash terms and real terms, adjusted for inflation based on 2019/20 prices.

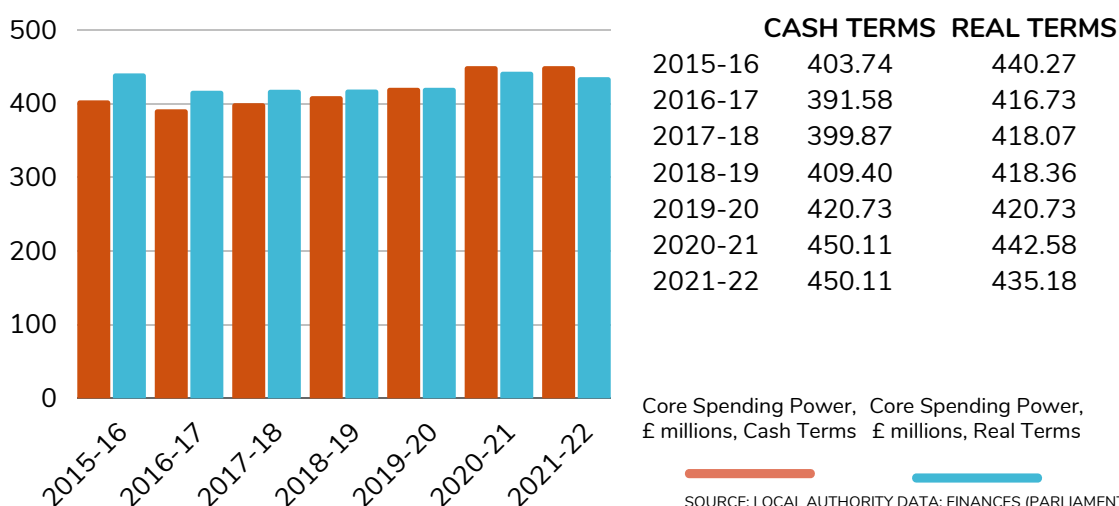


SOURCE: LOCAL AUTHORITY DATA: FINANCES (PARLIAMENT.UK)

The Ministry of Housing, Communities & Local Government (now called the Department for Levelling Up, Housing & Communities) measures the impact of reducing government funding on local authority income via 'spending power'. The National Audit Office defines Government Funded spending power as “the grants and funding streams listed by the Department in any given year as components of spending power, with the exception of council tax, Public Health grant, and transfers from health bodies. This definition includes an assumed amount for 50% retained business rates.” This captures the main funding stream along with council tax. It is the most overall useful comparison measure.

Durham's Core Spending Power

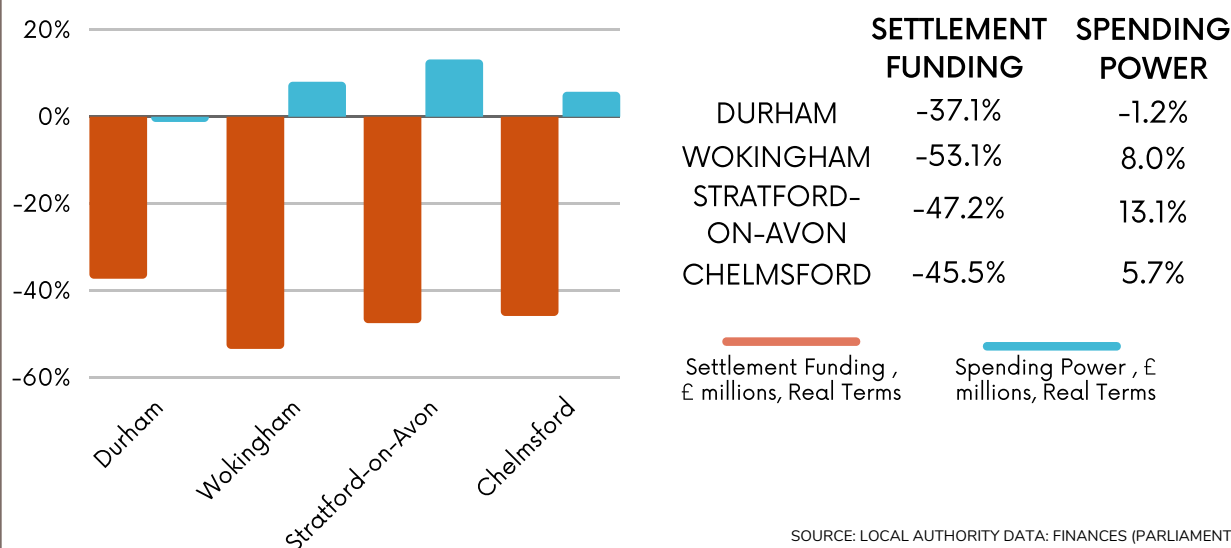
Durham's core spending power in millions since 2015/16, in both cash terms and real terms, adjusted for inflation based on 2019/20 prices.



SOURCE: LOCAL AUTHORITY DATA: FINANCES (PARLIAMENT.UK)

Settlement Funding v Spending Power

Comparison of settlement funding and spending power since 2015/16.



The graph above shows the relationship between settlement funding and core spending power. Although areas like Wokingham have had their settlement funding cut more than Durham, their spending power has still increased since 2015-16. This is largely due to their ability to raise a greater amount of money through council tax than Durham.

In England, on average, 66% of all properties are within bands A to C, in comparison to the much higher proportion of 83% in County Durham. The average Council Tax charged per household in England is £1,428 per annum, the average in County Durham is £1,258 – £170 below the national average. This places the region in the bottom 25% in terms of money raised by Council tax, ranking 241 of 309 Local Authorities. As a University City, student disregard adds further pressures to budgets.

The inability to raise funds from Council Tax increases to meet unavoidable inflationary pressures such as pay inflation, general price inflation and national living wage, coupled with demand because of demography in terms of:

- Lower disposable income resulting in lower fees and charges income
- Increased and higher demand for Adult Social Care
- Increased demand, complexity and cost of Children Social care

The challenges faced by Durham County Council are not sufficiently compensated for in Government grant settlements.

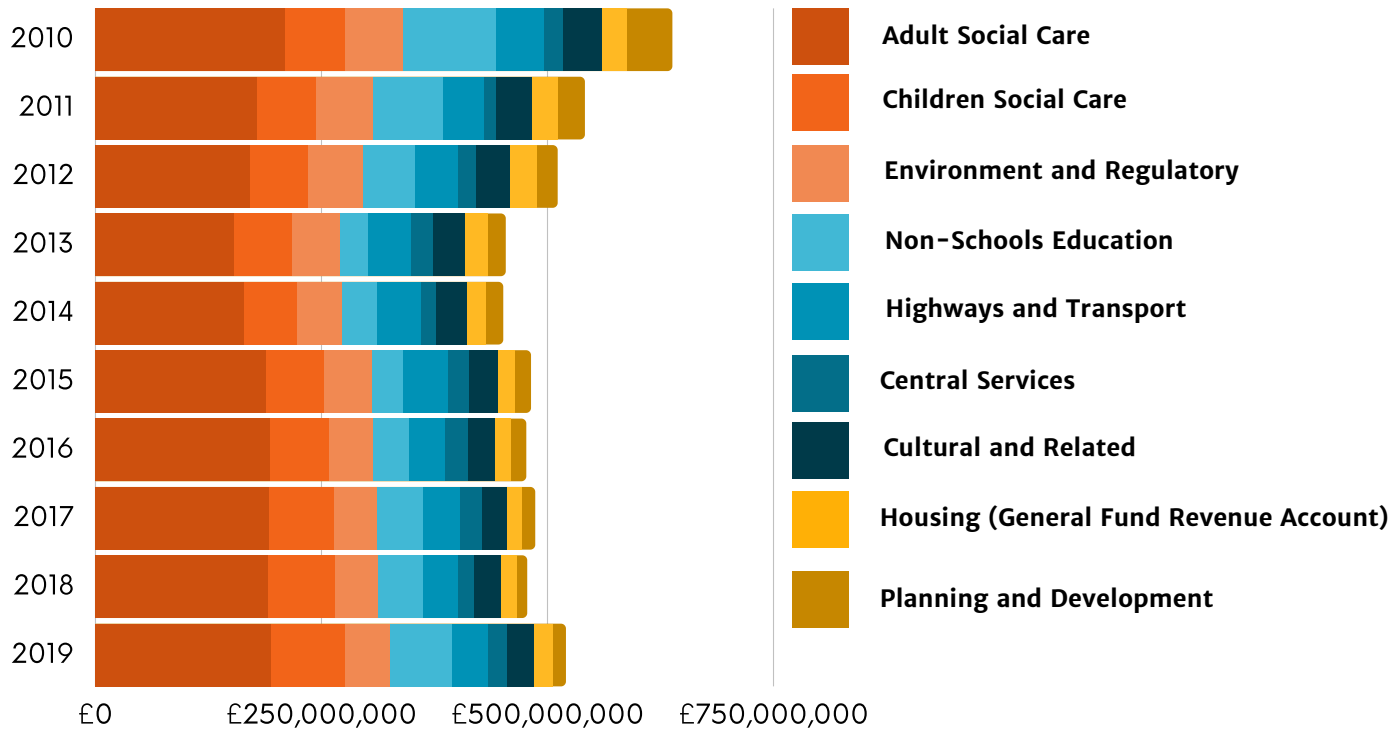
By 31 March 2022, Durham County Council will have delivered over £246 million in savings since 2011 in order to balance its budgets.

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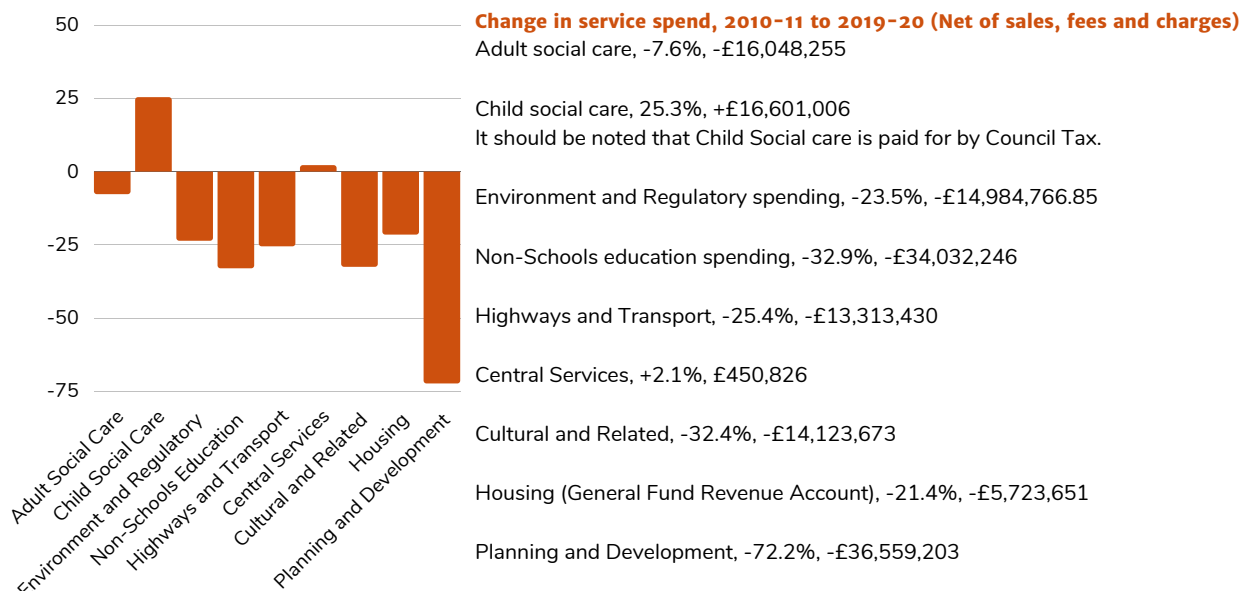
County Durham Spending

Service spend, 2010-11 to 2019-20 (Net of sales, fees and charges), 19-20 Prices

SOURCE: NATIONAL AUDIT OFFICE: FINANCIAL SUSTAINABILITY OF LOCAL AUTHORITIES VISUALISATION: UPDATE



	ADULT SOCIAL CARE	CHILD SOCIAL CARE	ENVIRONMENT & REGULATORY	NON SCHOOLS EDUCATION	HIGHWAYS & TRANSPORT	CENTRAL SERVICES	CULTURAL & RELATED	HOUSING	PLANNING & DEVELOPMENT
2010	£209,849,255	£65,560,994	£63,878,767	£103,488,093	£52,312,430	£21,348,174	£43,642,673	£26,808,651	£50,630,203
2011	£178,301,169	£65,742,136	£62,210,228	£77,780,734	£44,935,142	£14,024,572	£39,612,961	£28,647,832	£29,515,176
2012	£170,625,230	£64,284,190	£60,252,243	£58,284,499	£47,548,150	£18,914,858	£37,920,500	£30,343,436	£22,464,515
2013	£152,757,911	£64,284,190	£52,926,871	£31,557,304	£46,908,628	£24,046,218	£35,406,082	£26,009,197	£19,323,251
2014	£163,971,705	£58,252,224	£50,401,550	£38,566,079	£47,842,934	£17,628,832	£33,280,702	£21,791,669	£18,714,073
2015	£188,477,575	£64,451,060	£52,625,308	£34,684,342	£49,667,506	£22,943,683	£31,618,592	£18,672,758	£18,015,105
2016	£193,178,132	£64,782,598	£48,877,767	£39,324,271	£40,468,769	£24,595,867	£30,430,335	£17,290,543	£16,982,962
2017	£192,038,137	£71,097,849	£47,753,817	£51,137,760	£40,222,438	£25,122,028	£27,266,081	£16,065,757	£15,122,373
2018	£190,653,456	£73,405,776	£47,686,106	£49,810,455	£39,327,188	£17,536,557	£29,070,188	£17,680,676	£11,778,940
2019	£193,801,000	£82,162,000	£48,894,000	£69,455,846	£38,999,000	£21,799,000	£29,519,000	£21,085,000	£14,071,000



European Funding in the Region

Between 2014-20, as a member of the European Union, the UK received structural funding worth about £2.1 billion per year. The North East receiving an average of €40.2 per person.

As a Transition Region, Durham had a ring fenced allocation of **£155 million between 2014-2020**. This is made up of a European Regional Development Fund (ERDF) allocation of £86m and European Social Fund (ESF) allocation of £69m.



Reaching Out Across Durham

Funded partly by the European Social Fund designed to help the residents of County Durham who are out of work and aged 25 and above to overcome barriers to employment. The programme will support 1,200 long-term unemployed people into or towards employment in its duration until June 2022.



Durham Works

Dedicated programme for young people aged 16-24 living in County Durham who are not in education, employment or training. By December 2021, they aim to have supported nearly 10,000 young people.



Durham Start Ups

An ERDF-funded programme that helps high-quality start-ups in County Durham start trading and offers premium quality support during your critical first 12 months in business.



County Durham Growth Fund

A three-year fund worth £4.9m investment scheme providing funding to small and medium sized businesses in County Durham to accelerate their growth.

UK Shared Prosperity Fund

The UK Shared Prosperity Fund is the successor to the EU Structural Fund programme, the Government stating it will "better tailor funding to local needs across the UK". [1]

In the Autumn Budget and Spending Review 2021 the Government states "that total funding through the UKSPF will at a minimum match the size of EU Funds in each nation and in Cornwall, each year." This confirms the commitment set out in the 2019 Conservative manifesto that the Shared Prosperity fund will "at a minimum match" EU Structural Funding. [2]

The Government announced the sums which are to replace EU funding.

2022/23
£400mil

2023/24
£700mil

2024/25
£1.5bil

1) AUTUMN BUDGET AND SPENDING REVIEW
2) AUTUMN BUDGET AND SPENDING REVIEW

From 2024/25 onwards, the UKSPF will be £1.5 billion per year. Although this is less than the average amount of £2.1 billion the UK received from EU structural funding, the Commons Library states "this is probably because the Government has said that it is using the term "structural funds" in this context to refer only to the ERDF and ESF, which together averaged around £1.3 billion per year during 2014-20." [1].

This inference largely comes from Parliamentary Question 120914 in which Luke Hall states, "The UK Partnership Agreement 2019 states that the total European Structural and Investment Funds allocated to the UK for the 2014-2020 programme was €16.4 billion. This includes €11 billion for the European Regional Development Fund (ERDF) and European Social Fund (ESF), which are known collectively as Structural Funds." [2]

This causes some confusion considering the statement in the Spending Review that the "UKSPF will at a minimum match the size of EU Funds in each nation and in Cornwall, each year". Particularly as the EU Structural and Investment (ESI) funds were made up of four funds: European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Maritime and Fisheries Fund (EMFF) and the European Agricultural Fund for Rural Development (EAFRD). Replacements for the EMFF and EAFRD funding will be handled outside of the ERDF funding.

The UK Shared Prosperity Fund In The Region

In a letter to Department for Levelling Up, Housing and Communities, Stephen Kinnock MP the Chair of the APPG on the UK Shared Prosperity Fund states how County Durham is at risk of being short changed by the UK SPF. Mr Kinnock states the SPF "awards in England going to the three northern regions (North East, North West, Yorkshire & the Humber) is just 27 per cent compared to 41 per cent of EU funding."

With South Yorkshire, Tees Valley & Durham and Lincolnshire suffering from deteriorating GDP figures that would have qualified them for greater EU funding. These funding levels would have been similar to what Cornwall receives. The commitment in spending review that Cornwall will receive no less funding from the SPF than it did from the EU creates the potential that Durham will be treated less favourably than it would have been in the EU.

Cornwall, which qualified for the highest level of EU support in 2014-20 , currently has a GDP per head of 70.9 per cent of the UK average . The equivalent figures for South Yorkshire and Tees Valley & Durham, whose figures have slipped, are 70.3 per cent and 67.3 per cent respectively. [3]

In the 2014-20 EU spending round, Cornwall received roughly £880 per head . The North East (which includes Durham) receiving £230 per head. Assuming the difference of around £650 per head - is carried forward into the UK SPF the potential financial loss over a seven-year spending round is:

North East

- £650 per head x population of 2 million = approx. £1.3 billion

Tees Valley & Durham

£650 per head x population of 1.2 million = approx. £750m

[1] HOUSE OF COMMONS LIBRARY: THE UK SHARED PROSPERITY FUND

[2] PARLIAMENTARY QUESTION 120914

[3] 1. AS A 'LESS DEVELOPED REGION' WITH BELOW 75 PER CENT OF THE EU AVERAGE GDP PER HEAD.

2. THREE-YEAR AVERAGE, 2017-19. SOURCE: ONS.

3. AT CURRENT EXCHANGE RATE, £ = €1.17.

4. IN THE 2014-20 EU SPENDING ROUND THE RELEVANT LEP AREAS RECEIVED: SHEFFIELD CITY REGION £125 PER HEAD, TEES VALLEY £255 PER HEAD, AND NORTH EAST (WHICH INCLUDES DURHAM) £230 PER HEAD.

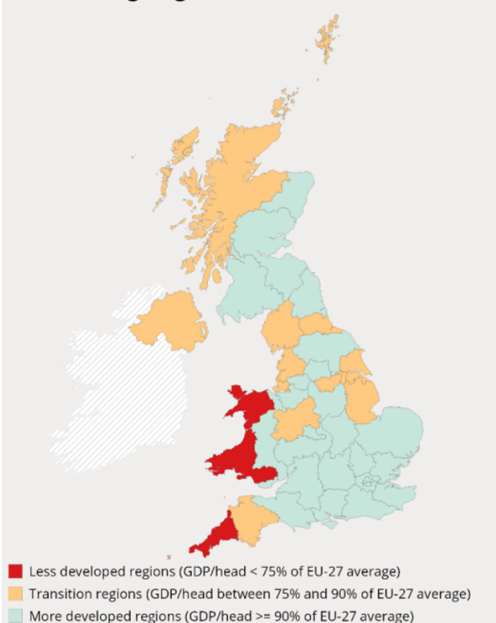
Potential Methods of Allocating Funding Between Regions

The 2021 Spending Review stated that "the government is investing in local priorities across the UK targeted at places in need." [4] However, it did not set out any further details meaning it is unknown how the Government will allocate UKSPF funding. The section below details some potential methods of allocating funding.

GDP Based Method

GDP within the UK is the most varied in the EU, the most developed region in the UK - West Inner London - is nearly ten times as developed as the least developed region. GDP per person is the measure of economic development that the EU uses to allocate the EU structural funds. Funding weighted towards less developed regions in the UK.

EU funding regions in the UK



The map details the current GDP per head status of regions across the UK that was used by the EU.

The ONS Regional economic activity by gross domestic product, UK: 1998 to 2019, provides the following GDP per head data:

- UK: £32,876
- North East (ITL1 Level): £24,068
- County Durham (ITL3 & LA Level): £20,061
- Cornwall (LA Level): £23,253

This places County Durham at 61% and Cornwall at 71% of the UK average. As reported previously, the affirmation in the spending review that Cornwall will not receive any less from the UKSPF than it did from EU funding potentially places County Durham at risk of losing out.

If the Government chooses to allocate UKSPF funds using a similar system to the EU. If GDP per head is used, Durham should receive more funding than Cornwall.

Index Ranking Method

For the allocation of the UK Community Renewal Fund the Government classified areas using using an "index of economic resilience".

This took into account:

- Productivity:** Natural log of Nominal (smoothed) GVA per hour worked - 30% Weight
- Skills:** Natural log of Gross Disposable Household Income (GDHI) per head of population at 2017 prices - 20% Weight
- Unemployment Rate:** Proportion of the 16-64 population with no qualifications (NVQ) - 20% Weight
- Population Density:** Model-based estimates of unemployment rate for local authorities - 20% Weight
- Household Income:** Natural log of those aged 16-64 per squared km of land area (high water excluding area of inland water) - 10% Weight

The higher the index score, the lower the economic resilience of a place. [5]

It is possible the UKSPF could use a similar method of allocation.

The Government has not yet made clear what model will be used for the Shared Prosperity Fund. Will it be pre-allocated or competitive?

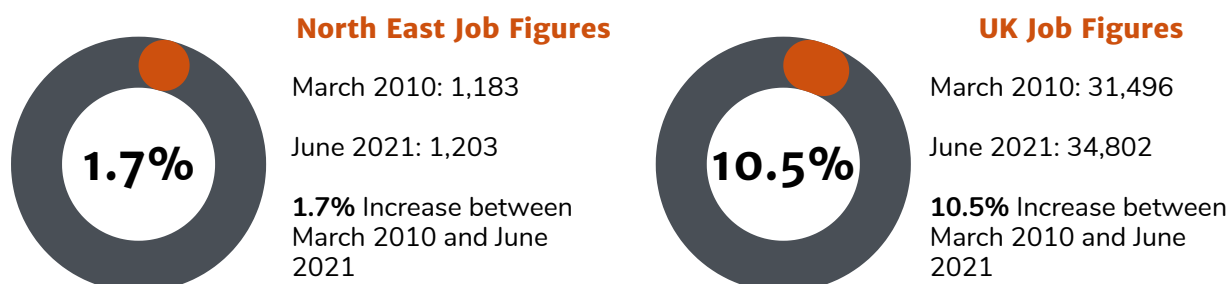
[4] AUTUMN BUDGET AND SPENDING REVIEW

[5] FOR A DETAILED METHODOLOGY SEE: UK COMMUNITY RENEWAL FUND: PRIORITISATION OF PLACES METHODOLOGY NOTE - GOV.UK (WWW.GOV.UK)

Jobs Figures in the North East

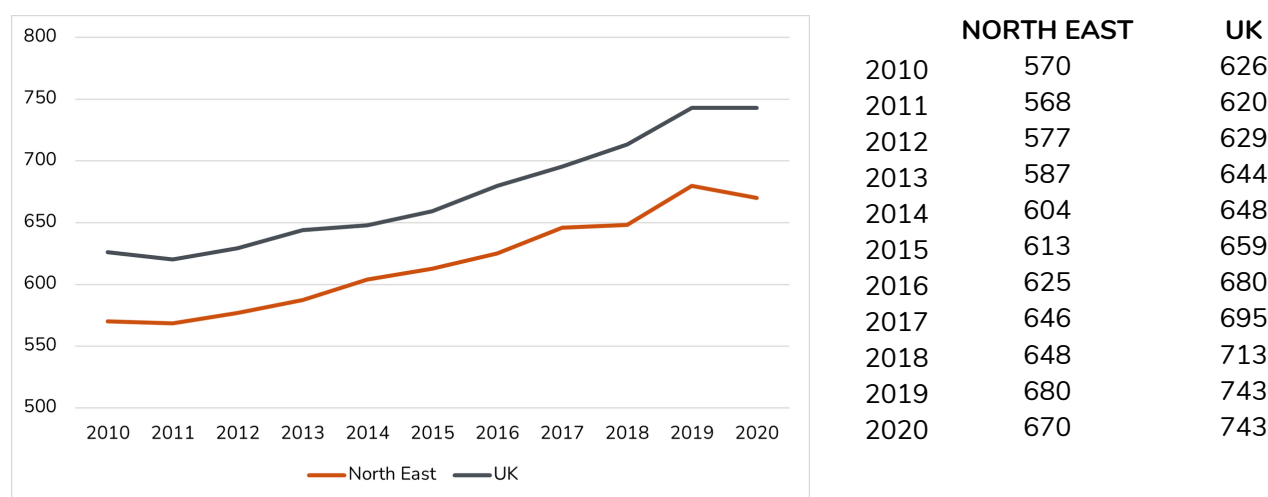
Job statistics are collected on the total number of filled jobs, and the number of people in employment, but these do not show the number of new jobs from one date to another.

Workforce Jobs, Thousands, Seasonally Adjusted From March 2010 until June 21.



SOURCE: ONS JOBS 05: WORKFORCE JOBS BY REGION AND INDUSTRY

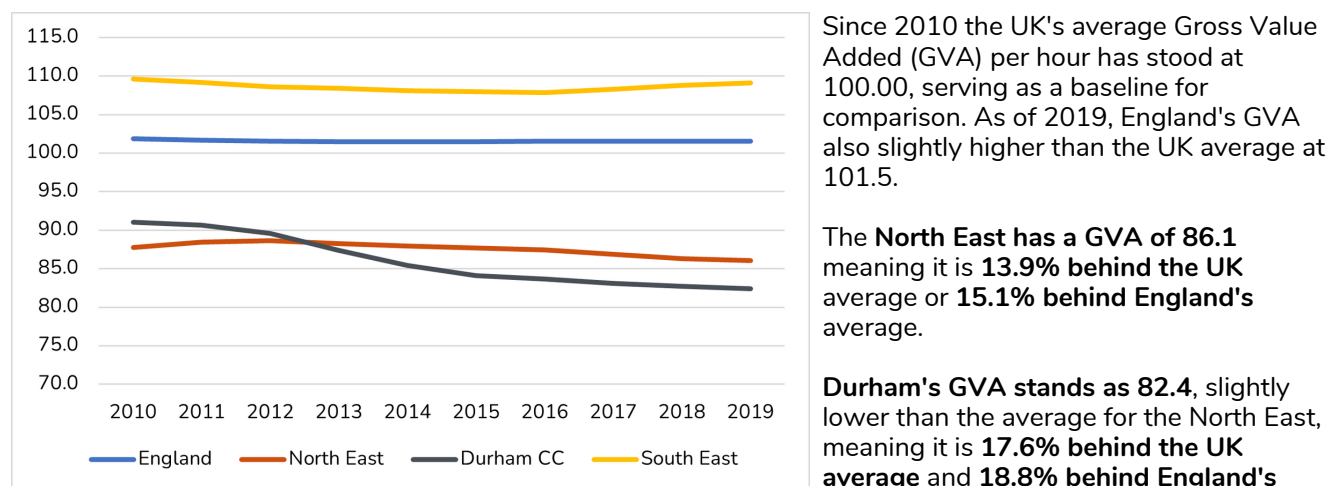
Median Gross Weekly Pay, North East & UK 2010-2020, 2020 Prices, £



SOURCE: ONS, ANNUAL SURVEY OF HOURS AND EARNINGS, VIA NOMIS
INFLATION: ONS, SERIES D7BT

Since 2010 the median gross weekly pay in the North East has increased by 17.5%. This is in contrast to the UK as a whole which has seen an increase of 18.7%.

Nominal (smoothed) GVA (B) per hour worked indices; 2010-2019



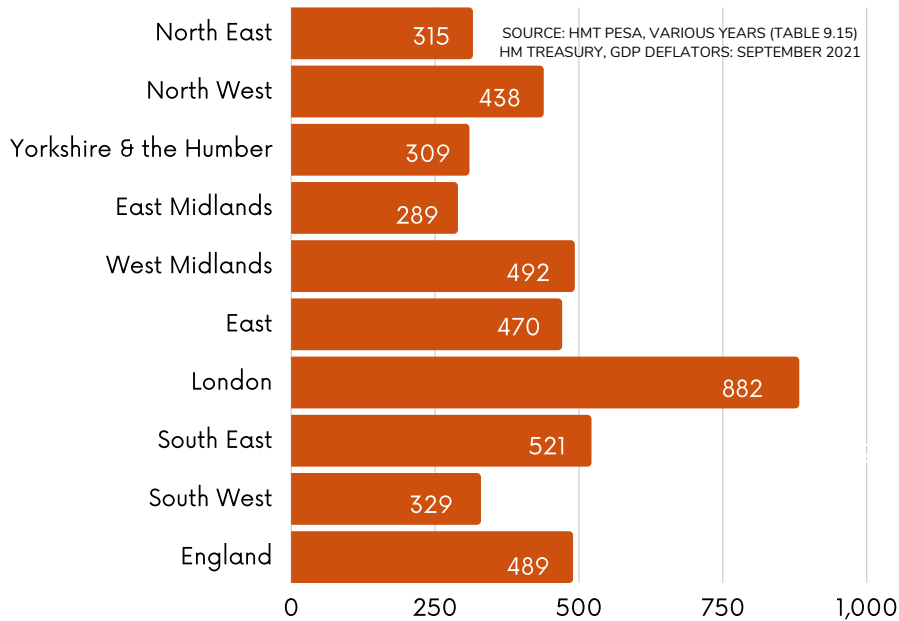
SOURCE: ONS SUBREGIONAL PRODUCTIVITY JULY 2021

Smoothed data is used in the graph. The ONS states "smoothed data reduces the volatility by using weighted data from up to five years in producing the estimate for each year." By removing any noise from a data set, this smoothed data allows for patterns to be identified easier.

Nominal indexed data are used to show how levels of current price nominal productivity differ from the UK average for any region for a given year. For example, if an area's nominal productivity index is 115, its labour productivity is estimated to be 15% higher than the UK average. If a regions productivity figure has decreased it does not necessarily mean real time productivity has decreased. Actual productivity level may have improved, but at a slower rate than the UK overall, therefore declining relative to the UK equals 100 index.

Transport Spending

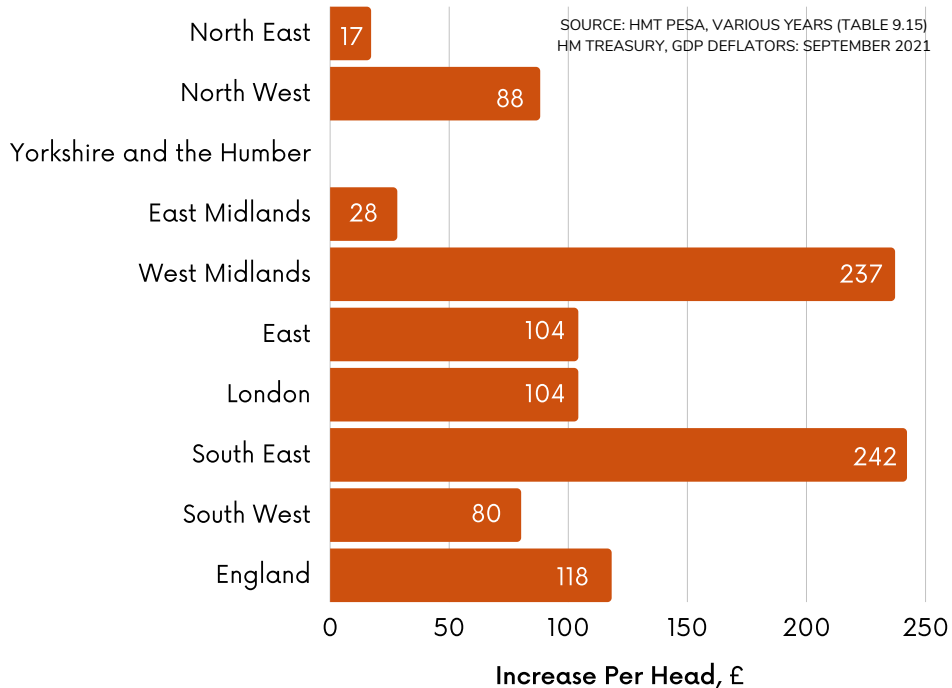
Identifiable Expenditure On Transport By Region, 2019/2020, £ per head, Real Terms



Transport spending in the North East in 2019/20 was £315 per person, only the Yorkshire and Humber and East Midlands having lower spending.

Spending per head in London is significantly higher than the rest of the country, £567 more per head than the North East.

Increase In identifiable Expenditure On Transport By Region, 10/11 to 19/20, £ per head, Real Terms



Transport spending in 10/11 in the North East stood at £298 per person, increasing to £315 per person by 19/20. An increase of £17.

In comparison, spending in the South East was £279 per person, increasing to £521 by 19/20. An increase of £242.

The difference in spending increase between the two regions stands at £225 per person.

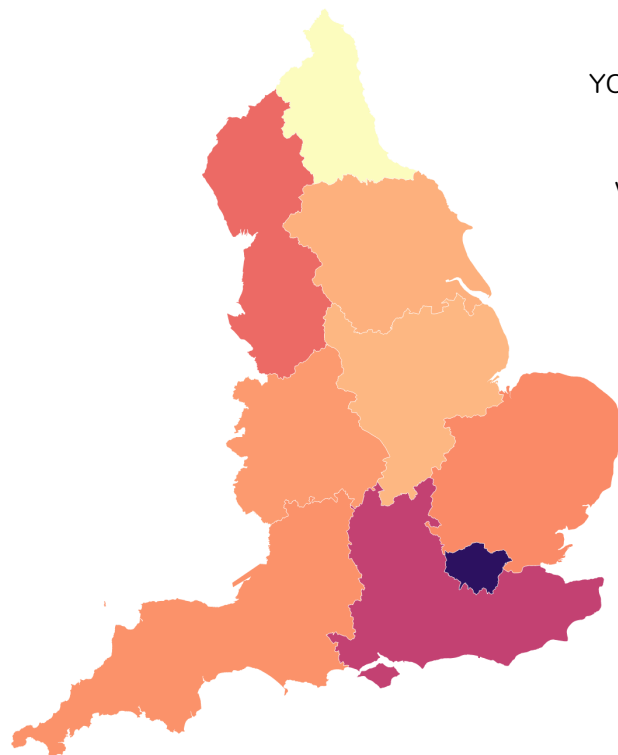
A 5% increase v 87% increase.

North East
5% Increase
Per Head

South East
87% Increase
Per Head

Health Expenditure

Real Terms: Change In Identifiable Expenditure On Health, 2008-09 to 2020-21, £million



	2008-09	2019-20	2020-21
NORTH EAST	£6,866	£7,451	£9,328
NORTH WEST	£17,175	£20,489	£25,798
YORKSHIRE AND THE HUMBER	£11,742	£13,817	£17,496
EAST MIDLANDS	£9,191	£11,390	£14,622
WEST MIDLANDS	£12,652	£15,087	£19,267
EAST	£11,402	£14,399	£18,645
LONDON	£18,051	£28,348	£34,481
SOUTH EAST	£16,752	£21,172	£27,590
SOUTH WEST	£10,523	£13,643	£17,451

The North East has seen the smallest increase in identifiable expenditure on health since 2008-09, increasing by only 2462 million. In comparison, London has seen a 16,430 increase.

SOURCE: COUNTRY AND REGIONAL ANALYSIS 2013, 2016 & 2021. REAL TERMS CALCULATED USING [HTTPS://WWW.GOV.UK/GOVERNMENT/STATISTICS/GDP-DEFLATORS-AT-MARKET-PRICES-AND-MONEY-GDP-SEPTEMBER-2021-QUARTERLY-NATIONAL-ACCOUNTS](https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2021-quarterly-national-accounts)

County Durham & Darlington NHS Foundation Trust Figures

73.1% of patients started cancer treatment within 2 months of an urgent GP referral in County Durham and Darlington NHS Foundation Trust in October 2021. Performance was 67.8% in England as a whole. The operational standard is 85%.

67.4% of patients were seen within 4 hours at A&E in County Durham and Darlington NHS Foundation Trust in November 2021. Performance in England as a whole was 74.0%. The target is 95%.

At the end of October 2021, 76.1% of patients waiting to start treatment at County Durham and Darlington NHS Foundation Trust had been waiting for 18 weeks or less. Performance in England as a whole was 65.6%. The target is 92%.

There were 30,657 patients waiting to start routine NHS treatment in County Durham and Darlington NHS Foundation Trust at the end of October 2021.

SOURCE: NHS ENGLAND CANCER WAITING TIME, A&E WAITING TIMES, RTT WAITING TIMES

SUMMARY

The North East has received the smallest increase in identifiable spending since 2008/09.

By 31 March 2022, Durham County Council will have delivered over £246 million in savings since 2011 in order to balance its budgets.

County Durham has received a -37.1% cut in Local Government settlement funding and a -1.2% spending power cut.

Between 2014-2020 Durham had a ring fenced allocation of £155 million in EU funding. It is at risk of losing out under the new UK Shared Prosperity Fund.

Durham's GVA stands as 82.4, slightly lower than the average for the North East, meaning it is 17.6% behind the UK average and 18.8% behind England's average.

The North East received the second smallest increase in Transport spending since 2010/11, increasingly by only £17 per head.

The North East has seen the smallest increase in identifiable expenditure on health since 2008-09.