

**SOUTH EAST ENGLAND COUNCILS
ALL-MEMBER PLENARY MEETING**

Date: 19 November 2010

Subject: **Spending Review and Infrastructure Plans: Impact on the South East**



Report by: Heather Bolton, SEEC Head of Communications & Public Affairs

Recommendations:

SEEC members are asked to:

- i) Welcome some key investments in the South East.
- ii) Discuss potential for representations to Government on re-phasing budget cuts to avoid significant front-loading of cuts in 2011-12.
- iii) Commission work to review the economic impact of investment in the South East and whether South East investments represent a fair share of national allocations.
- iv) Consider input to Government's review of alternative sources of infrastructure investment.
- v) Consider representations to Government transport schemes earmarked for further review and alternative approaches to unapproved but nationally significant schemes.

1. Introduction

- 1.1 On 20 October 2010 Chancellor George Osborne announced the results of the Government's Spending Review. Over the following days subsequent announcements on transport, national infrastructure priorities and Local Enterprise Partnerships provided further details of Government decisions on key issues and major investments.
- 1.2 Following SEEC's AGM in July, SEEC wrote to ministers outlining members' priorities and concerns, covering devolution & local government finance, economy & skills, transport and housing.
- 1.3 The scale of cuts announced mean that the Government has not been able to support all SEEC priorities. Some significant requests have gained approval, while some transport projects will be subject to further review.
- 1.4 The Spending Review confirmed abolition of SEEDA and GOSE, in line with SEEC's recommendations. It is expected that GOSE will close by March 2011 and SEEDA by March 2012.

2. Major announcements

- 2.1 Financial headlines from the Spending Review include:
 - Average cuts of 7%pa in the grants local authorities receive from CLG. Over the next four years this will mean a 28% reduction in budgets, however cuts will be front-loaded bringing cuts of up to 16% for many in 2011-12. Capital funding will be cut by 45%.

- Average 19% cuts in Government departments over the same period.
- Local authority education budgets have been protected and, nationally, an extra £2bn will be made available for social care, split between councils and the NHS.
- Ring fencing of grants will be reduced, giving councils more flexibility on spending of some £7bn a year.
- £700m is available to provide extra funding for councils setting a zero council tax increase in 2011-12. This will give qualifying councils the equivalent of approximately a 2.5% rise in council tax.
- Housing benefit will be capped (see agenda item 5b).
- Tax Increment Financing will be introduced, allowing councils to borrow against future tax income.
- The Regional Growth Fund has been increased to £1.4bn over four years.
- 16 areas will pilot community budgeting including Kent CC.

2.2 **Economy:** Government's *Local Growth* paper published on 28 October lists the first 24 Local Enterprise Partnerships. South East councils are involved in six of the approved LEPs (see agenda item 5c).

2.3 The *Local Growth* paper also launches consultation on localisation of business rates as requested by SEEC in its Spending Review input (see agenda item 6). LGA analysis of local government's grant settlement has noted a £2bn gap between formula grant allocations for councils and expected business rate income. This may be to allow for localisation of business rates.

2.4 A *National Infrastructure Plan* launched on 25 October outlined priorities for infrastructure investment to support the economy, including road & rail networks; energy systems for a low carbon economy; water supply, flooding & waste; the best superfast broadband in Europe; and ensuring the UK remains a world leader in science, research & innovation.

2.5 The Infrastructure Planning Commission will be replaced by a new Major Infrastructure Planning Unit within the Planning Inspectorate. Final planning decisions will be made by Ministers. Further details will be announced by the end of 2010.

2.6 Government has also committed to investigate options for encouraging infrastructure investment from new sources by Spring 2011, including an internal review to consider extending use of the regulatory asset base model.

2.7 Major national commitments include:

- A Green Investment Bank, with at least £1bn to invest in developing a low carbon economy.
- £530m to provide the best superfast broadband in Europe by 2015 and ensure that everyone has basic level broadband access on the same timescale. Four pilot projects will run in rural North Yorkshire, Cumbria, Herefordshire and the Highlands.

- £4.6bn investments in ensuring that the UK remains a world leader in science and research.
- 2.8 South East investments include:
- £37m upgrade of Pirbright Laboratory, Guildford, which researches livestock diseases.
 - £69m for the Diamond Synchrotron in Oxfordshire to support ground breaking research into life, physical and environmental science.
 - £248m for Epsom and St Helier University Hospitals, to modernise local health services.
 - Funding an increase in participation in education and training, benefiting 5.8% of South East 16-18 year olds not in education, employment or training.
- 2.9 **Transport:** Nationally the Government has committed £30bn investments in transport. A series of announcements have confirmed major investments affecting the South East. Rail projects include Crossrail; HS2; upgrades to Reading & Gatwick stations; and freight improvements between Southampton & Felixstowe. On the roads, the M25 junctions 5-6/7 and A23 at Handcross will receive funding.
- 2.10 More work is required on some projects. A “best and final bid” is invited for the Bexhill-Hastings link road to attract part of a £600m funding pot. Further consideration will be given to the A24 Ashington (West Sussex); Walton Bridge (Surrey); and road improvements at Reading Station. Looking ahead to 2015, development work is continuing on the A21 Tonbridge-Pembury (Kent) and A27 Chichester bypass (West Sussex). Plans and timing for M20 junction 10A; M3 junctions 2-4a; and M4 junctions 3-12 will be reviewed.
- 2.11 A number of major South East projects offering national economic benefits failed to gain funding. These are projects that support the economic ambitions of other parts of the UK by improving routes to our ports and airports, for example M27 improvements, better road access to Dover and a new Thames crossing.
- 2.12 **Housing:** Future investment in affordable housing is to be funded by an increase in rents for social housing. Government expects this to fund some 150,000 new affordable homes nationally over the next four years. Caps are also to be introduced to housing benefit (see item 5b).
- 2.13 SEEC has invited a CLG minister to address a South East housing conference planned for early 2011. The conference will address issues around housing delivery including the new homes bonus, affordable homes, the role of LEPs and provision of infrastructure to support new housing.

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