

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

Date: 19 November 2010

Subject: **SEEC Submissions to Government Consultations**

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**Recommendation:**

SEEC members are asked to note three recent submissions to Government consultations affecting local government finance.

1. Introduction

- 1.1 SEEC has submitted responses to three recent Government consultations on the key issue of local government funding.
- 1.2 On 6 September BIS consultation closed on the Regional Growth Fund, and 6 October was the deadline for CLG consultation on two elements of local government finance:
 - Revenue Support Grant Top-Slice for Improvement Services to Local Authorities
 - Local Government Finance Formula Grant Distribution.
- 1.3 Following discussion at Executive meetings, consultation responses on all three topics were approved by the SEEC Chairman between meetings to meet submission deadlines.
- 1.4 Full copies of the three submissions are available online. A new page on the SEEC website includes all SEEC's work in speaking for the South East. Visit:
<http://www.secouncils.gov.uk/page/4/view/18/speaking-for-the-south-east>

2. Regional Growth Fund (RGF)

- 2.1 Against a backdrop of speculation that the RGF would favour other areas of the country, SEEC makes the case for equal access for the South East. RGF will provide £1.4bn over four years to help develop the economy. Key points include:
 - a) The South East includes both globally successful zones and economically-challenged, deprived areas. In each case there are infrastructure challenges that must be overcome to enable growth.
 - b) Despite these contrasts the South East contributes some £18bn a year net profit to the Treasury, which supports public spending here and elsewhere. Without investment in the South East this contribution to the public purse is not guaranteed.

- c) Investment in the South East offers good returns and potential to drive UK recovery from recession.
- d) Growth in other UK economies must not be at the expense of investment and performance of the South East.
- e) We need RGF investment to help the South East deliver two benefits to the national economy:
 - Bring under-performing areas up to at least average national levels of economic performance, reducing reliance on public sector employment.
 - Help ensure that our globally competitive areas can continue to attract companies to locate here rather than overseas – for example through improved infrastructure and sustainability.

3. Revenue Support Grant Top Slice

- 3.1 SEEC has endorsed the overall principles of changes to top slice arrangements but has requested clarification on several matters of detail, including:
- a) Allocation of resources to support different areas of the country. There would need to be clear and transparent guidelines on how funding would be distributed.
 - b) The fact that the nine organisations proposed do not appear to readily match the six proposed funding objectives. More information is needed on how the two would be reconciled.
 - c) Whether top-slice arrangements would be restricted to local government involvement only. Could funding go direct to non-local government organisations in the future?

4. Formula Grant Distribution

- 4.1 SEEC argues that continued use of the four-block model for grant distribution raises serious questions about whether funding is being directed appropriately. In view of the full review of local government finance scheduled for 2011, further changes to a flawed system should be delayed in favour of a fundamental review of the entire system.
- 4.2 SEEC sets out principles for a new grant distribution system:
- a) A simpler, fairer and more understandable grant system.
 - b) Transparency and accountability on why funding decisions have been made.
 - c) Changes to Area Cost Adjustment that recognise the need for greater funding in high-cost areas.
 - d) The need to ensure that any changes are based on the most accurate information and data sets available.

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