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

Date: 17 March 2011

Subject: **SEEC responses to Government initiatives**

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

**Recommendations:**
SEEC members are asked note SEEC's recent work to make the case for the South East via submissions to Government on the issues of European Regional Development Funding; Business rates and TIF; New Homes Bonus and Housing Revenue Account.

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## 1. Introduction

1.1 Since the last All-member meeting in November, SEEC has continued to make the case for the South East by raising awareness of member council priorities and concerns through responses to Government initiatives.

1.2 Consultation responses have been submitted on four key issues after gathering input and comments from SEEC Executive members:

- Future management arrangements for European Regional Development Funding (ERDF)
- Business rates and Tax Increment Financing (TIF)
- New Homes Bonus
- Housing Revenue Account.

Full copies of all these responses are on the SEEC website's Speaking for the South East page: www.secouncils.gov.uk

## 2. SEEC contribution on ERDF funding

2.1 SEEC was invited to comment on proposals for new ERDF programme management arrangements. Currently Regional Development Agencies handle ERDF administration.

2.2. SEEC's response of 10 January 2011 agreed that, at present, CLG should take on ERDF management responsibilities but supported retention of specialist local expertise. Key SEEC points included:

- The importance of councillor involvement in proposed new ERDF Local Management Committees as elected community representatives.
- The South East's need for continued access to ERDF and other EU funding to help tackle deprivation and economic underperformance. Access should be open to both LEP and non-LEP areas.
- Concerns that too close alignment between ERDF and RGF could narrow the scope of bids; squeeze out bids from high growth areas; and perpetuate concerns that the South East will not be given fair access to funding.

2.3. A response from CLG on 4 February 2011 confirmed that ERDF staff from RDAs would transfer to CLG by July 2011. The intention is to keep staff located as close as possible to the partners they will support. CLG also confirmed plans to establish Local Management Committees (LMCs) and that these will include local authority membership. There will be further discussions to agree wider membership of LMCs.

2.4. CLG Minister Andrew Stunnell has also confirmed the aim to align RGF and ERDF. In the light of recent comments about South East access to RGF this is a concern that SEEC members may want to raise further with CLG, making use of the new SEEC briefing paper on deprivation (see agenda item 8a).

## 3. SEEC contribution on business rates & Tax Increment Financing

3.1. The Government's October 2010 Local Growth White Paper asked for consultation responses on the future of the business rates system and Tax Increment Financing (TIF).

3.2. Following discussion at the SEEC All-member meeting on 19 November, a submission was approved by the Chairman between meetings to meet the BIS response deadline of 1 December.

3.3 Key points in the SEEC response included:

- Support for the principle of localism, local determination and funding systems that provide real incentives for local authorities.
- The need for a fair, transparent approach to redistribution of business rate income within the South East and across the country. This is particularly important in the South East to ensure the principle of incentivisation is not undermined.
- The need to retain access to central government investment in the South East alongside TIF to help regenerate our deprived areas and maintain the global competitiveness of other areas.

## 4. SEEC contribution on New Homes Bonus & Housing Revenue Account

4.1 SEEC submissions on New Homes Bonus and Housing Revenue Account were submitted to CLG in December 2010.

4.2. In addition to welcoming the removal of top down housing targets in favour of a localism, key points raised on the New Homes Bonus were:

- Concerns that the bonus may not be sufficient to cover all the costs associated with housing development, for example infrastructure and council services. SEEC questioned whether a 6-year limit on the New Homes Bonus would make sufficient contribution to these costs. A 10-year limit was suggested as a starting point for further discussions.
- Whether the proposed £350 flat rate supplement for affordable homes will deliver the range of affordable homes needed in the South East. In high cost areas this could encourage too many small affordable homes not suited to families.
- The New Homes Bonus should be considered alongside a fundamental review of the local government grant formula. Proposals set out that after an initial £900m from abolition of Housing & Planning Delivery Grant is

exhausted, funding for the Bonus or penalties for non-delivery of housing will be top sliced from formula grant. For this to work the entire grant system needs to become more fair, open, transparent and accountable.

- The problem of local authorities with housing potential limited by green belt restrictions needs to be considered as well as mechanisms to ensure large-scale house-building in areas of declining population does not skew the allocation of formula grant.
- Greater clarity is required in areas including:
    - the role of communities and the different tiers of local government in deciding how and where the New Homes Bonus is spent.
    - plans to reward local authorities for bringing empty homes back into use – for example clear definitions of empty homes and what criteria are used to judge when they are brought back into use.

4.3. Key points made on the Housing Revenue Account (HRA) supported a self-financing system for council housing but with serious concerns about a one-off re-allocation of debt among councils and central retention of Right to Buy receipts.  While HRA continues, SEEC made the case for realistic increases in management, maintenance and major repairs allowances for landlord councils.

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