

**SOUTH EAST ENGLAND COUNCILS
EXECUTIVE COMMITTEE MEETING**



Date: 18 February 2011

Subject: **Making the case for the South East: Update on SEEC's work & submissions to Government**

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

Recommendations:

SEEC Executive is asked to:

- i) Agree plans for dissemination of the final report on deprivation and public sector employment in the South East to help inform fair allocation of public funding
- ii) Note SEEC's recent submissions to Government on the issues of European Regional Development Funding, New Homes Bonus and Housing Revenue Account.

1. Introduction

- 1.1 At the last SEEC All-Member Meeting on 19 November 2010, members commissioned a briefing note to provide the Local Government Association (LGA) with details about deprivation and the effect of public sector job losses in the South East. The aim was to counter misconceptions of the South East as universally wealthy and make the case for a fair share of public funding.
- 1.2. An early draft was discussed by the SEEC Executive Committee on 7 December 2010. The paper took on even greater significance last month, following comments by Sir Ian Wrigglesworth, deputy chairman of the Regional Growth Fund (RGF) panel, who has said the South East is unlikely to be in a strong position to win RGF funding.
- 1.3 A second draft was circulated to Executive Committee members for comment and approval in early February 2011. The final paper 'Deprivation and public sector reliance in the South East' is now attached as Appendix 1.
- 1.4 Since the 7 December meeting, SEEC has also submitted responses to Government consultations on three issues after gathering input and comments from SEEC Executive members:
 - Future management arrangements for European Regional Development Funding (ERDF)
 - 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. ITEM 8a: Briefing on South East deprivation & need for public funding

- 2.1 The final version of SEEC's briefing 'Deprivation and public sector reliance in the South East' is at Appendix 1. Key messages in the report include:
- South East taxes support public spending in other areas of the country so pegging back strong parts of the South East economy while others catch up could damage the public purse and harm competitiveness.
 - While some areas of the South East economy can offer significant returns on public investment, we also need public funds to help address deprivation on a huge scale. We have 500,000 people in deprived areas (equal to one fifth of the entire North East population).
 - The South East has more children and over 60s in deprived income households than either the North East or East Midlands.
 - Several parts of the South East economy perform over 20% below the national average – similar to the North East economy.
 - Despite the largest population in the UK, all categories of public spending in the South East are below the national average.
 - The South East has the third highest number of public sector jobs in England, making it vulnerable to job losses. Up to 46% work in the public sector in some areas.

- 2.2 The briefing has a useful role to play in raising the level of awareness about the scale of the challenge faced by South East local authorities and the need for fair access to public funding. It is therefore suggested that the briefing is sent with a letter from the Chairman to politicians and partner organisations, both nationally and within the South East, including:

- LGA: Cllr David Parsons as the South East lead LGA contact
- All SEEC leaders and chief executives
- All South East MPs and MEPs
- Relevant Government Ministers
- Members of the Regional Growth Fund assessment panel
- Chairmen of LEPs with a South East footprint
- Media.

3. ITEM 8b: SEEC contribution on ERDF funding

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

- 3.2 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 (see para 1.2).

- 3.3 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.
- 3.4 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 section 2).

4. ITEM 8c: SEEC contribution on New Homes Bonus and 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.

11 February 2011