

**SOUTH EAST ENGLAND COUNCILS
ANNUAL GENERAL MEETING & ALL-MEMBER MEETING**



Date: 11 July 2013

Subject: **South East Impact of Spending Review**

Report of: Heather Bolton, SEEC Director

Recommendation:

Members are asked to note the headline impacts of the Spending Review and consider collective and individual responses on detailed proposals as they are published.

1. Introduction

- 1.1 Chancellor George Osborne outlined spending plans for 2015-16 on 26 June. In the following days more detail was published on the new single pot and infrastructure investment plans for 2015 and beyond. SEEC circulated a [headline briefing note to members](#) on 26 June.
- 1.2 This paper highlights key areas relevant to SEEC's work programme – particularly detail that has emerged since the Spending Review itself – including investment to support South East growth, transport and housing, alongside the future of EU funding.

2. Headline issues

- 2.1 **Single pot** – There is disappointment about the small size of the new Single Local Growth Fund and the fact that it reallocates some funds currently under direct under local authority control into a pot that is open to competitive bids from LEPs.
- 2.2 The £2bn a year pot, starting in 2015-16, represents only about a quarter of a per cent of public spending (0.268%). It is much less than the £70bn Lord Heseltine recommended and the annual total includes:
- £400m of New Homes Bonus funding, which will need to be pooled across LEP areas instead of direct payments to local authorities.
 - £819m of local transport majors funding plus a further £300m of sustainable/integrated transport funding. Majors funding was previously allocated to specific areas.
 - The single pot also includes £330m pa further education capital spending and £170m EU ESF match funding for skills projects.
- Details of the single pot competitive process will be published later. It is not clear whether there will be any baseline allocation for LEPs in addition to the funds open for competition. It will be important that the new the system ensures fair access for South East areas, balancing the need for economic regeneration in some places while also seizing the high return potential in other areas.
- 2.3 **Transport** – Increases in funding for local major transport projects and road maintenance are welcome, although majors funding will now form part of the competitive single pot. Also welcome are announcements on taking forward some key strategic projects supported by SEEC members. For example:
- £300m a year national increase for local road maintenance (up from £700m pa in 2014-15)

- £819m a year nationally for local major transport schemes for 6 years from 2015-16
- Commitment to fund – subject to final business cases – a new M20 junction (10a) near Ashford; A2 improvements at Ebbsfleet; A21 upgrade to dual carriageway near Tonbridge; increased capacity on the M4 (junctions 3-12); and improvements to the A27 Chichester bypass.
- Funding – subject to business cases – for managed motorway schemes on the M27 (junctions 4-11), M3 (junctions 9-14), M20 (junctions 3-5), M23 (Gatwick junctions 8-10).
- Taking forward work on a new Lower Thames Crossing; East-West rail from Oxford to Bedford via Milton Keynes & Aylesbury; and feasibility studies on Crossrail 2 and the A27 road corridor.
- A commitment to increasing capacity at Waterloo station should help improve rail services to and from the South East.
- There is also a commitment to HS2 rail, which has divided opinion in the South East.

2.4 While increased transport investment is welcome, the local majors funding will now become part of a competitive pot. Funding for local schemes is very important but changes to local funding will not address the 'gap in the market' that the South East has identified for strategic, cross-boundary transport projects with national benefits. However, in the light of some of the new larger transport project commitments (set out above) SEEC will now update its work on strategic needs in conjunction with the South East Directors of Economy, Environment, Planning and Transport.

2.5 **Growth deals** – The Government has committed to negotiating a growth deal with each LEP. These are expected to give local areas greater control over delivering the ambitions set out in LEPs' strategic plans. This is likely to be attractive to the many non city-deal areas of South East, however it is not yet clear whether benefits on offer will match those of city deals. Guidance is expected later in the summer.

2.6 **Housing** – A national 3-year £3.3bn package to support delivery of 165,000 affordable homes from 2015-16. Social rents will increase by CPI + 1% every year for 10 years. Given the high cost of housing in the South East it is important that South East authorities and housing associations have fair access to this fund.

2.7 **EU funding** – From 2014 the majority of spending decisions on ESF and ERDF funding streams will be devolved to LEPs. Changes in geography make it difficult to track allocations accurately, but early indications suggest a small increase in the combined total of ESF and ERDF for the South East compared to current programmes. While LEPs bring a welcome local control over funding decisions, it will be important to ensure elected councillors are closely involved, providing essential accountability on funding decisions and outcomes.