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SOUTH WEST
Local Government Association

Bryony Houlden
Chief Executive

Rt Hon Gordon Brown MP
Chancellor of the Exchequer
1 Horse Guards Road
London
SW1A 2HQ

Dennett House
11 Middle Street
Taunton
Somerset
TA1 1SH

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Tel: 01823 270101
Fax: 01823 425200

Dear Chancellor

CSRo7 and Local Government in the South West

The South West Regional Assembly, together with the South West of England Regional Development Agency, recently submitted its requested advice on Regional Funding Allocations for the Comprehensive Spending Review (2007).

This letter does not seek to replicate that advice but wishes to highlight some areas that you may also like to consider that are of particular pertinence to Local Government in the South West. Prior to a recent meeting of SW Chief Executives, the South West Local Government Association (SWLGA - which represents the 51 local authorities in the South West) sought the views of its constituent authorities and the results of this and ensuing discussion are set out below. The suggestions have been agreed by SWLGA political leaders and are in the spirit of better use of existing funds or proposals for greater freedoms and flexibilities to address particular issues.

Further freedoms around budgets and pooling

Further freedoms around pooled budgets would be particularly welcome with the NHS. However some authorities' early experiences with Health Authorities have thrown up significant difficulties which must be addressed if others are to commit to such arrangements with any confidence in the future.

There also needs to be more robust governance arrangements between local public organisations to help prevent 'pass the parcel' - particularly in terms of adult/elderly care.

On a technical point, the Use of Resources Assessment which was introduced for the first time for the 2005/06 financial year assesses Councils in the five areas of financial reporting, financial management, financial standing, internal control and value for money. In our view, where Councils have been assessed an overall grade '3' in Use of Resources (which means they are consistently performing above minimum requirements), there should be no need to submit any assessment in the following year, unless the Council is asking to be re-assessed to obtain a Level '4'.

Instead, the Use of Resources assessment should be carried out every two years for Councils with an overall score of '3'. This would save money on the annual external audit fees which relate to audit work carried out on the Use of Resources assessment. This would also free up staff resource time in putting together an annual update to the Council's Use of Resources submission, at the Councils being assessed. This would be seen as 'real' freedoms and flexibilities for high performing Councils.

Innovative Partnership Working

There are clear opportunities now where a more proactive shared service approach to transactional services such as Council Tax collection and Housing Benefit administration would be of benefit and should be facilitated. In addition, there are various highly skilled functions undertaken separately by each authority such as Treasury Management and Pension Fund Management which could also provide better returns if pooled. More partnership activity between tiers could deliver more efficiencies and better outcomes for residents.

Local government is also well placed to help develop a 'customer focus' between different service areas or between different agencies within a service area. Enabling local government to lead work in this area and corral partner agencies can help reduce duplication of effort and improve the public experience of key services.

Resource Distribution

The current national funding regime is failing to take account of key factors that affect much of the South West of England and this has led to a significant inequality in resource distribution. South West councils currently receive some of the lowest levels of funding per head of population. Factors which need to receive a higher profile in the funding system include:

- **Ageing Population**

The demographic structure of the South West plays an important part in determining local authorities' costs and revenue base. The region has the highest proportion in Britain of its population aged 65 plus (at 18.65%). Social care is a significant proportion of local authority expenditure and according to the 2001 Census almost half a million people in the South West were helping or supporting family members, friends, neighbours or others cope with long term physical or mental health problems or disability, or problems related to old age - equivalent to 10% of the total population.

- **Scarcity**

The South West is the most rural of the English regions with a land area larger than Wales. A recent study showed that the average value of the standard cost (of a basket of services studied) varied between three area categories, as follows:

- Mainly urban areas were 0.73 of the standard cost
- Intermediate mixed urban and rural areas were 1.28 of the standard cost; and
- Mainly rural areas were 1.85 of the standard cost

This finding begins to quantify what is intuitively known, that delivery costs are higher, or else performance is depressed, by the burdens of travelling time and the loss of economies of scale (see Developing indicators of the effect of

geodemographic factors on cost and performance of public services' - Secta MSA Ferndale, for the Countryside Agency, 2004).

- **Rural Deprivation**

Deprivation in the South West is long standing and can often be masked or hidden in statistics relating to rural areas. Structural issues, such as the dispersed settlement pattern and peninsular nature of the region can influence inequalities experienced but are hard to overcome.

- **Housing Affordability**

Many people are working in low wage and insecure work and find themselves unable to compete effectively in the market – according to the Joseph Rowntree Foundation 68% of households in the region are unable to afford the average price of even the cheapest 25% of houses. This has meant that the South West's housing affordability problems are now second only to London.

- **Ongoing high levels of in-migration**

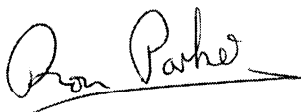
The South West's population is projected to grow by an extra 470,000 people by 2016 and another 350,000 by 2026.

CSR07 presents a golden opportunity to redress the flaws and skews of the current funding system.

As well as getting a fair share of resources to deliver, councils would also benefit from a degree of longer term stability to help incentivise councils to deliver efficiently without penalising them with cuts in support. Longer term settlements could be one solution to this problem. Alternatively, equalisation mechanisms at a regional level may help reduce wild fluctuations in allocation. CSR provides the opportunity to consider this as part of a wider financial settlement for England and in relation to the rest of the UK. CSR07 also provides the chance to look beyond the need for local government to control a greater proportion of its own resources and consider ways of increasing local government expenditure as a share of total public expenditure.

I hope you find these specific suggestions helpful and would of course be happy to provide further information should you find this useful.

Yours sincerely



Cllr Ron Parker
Chair, SW LGA

cc Rt Hon Ruth Kelly MP
Sir Michael Lyons