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The Rt Hon Eric Pickles MP
Secretary of State for Communities & Local Government
Eland House
Bressenden Place
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4 April 2011

Dear Eric

Local Government Resource Review

I'm writing to inform you about an important piece of work on local government finance currently being developed by South East England Councils (SEEC). I hope that we will have the opportunity to meet to discuss how this could complement your own work and contribute to thinking on the local government resource review, including business rate localisation.

My colleagues and I in SEEC were delighted to see the recent announcement about the launch of the local government resource review and hope that it will herald a simpler, fairer and more transparent system of funding local councils.

I believe SEEC's forthcoming report by well-respected specialists Local Government Futures will provide valuable information for the review.

Phase one of our work is looking at some of the unfairness in the current system, for example, around health and education. From the South East perspective we will also address the cost pressures we face and the issues that mean current funding mechanisms see only affluence and fail to recognise the needs of the 500,000 South East residents living in deprived areas.

We will also provide an overview of the reasons why the current four-block funding formula is not fit for purpose. It is widely recognised that the current system is discredited. The fact that only a few experts understand how funding for vital public services is distributed makes the system a disgrace.

Phase one of our report will be ready in May.

The second phase of our work will follow shortly afterwards and will put forward some constructive proposals for change and principles for a new system that builds on fair and open principles for both central grants and incentive schemes, such as business rate localisation, to support self-funding councils.

The coalition government has the opportunity to change the system for the better and we in local government want to help design a system that will stand the test of time. We want to help you design a system that is open, honest, transparent and needs-led. If it doesn't address these fundamentals, anything else will simply create new problems.

Councils are currently burdened by an ill-thought out system that makes no sense. We would urge you not to repeat the mistakes of the previous government by rushing into a system without thinking through the longer term consequences.

I look forward to the opportunity to meet you and discuss our findings in more detail during the review.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Carter', with a horizontal line underneath the name.

Paul Carter
Chairman, South East England Councils

CC Rt Hon Vince Cable MP