SOUTH EAST ENGLAND COUNCILS
BRIEFING ON LOCAL GOVERNMENT FINANCE BILL – JUNE 2012

1 South East England Councils (SEEC) supports the devolution of responsibilities and resources from central to local government. Local authorities are best placed to ensure effective and efficient targeting of resources to address community and business needs and opportunities.

2 **SEEC is supportive of the localism *principles* underpinning the Local Government Finance Bill:**

- Localisation of Business Rates as an incentive for economic growth.
- Localising control of Council Tax support to respond effectively to local needs.

3 We are, however, **concerned that current proposals to take these forward are too centralist, provide insufficient local incentive, and are being driven by over-ambitious timetables that will constrain positive benefits**.

4 With particular focus on the **Business Rates proposals, SEEC is also concerned that as currently drafted the Bill does little to tackle long-standing flaws in the way central government distributes grants to local government**. Evidence gathered by South East England Councils[i] shows that some councils - especially in the South East - have had to disproportionately raise council tax as a result of inadequate central funding. Furthermore South East infrastructure is underfunded and cannot keep up with the demands of the growing population and economy. **This is not only unfair on residents, but given that the South East is the only net contributor to the national Exchequer, it also puts local and UK economic recovery at risk.** We believe major improvements could be achieved through relatively simple amendments to the Bill and/or associated guidance and regulations.

5 We recommend the following aspects are amended in the Bill and associated guidance/regulations as appropriate to ensure maximum local benefits are realised:

i. Business Rates

- The principle of local retention is welcome but currently offers too little incentive:
  - Local retention of only 50% of local business rates is not sufficient incentive for growth and will not adequately address unfair funding distribution inherent in the current system. **We recognise some redistribution is necessary across the country, but there is a real opportunity here to address under-funding by central government by allowing under-funded councils to retain a greater proportion, say up to 75%, of business rates, redressing the balance over a period of time.**
  - The proposals lack transparency and there is still too much centralist intervention, for example ministerial controls on levy and safety net levels, top-ups and tariffs, which are at odds with localism and bring uncertainty for longer-term financial planning. **We recommend systems be put in place for local government and other experts to be involved in informing decisions about the fair distribution of funding, bringing openness and longer-term clarity to decision making**.

ii. Council Tax Support

- We welcome the principle of localising Council Tax support so that local needs can be targeted, but effective implementation is at risk if two key issues are not resolved:

  – £500m (10%) national reduction in funding from central government, along with central instruction about protection for vulnerable groups, will limit local ability to address real needs and disproportionately affect others. For example, excluding low-paid workers who currently qualify for Council Tax support could act as a disincentive to work. **It is inappropriate for the government to unilaterally apply a 10% funding cut during this time of transition. Rather, current funding levels should be maintained during transition and government should then consult with local government on possible savings that can be achieved once new arrangements are in place. Reflecting local circumstances, local government should have flexibility to decide who receives support, for example whether single person discounts are a priority or not given other local needs.**

  – Centrally imposed implementation timeframes, including expectation for local schemes to be in place potentially before the Bill is enacted, are inappropriate and risky given the need to put robust IT systems in place and engage residents to identify those most at need. The timeframe also hinders opportunities to ensure effective synergies between the new Council Tax support arrangements and the introduction of Universal Credit, expected in late 2013. **An effective dialogue is needed between central and local government to agree a longer timeframe that, whilst moving to new systems as quickly as possible, also allows for effective transition which will allow local needs to be effectively and efficiently met.**

6 In conclusion

- SEEC supports the principle of localisation of powers, controls and resources to ensure local needs and economic opportunities are met.
- However whilst the *principles* in the Bill are welcome, detailed issues set out in this briefing must be addressed in order to address long-standing problems with local government financing and to ensure the needs of our communities and businesses can be met.

South East England Councils
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South East England Councils (SEEC) promotes the views and interests of all tiers of local government across the South East, who together represent more than eight million residents. SEEC is a voluntary body, funded by member council subscriptions, and carries a unique mandate as the single democratic voice of the South East.

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[i] SEEC's report *Fixing a Broken System* is published on the SEEC website www.secouncils.gov.uk.