

**SOUTH EAST ENGLAND COUNCILS  
EXECUTIVE MEETING**



Date: 30 September 2011

Subject: **SEEC Fair funding report stage 2**

Report of: Heather Bolton, SEEC Director

**Recommendations:**

- i) Note progress towards the conclusion of work on the SEEC fair funding reports by Local Government Futures
- ii) Agree that SEEC develops a short member-led paper for Ministers setting out key recommendations for comprehensive changes to the local government finance system.

**1. Background**

- 1.1 Earlier this year SEEC Executive commissioned Local Government Futures (LGF) to prepare a two stage report on the local government finance system.
- 1.2 Stage 1 focused on flaws in the system and funding for South East authorities compared to other areas of the country. Findings reported to SEEC Executive in June 2011 showed the local government finance system is no longer fit for purpose and needs a radical overhaul to make it fairer and more transparent. They also showed per capita levels of funding in the South East are consistently lower than in other areas of the country, affecting revenue, capital and individual service budgets. The South East has also seen a rise in deprivation and faces higher than average costs for delivering many services.
- 1.3 Stage 2 work focuses on options for changing the local government finance system, including identifying the potential impact of such changes in the South East and the role of financial incentives for councils. An overview of this work was presented at the SEEC AGM in July 2011.

**2. Next steps**

- 2.1 Shortly after the SEEC AGM, Government launched consultation on changes to business rates as phase one of a local government resource review (see also agenda item 4a).
- 2.2 To feed into this consultation SEEC has asked LGF to analyse the impact of proposed changes on the South East, estimating the level of incentive that councils would have received if the currently proposed system had been introduced five years ago. This will form part of the existing LGF commission.
- 2.3 LGF will also write up their stage 2 work as an independent report to SEEC, backed up by detailed calculations and analysis of options.
- 2.4 Now the LGF work is nearing completion, there is an opportunity for SEEC members to draw on the findings in preparing a short, focused document for Ministers putting forward clear recommendations for comprehensive changes to the local government finance system. This will be in addition to any responses to specific Government consultations.

- 2.5 Following input from a member working group on 1 September, SEEC officers will draft an initial document for member comments.
- 2.6 Finance officers in member councils have also been asked to form a working group to recommend the optimum mix of factors that should be included in a new, fair and accountable formula for distributing central government grant funding to local authorities. This work will form a key part of any document that SEEC members present to Ministers.
- 2.7 Target date for completing a report to Ministers is December 2011, subject to receiving required input and approval from members and officers.