

**SOUTH EAST ENGLAND COUNCILS
EXECUTIVE MEETING**



Date: 10 September 2010

Subject: **SEEC response to current resource consultations**

Report by: Cllr Paul Watkins, SEEC Secretary & Treasurer
Aidan Shutter, SEEC Policy Officer

Recommendations:

SEEC Executive is asked to:

- i) Note and comment on the proposals contained in the two consultations.
- ii) Authorise the SEEC Chairman to finalise responses in the light of the Executive's discussions and to submit these by the closing date of 6th October 2010.

1. Introduction

- 1.1 The coalition government has recently launched two key resource consultations:
 - **Local Government Finance Formula Grant Distribution**
 - **Revenue Support Grant Top-Slice for Improvement Services to Local Authorities**
- 1.2 Individual authorities will be responding direct to the consultations, however the SEEC Executive is advised to submit responses to both consultations to give a wider, strategic perspective. Both consultations close on 6th October, therefore it is recommended that the SEEC Executive input their issues and concerns at today's meeting. Final consultation responses will be prepared for the SEEC Chairman to sign off by the closing date.

2. Local Government Finance Formula Grant Distribution Consultation

- 2.1 Launched on 28th July 2010, this consultation focuses on the practicality and technical feasibility of options for grant distribution changes that could be introduced from the 2011-12 settlement onwards. The 408 page consultation document focuses on specific changes to the current four-block model. It is not a full and fundamental review – this is scheduled to take place in 2012.
- 2.2 Formula Grant is made up of revenue support grant, redistributed business rates and, where appropriate, police grant. The current four-block model, which distributed some £29 billion of funding to local government this year, seeks to take account of councils' individual needs and their ability to raise funds locally. However, most agree a fundamental change is now required, although the current consultation simply focuses on detailed changes to what is already in place.

- 2.3 That said, changes made now will set the direction for the longer term review, so there are a number of key issues that SEEC should be aiming to influence now. These should include:
- a) The need for a simpler, fairer and more understandable grant system capable of reflecting the diverse needs of the South East.
 - b) Clear transparency and accountability, so it is clear how and why funding decisions have been made
 - c) Welcoming changes to Area Cost Adjustment that recognise the need for greater funding in high-cost areas like the South East
 - d) Pressing for a new system that begins to redresses the fiscal imbalance. The South East generates a significant proportion of the UK national wealth and contributes £18 billion more in taxes each year than it receives in public spending. However we receive one of the lowest per head allocations of grant. Average grant per head of population across the UK is £506, which is 50% higher than for the South East.
 - e) The need to ensure that any new system uses the most accurate information available.
 - f) To maintain an overriding focus on the Spending Review (SR). Clearly, with the level of public spending reductions expected to be announced when the SR reports on 20th October, to then make distribution changes on top of that will make it difficult for local authorities to plan for the future. A stable funding mechanism for the short-term is likely to make it easier for councils to plan their financial reduction strategies.

3. Revenue Support Grant Top-Slice for Improvement Services to Local Authorities

3.1 Published on 25th August, the consultation asks for views on a Local Government Association (LGA) proposal which outlines that it (the LGA) or Local Government Improvement and Development (formerly the IDeA) should take over responsibility from the Government for how funding for national services for councils is spent. Currently, £45 million is top-sliced from Revenue Support Grant to support the following nine central organisations serving local government:

- Improvement and Development Agency for Local Government (IDeA)
- Employers' Organisation for Local Government
- Local Authorities Coordinators of Regulatory Services (LACORS)
- Public Private Partnerships Programme (4Ps)
- Fire Services Examinations Board
- Local Government International Bureau
- National Foundation for Educational Research in England and Wales
- National Institute of Adult Continuing Education
- National Youth Agency.

- 3.2 The principal elements of the LGA's proposal are:
- a) a reduction in annual top-slice funding. The LGA has suggested that the current total annual funding of £45m made up from RSG top-slice [£38m] and top-up from departments [£7m] could be reduced by 30% in return for the whole amount being paid to a single body and not ring-fenced. The final amount available will be determined by the Spending Review and is not part of this consultation.
 - b) A sole specified body, which is the recipient of all top-slice funding. It is proposed that this body should either be the LGA or Local Government Improvement & Development, LGID (formerly the IDeA).
 - c) The sole specified body will decide how best to use the funding to deliver objectives and key outcomes agreed with the Secretary of State for Communities and Local Government.
- 3.3 The LGA has suggested six objectives for top-slice funding
- Strong local economies
 - A smaller, less costly, more local state
 - Local Leaders galvanising social renewal
 - Increased productivity
 - Transformed workforce
 - A single system of self-regulation.
- 3.4 The proposal is part of the Local Government's Group's offer to the coalition which covers a series of measures for reducing red tape, making savings and devolving funding and responsibilities to the local level via place-based budgets. Subject to the consultation responses, the Secretary of State has already stated he is minded to accept the top-slicing proposals.
- 3.5 It is understood that the Regional Improvement and Efficiency Partnerships (RIEPs) are not included in the 'top-slice' proposals as they have been funded directly by CLG on a three-year basis. RIEPs have already received their third year funding totalling £67.5m for 2010/11. In total, by March 2011, the RIEP programme is projected to have saved up to £950m. If any elements of the REIP programme continue beyond March 2011, it would seem appropriate that funding be merged into these 'top-slicing' proposals.
- 3.6 The two specific consultation questions ask for comments on the principles of the top-slicing proposal and whether a sole specified body should be the LGA or LGID. The SEEC Executive's comments on the proposals are invited.

1 September 2010.