

SOUTH EAST ENGLAND COUNCILS EXECUTIVE MEETING



Date: 22 March 2016

Subject: **Devolution & funding: future prospects for the South East**

Report of: Nick Woolfenden, Head of Policy Co-ordination and Emma Sutton, Admin & Policy Support Officer

Recommendations:

Members are asked to:

- i) Welcome speakers and take the opportunity to discuss key issues on the future of local government finance and devolution.
- ii) Identify major issues and actions to shape future SEEC influencing work.

1. 2016-17 settlement – what would make funding more sustainable?

1.1 We are pleased to welcome Nicola Morton, LGA's Head of Local Government Finance, to discuss future local government funding with members. The Government [announced](#) the final 2016-17 local government finance settlement on 8 February, with core funding to councils nationally reducing by 28% (£2.7 billion).

1.2 Challenges remain in the South East to provide for the needs of the large and ageing population. However the final announcement included several welcome changes called for by SEEC and members:

- Transition funding in 2016-17 and 2017-18 to help councils most affected by changes, including 48 councils in the South East. This includes changes to ensure that no councils will face 'negative RSG' in the next two years.
- Confirmation that grant will be replaced by 100% retention of business rates by 2020.
- The ability for counties/ unitaries to raise an additional 2% social care council tax precept - important in the South East given the scale of ageing population/social care needs.
- Increases in Rural Services Delivery Grant – recognising extra costs in rural areas including parts of the South East – and allowing low tax-base districts the opportunity to raise an extra £5 on band D council tax without a referendum.
- The option for all councils to apply for longer-term 4 year settlements – Government deadline is 14 October 2016.
- A future review of the needs assessment formula to inform operation of tariffs and top ups, which may offer potential to redress imbalances in the current system which means the South East receives less central funding for services per resident than other areas.
- Consultation on localisation of planning fees for high performing councils – SEEC has previously called for councils to be able to fully cover costs, rather than subsidising developers.

1.3 **In discussion** members may wish to explore how SEEC could help influence key national policy to secure sustainable council funding in the South East, for example:

- Ensuring sufficient funding to meet the needs of the South East's population – the largest in the UK, with the highest numbers of residents aged 65+.
- Arrangements for future business rates retention, including how distribution will be managed eg. sector-led vs Government-led; and how to ensure there are economic growth incentives for South East councils in a system that currently relies heavily on tariffs charged against income.
- Addressing the implications for local business rate retention of 16 March Budget announcements re permanent increases in thresholds for business rate relief. Nationally this will see 600,000 small businesses pay no rates and a further 250,000 pay less. This has potential to reduce business rate income collected by South East councils (£3.5bn in 2015-16), although Government says councils can expect to be compensated for the loss.

- What are the most appropriate responsibilities for councils to fund via retained business rate income? For example, care and health or skills and infrastructure?
- Opportunities for councils to 'commercialise' and draw in other income streams, to reduce dependency on grants and/or council tax; and how to support local business growth to maximise potential of local business rate retention.
- Securing greater local investment in the infrastructure and housing that businesses need to drive further economic success.

2. Two tier devolution – update on Hampshire proposals.

- 2.1 We are pleased to welcome an update from Hampshire CC on devolution. SEEC Deputy Chairman and Hampshire Leader Cllr Roy Perry, and Hampshire Assistant Director for Devolution (Interim) James Strachan, will outline recent negotiations with Government.
- 2.2 In 2015, a devolution bid was submitted by a partnership comprising 15 local authorities, two Local Enterprise Partnerships and two National Park Authorities in the Hampshire and Isle of Wight areas (HIOW). Our speakers will update members on the current position of the bid and negotiations with Government on issues, including:
- Governance – Government pressure for an elected mayor, but some partners do not think a mayor is appropriate for such a large, diverse and rural area.
 - Area to be covered by the devolution deal – the initial proposal covered 15 local authority areas. More recently a subset has developed an alternative bid for the Solent area as they perceived that the HIOW bid was not making immediate progress due to the mayoral issue.
 - What devolved powers were sought/ offered – initial proposals were structured around four key themes: business and skills; housing delivery; infrastructure investment; and public service transformation, including Public Health.
- 2.3 **In discussion** members may wish to explore how Government is responding to the ambitions of South East bids, such as Hampshire, on aspects SEEC has previously made the case for:
- The need for devolution to encompass South East two-tier areas. The Chancellor's 16 March Budget announced new deals, including mayoral governance, for 2-tier areas in Greater Lincolnshire, East Anglia and West of England. However there were none in the South East.
 - Devolution in the South East to release additional economic potential through the ability to fund and target investment to build on existing success and tackle barriers to further growth.
 - Clear objectives, scope and assessment criteria for devolution proposals and the powers available to be devolved.
 - Freedom to explore alternatives to elected mayors, which are often not suited to South East circumstances.
 - The option to take over other public services to improve efficiency.