

Meeting Note: Local Government Association meeting Monday 18th October, 12:00pm-1pm

Attendees

Secretary of State (SofS)
Baroness Hanham (BH)

Cllr Sir Merrick Cockell, Chairman, Local Government Association (SMC)
Cllr Gary Porter, Vice-Chairman, Local Government Association (GP)
Cllr David Sparks OBE, Vice-Chairman, Local Government Association (DS)
Cllr Gerald Vernon-Jackson, Vice-Chairman, Local Government Association (GVJ)
Cllr Marianne Overton, Vice-Chairman, Local Government Association (MO)

Also Attending

Sir Bob Kerslake, Permanent Secretary, DCLG (SBK)
David Prout, Director-General, Localism Group, DCLG (DP)
Patrick White, Director, Local Government Policy and Productivity, DCLG (PW)
Simon Ridley, Director, Local Government Finance, DCLG (SR)

Stephen Jones, Director of Finance, Local Government Association (SJ)

Welcome

1. SofS welcomed the Local Government Association (LGA), particularly the new Vice-Chairman to the Department.
2. SofS thanked SMC and the LGA for organising the excellent Community Budgets conference on 17th October. He was very grateful to the LGA for the invitation to speak at the event.

Local Government Resource Review

3. SMC set out that the LGA supported the LGRR in principle. It is important that Local Authorities have the incentives to drive economic growth and greater local control over their finances.
4. The concern is that the new system becomes overly complex. The objective should be clarity, transparency and fairness and that the returns to growth are retained locally. The LGA would be very happy to support the Department as the policy is developed.
5. SMC raised two issues with 'set aside'. First the amount of money that was returned to HMT is potentially significant in 13/14, 14/15. Second, that Local Authorities would be required to absorb the impact of inflation if RPI growth is returned to the Exchequer.
6. SMC put forward three possible solutions for consideration:
 - a. Local Authorities retain real growth;
 - b. the 'set aside' funding is distributed to support growth; or,
 - c. the 'set aside' is used to fund services that are devolved to Local Government.

7. DS noted that for some the 'set aside' remains controversial.
8. SofS thanked the LGA for their contribution to the Review so far. HMG's immediate priority is reducing the deficit. The financial crisis in the Eurozone demonstrated the importance of sticking to the deficit reduction plan the Chancellor set out in the Spending Review. With regard to the 'set aside' HMG will look for scope to align it with other Local Government functions and at the next Spending Review to look for further options to ensure the 'set aside' is still more closely aligned with Local Government functions.
9. SMC felt that, should this be the case, it would be important to avoid the risk of double counting. Further clarity on the position following the next Spending Review would be helpful in due course.
10. SJ noted the importance of the forthcoming forecast national business rates. SMC underscored the need to ensure this was accepted as fair.
11. MO noted that fairness was fundamental. She supported the principle of linking economic growth to the funding of local authorities. She noted that in her view there was a challenge for areas of high need to improve and grow their economy. She felt it was important that the system was clear and noted that the proposal was to start from the position of existing floors and ceilings which many felt are unfair. She noted that increasing business rate income was not necessarily linked to increasing the number of businesses in an area.
12. MO proposed two solutions for consideration:
 - a. RPI should be taken into account when calculating the levy; and,
 - b. an independent body should manage redistribution.
13. SofS noted that the proposed system would include a substantive element of redistribution. His view is that it would be important to retain sufficient incentives in the system local authorities to grow their local authorities and that any incentive effect should be as immediate as possible, hence a longer period between resets.
14. SofS' view is the key decision will be the length of time between resets. In his initial view there is a trade off between a longer period between resets and the level of the tariff. His initial view is that it would be preferable to aim for stability in the system.
15. Turning to the question of redistribution, SofS noted that the transfers within the Local Government finance system are not the only options for supporting growth. For example, the Regional Growth Fund is able to provide swift targeted support. He also noted that the existing system of needs assessment relies in many cases on data which is several years old. SofS agreed that it was important the new system was clear and transparent.
16. [Information redacted]

17. Summing up, SofS noted that he had been very impressed by the quality of the responses to the consultation from Local Authorities and wanted to make rapid progress on the basis of as much consensus as possible and that he was always open to holding meetings with the LGA to discuss remaining issues. SMC noted he had been similarly impressed by the quality of the Technical Papers and that the LGA wanted to make the reforms to local government finance work.

The localisation of Council Tax Benefit

18. SMC set out that the LGA were in principle supportive of the localisation of Council Tax Benefit (CTB). They felt that the risk was a small number of current claimants would bear the cost of the ten per cent saving set out in the Spending Review.

19. The LGA would like greater local flexibility over Council Tax exemptions and discounts.

20. SMC set out that in his opinion Local Authorities could be the key face-to-face service in the operation of Universal Credit (UC).

21. GVJ was concerned that targeting the required saving on people in receipt of CTB in work could have a downside impact on work incentives.

22. GVJ concurred with SMC, Local Authorities should have greater discretion over Council Tax exemptions and discounts, such as the student exemption.

23. GVJ said the LGA disagreed with the proposal some have suggested that CTB be included in UC.

24. GVJ's view is that Local Authorities are ideally placed to support the operation of Universal Credit as they have a wide geographic spread in comparison to Job Centre Plus.

25. SofS felt a very persuasive case had been made.

26. SofS was happy to consider Local Authorities potential role in the operation of UC with colleagues.

Recovery from civil disturbances

27. SofS praised Local Authorities excellent response to the civil disturbances in August.

28. With regard to the High Street Recovery fund, SofS had been made aware of some suggestions that a small number of Authorities had concerns they would not be reimbursed and were consequently holding off making any payments. He wanted to reassure Authorities this was not the case.

29. SofS noted that DCLG is keen to extend the funding beyond recovery to enabling Local Authorities in affected areas to promote their high streets in the run up to the Christmas period.
30. SMC offered support in conveying this message. [**Action** – James Cruddas/[Information redacted] to inform the LGA of the authorities where we have received suggestions there may be some delay distributing funding]

Open Public Services

31. SofS noted that the Open Public Services implementation plan will be published shortly and that he would be grateful for suggestions for examples of services that could be considered for further decentralisation.
32. SMC suggested that the right to challenge to run services could be extended to Local Authorities, so for example, a Local Authority could bid to run Highways Agency services in their area. SofS agreed to consider this suggestion. [**Action** – [Information redacted]
33. GVJ was concerned that the right to challenge could be used by large firms rather than voluntary and community sector bodies. SofS confirmed this was not the case.
34. In conclusion, SofS thanked attendees for coming to the meeting and welcomed the helpful and constructive discussion.

[Information redacted]
Private Secretary
18/10/11