

Annex A: Summary Note of Meeting with Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government – Wednesday 13 January 2016

PURPOSE

1. The Secretary of State for Communities & Local Government wished to engage with members on the Local Government Finance Settlement, which was currently out for consultation.

KEY POINTS PUT FORWARD BY THE SECTOR

2. Members agreed to focus the debate on four key issues of highest concern and where clarity was required. Members made detailed representation of the following areas:
 - 2.1 The overall funding profile of the Local Government Finance Settlement.
 - 2.2 Issues around the transition from current funding arrangements to future arrangements.
 - 2.3 Risks to the sector around 100% retention of business rates.
 - 2.4 Wider funding issues and cost pressures, including new responsibilities placed on local government.

SECRETARY OF STATE'S RESPONSE

3. In responding to the issues raised by LGA Members, the Secretary of State provided clarity on a number of issues. These included:

Local Government Finance Settlement

4. The government had proposed a four year Local Government Finance Settlement to provide financial flexibility and stability to councils, and allow for greater long term planning. Councils accepting a four year Settlement would be required to submit an efficiency plan which should demonstrate what they could deliver over the period which would not have been possible to deliver with an annual settlement.
5. It was not possible to bring forward any funding which was allocated for future years, as the Spending Review set out what money was available for particular years and particular schemes.

New Home Bonus

6. The New Homes Bonus programme was a policy introduced by the last Parliament but there was no certainty it would continue indefinitely. It was a useful source of revenue for councils and would continue in its current form in 2016/17. It would be for the LGA to make representations through the response to the Settlement on whether the New Homes Bonus should continue, and DCLG would consult on proposals to reform the New Homes Bonus post 2016/17.

Council Tax

7. It was anticipated that the 2% council tax referendum limit would continue, although it would be for individual local authorities to decide if they wished to raise council tax by the maximum amount (without triggering a referendum) year on year. It was assumed that 100% of all eligible councils would levy an additional 2% social care precept.

Business Rates

8. In planning the Settlement the government had made the cautious assumption that business rate growth would be in line with inflation, but experience had suggested that business rates for every local authority in the country were in advance of inflation.
9. The issue of business rate appeals was not part of the consultation on the Settlement, and would potentially be an issue for councils whatever the outcome of the Settlement consultation.

Reserves

10. Different local authorities had different levels of reserves, and the amount of reserves had generally increased across the sector in recent years due to the unpredictability of the Settlement. Reserves could be used to smooth the reduction in funding, although the OBR had not made any assumptions on local authorities' use of reserves. It was hoped that, by bringing forward a four year Settlement, councils would be able to release some money from their reserves as there was less risk to budgets than in a one year Settlement.

Distribution and Equalisation

11. Members restated the offer (which had been made at the previous meeting between Members of the City Regions Board and the Secretary of State) to work closely with DCLG to create a model for business rate distribution which would provide an equitable distribution of resources across all areas and authority types. The offer was welcomed by the Secretary of State, and he highlighted that the principles for business rates reform would be the next priority for DCLG when the consultation on the Settlement had been completed.

Apprenticeships and Skills

12. The Secretary of State welcomed proposals that local government could play a major part in developing apprenticeship schemes and addressing the skills shortage, although these issues were not directly in the scope of the consultation on the Settlement. DCLG would consider any collective proposals from the sector on skills and apprenticeships, and Devolution discussions with individual regions regarding skills would also continue.

Housing

13. It was recognised that house building schemes of all types were vital, and offers from local authorities to support this were welcomed. The government already had an agreement with Housing Associations, and it was suggested that a further meeting with LGA representatives specifically on the topic of housing be held in future.

Present

DCLG: Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government
Colette Beaupre, Private Secretary
Maxwell Soule
Farhad Chikhalia
David Godfrey

LGA Members:

Conservative	
Cllr John Beesley	Bournemouth Borough Council
Cllr Donna Jones JP	Portsmouth City Council
Labour	
Cllr Helen Holland	Bristol City Council
Cllr Sir Albert Bore	Birmingham City Council
Cllr Simon Letts	Southampton City Council
Cllr Nick Forbes	Newcastle upon Tyne City Council
Cllr Roger Lawrence	Wolverhampton City Council
Independent	
Cllr Marianne Overton MBE	Lincolnshire County Council

Apologies: Ruth Dombey (Liberal Democrat), London Borough of Sutton

LGA: Sarah Pickup Deputy Chief Executive
Ian Hughes Head of Policy
Rebecca Cox Principal Policy Adviser
Paul Goodchild Assistant Member Services Manager