

London Councils

Minutes of the London Councils Leaders' Committee held on 2 June 2015
Mayor Jules Pipe chaired the meeting

Present:

BARKING AND DAGENHAM
BARNET
BEXLEY
BRENT
BROMLEY
CAMDEN
CROYDON
EALING
ENFIELD
GREENWICH
HACKNEY
HAMMERSMITH & FULHAM
HARINGEY
HARROW
HAVERING
HILLINGDON
HOUNSLOW
ISLINGTON
KENSINGTON & CHELSEA
KINGSTON
LAMBETH
LEWISHAM
MERTON
NEWHAM
REDBRIDGE
RICHMOND UPON THAMES
SOUTHWARK
SUTTON
TOWER HAMLETS
WALTHAM FOREST
WANDSWORTH
WESTMINSTER
CITY OF LONDON
LFEP A

Cllr Darren Rodwell
Cllr Richard Cornelius
Cllr Teresa O'Neill
Cllr M. A. Butt
Cllr Stephen Carr
Cllr Sarah Hayward
Cllr Tony Newman
Cllr Julian Bell
Cllr Doug Taylor
Cllr Denise Hyland
Mayor Jules Pipe
Cllr Stephen Cowan
Cllr Claire Kober
Cllr David Perry
Cllr Roger Ramsey
Cllr David Simmonds
Cllr S. Curran
Cllr Richard Watts
Cllr Nicholas Paget-Brown
Cllr Kevin Davis
Cllr Lib Peck
Mayor Sir Steve Bullock
Cllr Stephen Alambritis
Cllr Ken Clark
-
Cllr Lord True
Cllr Peter John
Cllr Ruth Dombey
-
Cllr Clyde Loakes
Cllr Ravi Govindia
Cllr Philippa Roe
Mr Mark Boleat
-

Apologies:

HILLINGDON
NEWHAM
WALTHAM FOREST

Cllr Ray Puddifoot MBE
Mayor Sir Robin Wales
Cllr Chris Robbins

Ex officio (under the provisions of Standing Order 2.2)

CAPITAL AMBITION
GRANTS

Mr Edward Lord JP OBE CC
Cllr Paul McGlone

Officers of London Councils were in attendance.

1. Declarations of interest

No interests were declared.

2. Minutes of Leaders' Committee meeting held on 24 March 2015

Cllr Carr (Conservative, Bromley) asked for an update on item 4 of the minutes *No Recourse to Public Funds*. The Chief Executive informed Cllr Carr that there had been something of a hiatus in activity with the general election but that work continued with a network of local authorities and the case continued to be made to the Home Office. He undertook to provide Cllr Carr with a more detailed update.

Leaders' Committee agreed the minutes of the meeting held on 24 March 2015

3. Business Rates Review discussion paper: response

The Chair introduced the report saying its purpose was to seek approval for the London Councils response to the Government's discussion paper on business rates. He went on to say that he understood that Westminster had made representations and asked Cllr Philippa Roe (Conservative, Westminster) to comment. She informed the meeting that her borough, along with other local authorities and private sector partners, were submitting a response. London Councils had also been involved in this work.

Leaders Committee agreed the formal London Councils response to the discussion paper.

4. Assessing Future Funding Options for Local Government: Update

The Corporate Director, Policy and Public Affairs introduced the report saying:

- The approaching end of the current Spending Round period (2015-16) represented a significant moment for London local government to influence government thinking about the future financial relationship between central and local government
- In anticipation of the forthcoming Spending Review 2015, Leaders Committee had considered a report in March, highlighting some of the issues that could potentially

emerge from efforts to reform how local public services were funded. While there were no current commitments to wholesale reform, London Councils officers had been commissioned to further consider how fiscal reform could support London local government during what would undoubtedly remain a challenging financial climate. They have focused their work on the four principal elements of the current finance system:

- The grant regime
 - The role of financial incentives
 - Council tax, and
 - Business rates
- It had been reported that London local government faced a financial pressure of £3.4 billion from 2012-13 to 2019-20. This report updates that previous modelling to show the gap is now estimated at £2.4 billion (over a shorter time period 2014-15 to 2019-20). The current modelling prudently assumed local government funding would share some of the anticipated growth in public spending in 2019-20 (outlined by the government in the Budget 2015), that each borough would raise its council tax by 1.5 per cent each year and that business rates would continue to grow. None of these assumptions, however, might turn out to be what happened in fact.
- Historically, the distribution of funding had been wholly driven by an assessment of 'need' and the unique and relative characteristics of an area. When the formula was frozen in April 2013, there was a clear shift from need as the key determinant of funding levels to one where certain behaviours were incentivised such as the growth of the domestic and/or non-domestic taxbase (New Homes Bonus and business rates retention respectively).
- London Councils officers had undertaken analysis to consider the extent to which local population, demographics and other characteristics had changed since the formula was frozen in 2013. From this work, it was clear that there were two factors which had the most significant impact on pre-damping funding levels in London. These were population estimates and taxbase figures.

Cllr Ravi Govindia (Conservative, Wandsworth) questioned whether any strategy existed to bridge the £2.4bn gap set out in the report and argued that an upfront commitment to reduce

costs, as local government had sought to do for the past four or five years, would assist in the dialogue with government.

Cllr Doug Taylor (Labour, Enfield) argued that each borough may have a different response to the questions posed in the report on the four areas of concern - the grant regime, the role of financial incentives, Council tax, and Business rates – and time was short to provide a proper answer to these questions which he would prefer to answer in a more structured way. As an example he would have particular issues on the question of damping.

Cllr Richard Cornelius (Conservative, Barnet) agreed with Cllr Taylor and expressed his particular concern with Council Tax which he found illogical but acknowledged that nothing had been proposed to replace it that did not involve ‘winners’ and ‘losers’ and the points made in paragraphs 34-36 of the report on Council Tax were a real political challenge.

Cllr Philippa Roe (Conservative, Westminster) also agreed and pointed out that differences between boroughs were not so much party political, but likely to be based as much on some other factor, such as whether the council was in inner or outer London.

Cllr Nicholas Paget-Brown (Conservative, Royal Borough of Kensington and Chelsea) saw Council Tax as a property tax that did not reflect the fact that one significant difference between London and other UK urban areas was in the number of visitors it received, which the grant regime failed to take into account.

The Chair summed up by saying that this was not simply an argument for more resources but how resources were divided up and proposed a way forward; that in the short term the London Councils submission in respect of the 2015 Spending Review would focus on the broader arguments that united London and London local government. For the medium term, the views of all boroughs should be sought, and in particular the view of Leaders not just the Treasurers, to the wider questions asked in the report. A judgement could then be reached on whether there was scope for some further collective reflection on those points going forward. Leaders’ Committee agreed to note the report and seek the written views of London local authority leaders on the medium term issues.

5. Minutes and Summaries

Leader's Committee agreed to note the draft minutes and summaries:

- Audit Committee – 19 March 2015
- TEC – 19 March 2015
- Grants Committee – 25 March 2015
- Pensions CIV Sectoral Joint Committee – 25 March 2015

Leaders' Committee resolved to exclude the press and public.

The meeting, which had begun at 11:45, ended at 12:00 noon.

Action Points

Item		Action	Progress
3.	Business Rates Review discussion paper: response <ul style="list-style-type: none"> • Submit the response to government. 	Fair Funding	Done (08/06/15)
4.	Assessing Future Funding Options for Local Government: Update <ul style="list-style-type: none"> • Seek the written views of London local authority leaders. 	Fair Funding	Reminder letter from Chair sent to Leaders and Chief Executives (29/06/15) asking for written responses by the end of August (to be sent to London Councils' Chief Executive)