



Government
Association

Resources Board

Agenda

Friday, 22 September 2017
11.00 am

5th Floor Conference Suite, 5th Floor (South side), Layden House, 76-86 Turnmill Street, London, EC1M 5LG

Guidance notes for members and visitors

Layden House, 76-86 Turnmill Street, London, EC1M 5LG

Please read these notes for your own safety and that of all visitors, staff and tenants.

Welcome!

Layden House is located directly opposite the Turnmill Street entrance to Farringdon station, which is served by the Circle, Hammersmith & City, and Metropolitan lines as well as the Thameslink national rail route.

Security

Layden House has a swipe card access system meaning that a swipe enabled security passes will be required to access the lifts and floors 1-5.

Most LGA governance structure meetings will take place on the **ground floor** of Layden House which is open access and therefore does not require a swipe enabled security pass. **Access** to the rest of the building (floors 1-5) is via swipe enabled security passes.

When you visit Layden House, **please report to Reception** and they will provide you with a temporary pass which will allow you access to floors 1-5 if required. **Please don't forget to sign out at reception and return your security pass when you depart.**

If you do not have a LGH Security Pass, please email [member services](#) with your name and a recent photo and a pass will be made for you. You can pick this up from the Layden House reception desk on your next visit.

Fire instructions

In the event of the fire alarm sounding, vacate the building immediately via the nearest fire exit onto Turnmill Street and take the next turning on your left – Benjamin Street to St John's Gardens.
DO NOT USE THE LIFTS.
DO NOT STOP TO COLLECT PERSONAL BELONGINGS.
DO NOT RE-ENTER BUILDING UNTIL AUTHORISED TO DO SO.

Soft Seating Area

There is a small soft seating area on Floor 2 which will also operate as an 'Open Council' area for visiting members and officers from member councils. Please note however that unlike Open Council, this area does not have tea and coffee facilities, nor access to computers.

Toilets

There are accessible toilets on the Ground Floor, 2nd and 4th floors.

Accessibility

If you have special access needs, please let the meeting contact know in advance and we will do our best to make suitable arrangements to meet your requirements.

Parking is available at the rear of the building for Blue Badge holders, accessed via the Turks Head Yard, North underpass. Disabled WCs are situated on the ground and 4th floors. An induction loop system is available in the 5th floor conference venue. For further information please contact the Facilities Management Helpdesk on 020 7664 3015.

Guest WiFi in Layden House

WiFi is available in Layden House for visitors. It can be accessed by enabling “Wireless Network Connection” on your computer and connecting to LGA-Free-WiFi. You will then need to register, either by completing a form or through your Facebook or Twitter account (if you have one). You only need to register the first time you log on.

Further help

Please speak either to staff at the main reception on the ground floor, if you require any further help or information. You can find the LGA website at www.local.gov.uk

Why have the LGA’s Headquarters moved?

The LGA has temporarily relocated from Local Government House (LGH) in Smith Square to Layden House in Farringdon, effective from Monday 31 October 2016. This is to allow extensive refurbishment work to be carried out to LGH.

The refurbishment works will see the ground floor conference centre and all meeting rooms fully refurbished. Floors 1, 2 and 3 will be upgraded and released for commercial letting to enable the LGA to maximise the income from this building as part of its drive for financial sustainability. A new and larger Open Council will be located on the seventh floor. The refurbishment is expected to last for twelve months and we expect to be back in LGH by October 2017.

We appreciate your understanding and flexibility during this time.

Resources Board

22 September 2017

There will be a meeting of the Resources Board at **11.00 am on Friday, 22 September 2017** 5th Floor Conference Suite, 5th Floor (South side), Layden House, 76-86 Turnmill Street, London, EC1M 5LG.

A sandwich lunch will be available following the meeting.

Attendance Sheet:

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Political Group meetings:

The group meetings will take place in advance of the meeting. Please contact your political group as outlined below for further details.

Apologies:

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

Conservative:	Group Office: 020 7664 3223	email: lgaconservatives@local.gov.uk
Labour:	Group Office: 020 7664 3334	email: Labour.GroupLGA@local.gov.uk
Independent:	Group Office: 020 7664 3224	email: independent.grouplga@local.gov.uk
Liberal Democrat:	Group Office: 020 7664 3235	email: libdem@local.gov.uk

Location:

A map showing the location of Layden House is printed on the back cover.

LGA Contact:

Paul Goodchild
0207 664 3005 / paul.goodchild@local.gov.uk

Carers' Allowance

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £7.50 per hour is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

Resources Board – Membership 2017/2018

Councillor	Authority
Conservative (8)	
Cllr John Fuller (Vice Chairman)	South Norfolk District Council
Cllr Philip Atkins OBE	Staffordshire County Council
Cllr Hilary Carrick	Cumbria County Council
Cllr Barry Macleod-Cullinane	Harrow Council
Cllr Roger Phillips	Herefordshire Council
Cllr Byron Rhodes	Leicestershire County Council
Cllr David Williams	Hertfordshire County Council
Cllr David Finch	Essex County Council
Substitutes	
Cllr James Gartside	Rochdale Metropolitan Borough Council
Cllr Andrew Leadbetter	Exeter City Council
Cllr Judith Oliver	North Norfolk District Council
Labour (7)	
Cllr Claire Kober OBE (Chair)	Haringey Council
Cllr Rishi Shori	Bury Metropolitan Borough Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Sian Timoney	Luton Borough Council
Cllr Tom Beattie	Corby Borough Council
Cllr Sarah Hayward	Camden Council
Cllr Peter Marland	Milton Keynes Council
Substitutes	
Cllr Amanda Serjeant	Chesterfield Borough Council
Liberal Democrat (2)	
Cllr Claire Hudson (Deputy Chair)	Mendip District Council
Cllr Adam Paynter	Cornwall Council
Substitutes	
Cllr Simon Shaw	Sefton Metropolitan Borough Council
Independent (1)	
Cllr Graham Whitham (Deputy Chair)	Sutton London Borough Council
Substitutes	
Cllr Gillian Corr	Stockton-on-Tees Borough Council

Agenda

Resources Board

Friday 22 September 2017

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Date of Next Meeting: Monday, 4 December 2017, 11.00 am, Smith Square
1&2, Ground Floor, Local Government House, Smith Square, London, SW1P
3HZ



Membership and Terms of Reference for 2017/18

Purpose

For discussion and decision.

Summary

For members to note the membership and agree the Terms of Reference of the Board for 2017/18.

Recommendation

The Resources Board is asked to:

- 1) Note the membership of the Board for 2017/18; and
- 2) Agree the Board's terms of reference for 2017/18.

Action

Officers to take any actions as required.

Contact officers: Paul Goodchild
Position: Member Services Manager
Phone no: 0207 664 3005
E-mail: paul.goodchild@local.gov.uk

Resources Board – Membership 2017/18

Councillor	Authority
Conservative (8)	
Cllr John Fuller (Vice Chairman)	South Norfolk District Council
Cllr Philip Atkins OBE	Staffordshire County Council
Cllr Hilary Carrick	Cumbria County Council
Cllr Barry Macleod-Cullinane	Harrow Council
Cllr Roger Phillips	Herefordshire Council
Cllr Byron Rhodes	Leicestershire County Council
Cllr David Williams	Hertfordshire County Council
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Cllr Sarah Hayward	Camden Council
Cllr Peter Marland	Milton Keynes Council
Cllr Rishi Shori	Bury Metropolitan Borough Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Sian Timoney	Luton Borough Council
Substitutes	
Cllr Christopher Massey	Redcar & Cleveland Borough Council
Cllr Amanda Serjeant	Chesterfield Borough Council
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Cllr Adam Paynter	Cornwall Council
Substitutes	
Cllr Simon Shaw	Sefton Metropolitan Borough Council
Independent (1)	
Cllr Graham Whitham (Deputy Chair)	Sutton London Borough Council
Substitutes	
Cllr Gillian Corr	Stockton-on-Tees Borough Council

Terms of Reference: Resources Board

The LGA's Resources Board will shape and develop the Association's policies and programmes in line with the LGA priorities in relation to: Local Government Finance; Welfare Reform; EU Funding and Workforce issues.

Specific responsibilities

- Local Government Finance: issues relating to the financing of local government expenditure.
- Welfare Reform: issues relating to welfare reform.
- EU Funding: issues relating to the future design and delivery of funding currently sourced from the EU.
- Workforce Issues: including pay and reward; productivity; pensions; the role and responsibilities of the employers the LGA represent; workforce development; equalities; and other strategic workforce challenges.

Operational accountabilities

Boards will seek to involve councillors in supporting the delivery of these priorities (through task groups, Special Interest Groups (SIGs), regional networks and other means of wider engagement); essentially operating as the centre of a network connecting to all councils and drawing on the expertise of key advisors from the sector.

The Resources Board will be responsible for:

1. Ensuring the priorities of councils are fed into the business planning process.
2. Developing a work programme to deliver their brief, covering lobbying, campaigns, research, improvement support and events and linking with other boards where appropriate.
3. Sharing good practice and ideas to stimulate innovation and improvement.
4. Representing and lobbying on behalf of the LGA, including making public statements on its areas of responsibility.
5. Building and maintaining relationships with key stakeholders.
6. Involving representatives from councils in its work, through task groups, Commissions, SIGs, regional networks and mechanisms.
7. Responding to specific issues referred to the Board by one or more member councils or groupings of councils.
8. Providing views, as appropriate, to inform the decision making responsibilities of the national negotiating committees and the Local Government Pension Committee.



The Resources Board may:

- Appoint members to relevant outside bodies in accordance with the Political Conventions.
- Appoint member champions from the Board to lead on key issues.

Quorum

One third of the members, provided that representatives of at least 2 political groups represented on the body are present.

Political Composition

Conservative group:	8 members
Labour group:	7 members
Liberal Democrat group:	2 members
Independent group:	1 member

Substitute members from each political group may also be appointed.

Frequency per year

Meetings to be five times per annum.

Reporting Accountabilities

The LGA Executive provides oversight of the Board. The Board may report periodically to the LGA Executive as required, and will submit an annual report to the Executive's July meeting.

Resources Board Priorities and Work Programme 2017/18

Purpose

For discussion and agreement.

Summary

This report outlines proposals for the Board's priorities and key areas of work, set against the available resources.

Recommendation

That the Resources Board agree its priorities and work programme for the 2017/18 meeting cycle.

Action

Officers to take any actions as required.

Contact officers: Sarah Pickup
Position: Deputy Chief Executive
Phone no: 0207 664 3109
E-mail: Sarah.Pickup@local.gov.uk

Resources Board Priorities and Work Programme 2017/18

Background

1. The Local Government Association's (LGA) Boards engage with and develop a thorough understanding of councils' priorities in relation to their particular programme area. They also help shape our business plan and, through extensive engagement with councils, oversee programmes of work that deliver the strategic priorities set by the LGA Executive.
2. The LGA's Resources Board shapes and develops the Association's policies and programmes in line with the LGA priorities in relation to: Local Government Finance; Welfare Reform; EU Funding; and Workforce.
3. At this first meeting of the Resources Board for the 2017/18 meeting cycle, members are asked to consider the policy priorities for the work programme for the coming year. In making these decisions, members are asked to consider specific policy priorities based on the remit of this Board, as well as the wider priorities of the LGA.

Board Work Programme and Resources

4. This report sets out a suggested work programme for the Board that will help deliver the LGA's Business Plan priorities. Members are asked to consider the following priorities and projects listed in the below table as the Board's focus for the coming year.

Workforce	
This work stream is organised into three strands: pay and negotiations support; pension policy and strategic workforce issues.	
Pay and negotiations	<ul style="list-style-type: none"> • Continue to support councils in obtaining value for money in their pay bill by negotiating fair and affordable pay agreements, covering a wide range of negotiating bodies. • Complete the work of developing and agreeing a new pay structure for Local Government Services taking account of the National Living Wage. • Complete work on broadening the role of firefighters through a longer term pay agreement. • Continue to coordinate responses to consultation on changes to employment law and regulations.
Pensions	<ul style="list-style-type: none"> • Combining the £200 billion assets of the 88 pension funds in England and Wales into 7 or 8 pools ensuring that there is no reason for the Secretary of State to intervene in investment matters. • LGPS to be a leading player in the implementation of cost transparency across the entire institutional investor space Also focused on implications for exit payment reform on LGPS and outcome of scheme cost management process.
Workforce Strategy	<ul style="list-style-type: none"> • Continue to advise and assist councils in modernising their approaches to organisational design, pay and rewards and other

	<p>workforce development issues.</p> <ul style="list-style-type: none"> • Complete development of refreshed local government workforce strategy to support modernisation. • Focus on workforce issues arising from public service reform, for example through completing work on a set of employer standards for public health. • Continue to provide support to councils to address skills gaps and skill shortages issues, focusing on apprenticeship take up/standards and delivering the second phase of the 'Return to Social Work' campaign for example. • Focus on support for councils needing to improve their HR services. • Continue to review and enhance our chargeable support offer.
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Local Government Finance	
	<p>Local Government Funding: analysing and developing an evidence base on the financial situation of local authorities. This includes maintaining and refining the funding gap analysis, supporting the work of other Boards on service-specific issues and related work and research.</p>
	<p>Business Rates Retention: a long term work programme looking at issues such as securing extra business rates, designing the retention system, managing risks and incentives.</p> <p>Provided the Government confirms its intention to continue with this policy, this is the main priority for the work of the Local Government Finance Team. This work is also being considered by the Business Rates Task and Finish Group, Leadership Board and Executive.</p>
	<p>Other Business Rates Issues: focusing, in the most part on, changes to the appeals system including: Check, Challenge and Appeal; more frequent revaluations, digitalisation of valuation; and other issues such as flexibility around reliefs. Given the impact of these changes on local authority income this work is a priority.</p>
	<p>Fair Funding Review: focusing on ensuring the Government conducts its Fair Funding Review in an open, transparent and timely fashion with all parts of local government having an opportunity to provide evidence and state their case. The results of the review will contribute towards setting individual local authority funding levels in the next decade.</p> <p>This is a priority for the LGA. This work is also being considered by the Business Rates Task and Finish Group, Leadership Board and Executive.</p>
	<p>Local Government Finance Settlements: analysis of the annual local government finance settlement, on the day briefing, responding to the consultation/s, parliamentary work and the annual finance conference.</p>
	<p>Local Government Finance Contributions to set pieces: Spending Review, Autumn Budget submissions and on the day briefings.</p>
	<p>Capital Financing: To influence thinking and formulate policy improvements to suggest to Government in the area of financing capital and infrastructure, and to contribute to national reviews of capital finance.</p>

EU Funding	
	The Board's priority for 2017/18 will be to take forward a strong ask to the new government that EU funding successor arrangements under the proposed United Kingdom Shared Priority Fund (UKSPF) should enable an ambitious reworking of all local regeneration funding into a single pot arrangement, that affords maximum flexibility to target need and tailor support where it has best impact.

Welfare Reform	
	<p>Deliver a programme of work in response to the findings in our reports on the cumulative impact of welfare reform. This will include:</p> <ul style="list-style-type: none"> • Continuing to lobby for a life in the LHA freeze and review of Housing Benefit, including a shift of emphasis on to the creation of genuinely affordable housing, and increasing income from employment; • Continuing to make the case for devolution of employment and skills support for the most disadvantaged jobseekers; • Proposals for the design of a properly recognised and adequately resourced local safety net, including a review of Discretionary Housing Payment and Universal Support and closer integration with key Government programmes including Troubled Families and social justice; and • Work with Public Health colleagues on food poverty and health inequalities.
	Completion in September 2017 of the review of the costs of housing benefit administration to inform future funding and secure effective recognition of the longer-term role of councils in benefits administration.
	Continue to ensure that challenges arising from the implementation of Universal Credit are recognised and funded, and that councils have both the information and the funding to support claimants.

Financial implications

5. This programme of work will be delivered with existing resources. Additional supporting projects may be commissioned subject to funds being available from a small directorate / team budget.



DCLG Technical Consultation on the 2018/19 Local Government Finance Settlement

Purpose of report

For discussion.

Summary

This report sets out the key points contained within the Government's technical consultation on the 2018/19 local government finance settlement and asks members for views on positions to take in the LGA's response.

Recommendation

That the Resources Board discuss the consultation document and provide comments on the LGA's future response to the consultation.

Action

Officers to proceed as directed.

Contact officer: Nicola Morton
Position: Head of Local Government Finance
Phone no: 020 7664 3197
Email: nicola.morton@local.gov.uk

DCLG Technical Consultation on the 2018/19 Local Government Finance Settlement

Introduction

1. The Department for Communities and Local Government has published a technical consultation on the 2018/19 local government finance settlement. Such consultations are regular events in the local government finance calendar, but normally take place during the summer.
2. The consultation does not include draft grant allocations, but confirms the Government's intention to continue with the four-year funding deal announced in December 2015. The four-year deal covers financial years from April 2016 to March 2020 and covers revenue support grant, business rates top-ups and tariffs (except technical adjustments such as due to the revaluation), transitional grant and rural services delivery grant. The consultation discusses a number of technical matters related to the settlement which are set out below.
3. The consultation was published on 14 September, with a deadline for responses of 26 October. This paper provides some suggested lines the LGA could take in response, based on previous policy lines, for initial comments by members of the Resources Board and sets out the next steps in the development of the response before formal submission in October.

Matters discussed in the consultation document

4. New Homes Bonus (NHB)

- 4.1 The initial threshold below which NHB will not be paid was set at 0.4 per cent for 2017/18. The baseline for 2018/19 will be set at the time of the provisional settlement, with the implication that it could be increased.
- 4.2 In addition, the Government is considering how to introduce other adjustments to new homes bonus as per its 2016 consultation. In particular, it is consulting on the basis on which adjustments to the new homes bonus should be made to reflect development that was permitted after an appeal and review by the Planning Inspectorate.
- 4.3 One option is to reduce the bonus on the basis of the particular developments that are granted permission upon appeal. Another option is to look at the overall percentage of revised decisions and then apply a reduction to the total new homes bonus for a local authority on this basis. While officers are still analysing what different outcomes the two options could lead to, there is likely to be a distributional consequence depending on the value of developments which are granted permission upon appeal.

The consultation also asks whether these adjustments should apply to National Parks Authority areas, county councils and areas with development corporations.

5. **Council tax referendum principles.** The government proposes to keep the core principle at 2 per cent; and are considering whether this should be extended to mayoral combined authorities (MCAs). The adult social care precept would remain at an additional 2 per cent with additional flexibility to increase the precept by 1 per cent to 3 per cent in 2018-19, provided that increases do not exceed 6 per cent between 2017-18 and 2019-20. Shire districts and the police would be allowed an increase up to the higher of 2 per cent or £5 on a Band D household.
6. **Council tax precepts for Mayoral Combined Authorities (MCAs).** With the agreement of the Combined Authority (with the exception of the West of England), directly elected Combined Authority Mayors can raise a council tax precept from 2018/19, depending on what functions they have. The Government is considering applying referendum principles to MCAs and therefore will set notional amounts for 2016/17 to give a baseline on which to assess increases. The Government will engage with mayors and authorities before setting these.
7. **Transfers of functions to Police and Crime Commissioners (PCCs).** This deals with the situation where a county fire service may transfer to a PCC. This would mean recalculating settlement amounts and would also require alternative notional amounts to separate council tax attributable to the fire service from overall council tax levied by the county council. The Government also proposes a technical adjustment to ensure there is no effect on the adult social care precept in these circumstances.
8. **Adjusting for the business rates revaluation.** This follows on from the 2017 revaluation and the adjustments to top-ups and tariffs made in the 2017/18 settlement. It confirms that the same methodology will be used for 2018/19 settlement. This will mean some adjustment to the 2017/18 tariff and top-up to reflect the final rating list on April 1st 2017 and will also feed into the 2018/19 tariffs and top-ups. The document also confirms that the levy rates will be set on the basis of the recalculated top-ups and tariffs. This could mean some change in levy rates for individual councils.

Initial draft outline LGA response and next steps

9. Based on previous policy positions, the following are some lines which could be used in the response to the consultation. Some of these lines are contained within the LGA's Autumn Budget submission, expected to be published on the day of the meeting of the Board. They exclude some of the more technical matters, such as those outlined in paragraphs 7 and 8 above.

9.1. Multi-year settlements

- 9.1.1 The LGA welcomed the principle of the four year settlement offer made in December 2015. We have long called for local government to have the same

planning horizon as central government. Financial certainty for local authorities in the current financial environment is vital.

9.1.2 This is year 3 of the 4 year deal and there is yet no clarity over funding levels in 2020/21 and beyond. This uncertainty hampers meaningful financial planning and is leaving councils in a perilous situation at a time when government grant funding is the lowest it has been for decades and local services are facing a £7.1 billion funding gap by the 2019/20.

9.1.3 It is imperative that the Government provides a clear timeline for when local authorities can expect decisions over funding levels, both nationally and locally, in 2020/21 and beyond and that the draft local government finance settlement and final local government finance settlement for 2018/19 are announced significantly sooner than they have been in recent years.

9.1.4 We continue to believe the offer should include all the other main grants allocated to local authorities. In addition to the grants already included in the multi-year offer, there should be more long term certainty over the following funding streams:

9.1.4.1 Public Health Grant

9.1.4.2 Housing Benefit and Council Tax Administration Subsidy

9.1.4.3 Education Services Grant

9.1.4.4 Extended Rights for Home to School Travel Grant

9.1.4.5 Highways Maintenance Capital Grant (already announced up to 2020/21, but should be included in offer to improve transparency)

9.2. **Council tax referenda (including MCAs)**

9.2.1 The LGA has consistently argued against the principle of council tax referenda. Referenda on council tax are an unnecessary and costly burden that will put growth-generating investment at risk. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box.

9.2.2 Under the Localism Act 2011, the Secretary of State has the power not to determine a set of principles for a financial year. The LGA believes the Secretary of State should exercise this power and give local authorities the freedom to set council tax levels at the right level to address pressures. Councils can be trusted to make sensible decisions about council tax increases, taking into account the wishes of local residents.

9.3. **New homes bonus.** The LGA's 2017 Autumn Budget submission calls on the Government to commit to not increasing the baseline housing growth threshold to any individual local authority. However, the LGA needs to develop a position

regarding the reductions to the bonus due to planning applications permitted on appeal and officers would welcome the views of members on this issue.

10. Members of Resources Board are invited to comment on the proposed positions.
11. Following the meeting of the Resources Board, officers will prepare a draft response and consult with local authority stakeholders. In line with the Government's deadline, the final submission will be cleared by Lead Members of Resources Board, and Leadership Board and Executive on 18 and 19 October, respectively.

Implications for Wales

12. This consultation relates only to English local government. The Welsh Local Government Association works with the Welsh Government on similar matters on behalf of Welsh local authorities.

Financial Implications

13. This work forms part of the LGA's core work programme and has been accounted for in the 2017/18 budget.

Response to Consultations on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

Purpose of report

For decision.

Summary

Following an initial consultation in April, Cipfa are now consulting on draft revised text of both the Prudential Code for Capital Finance and the Treasury Management Code. The proposed revisions are more extensive than anticipated but are aimed at improving governance around capital expenditure and investment decisions by local authorities while not restricting freedoms provided that the good governance is followed. A suggested draft response from the LGA is appended for approval.

Recommendation

That the Resources Board approve the LGA's response to the consultation on the Cipfa Prudential Code for Capital Finance in local authorities and Cipfa Treasury Management Code of Practice for submission.

Action

That the approved response is submitted to Cipfa.

Contact officer: Bevis Ingram
Position: Senior Adviser (Finance)
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Email: bevis.ingram@local.gov.uk

Response to Consultations on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

Background

1. The Prudential Code for Capital Finance in Local Authorities (the “Prudential Code”) was introduced in 2004 and last revised in 2011. Local authorities are required to “have regard” to it when developing their capital investment plans. In practice, the Prudential Code plays a central part in local authorities being able to determine the level of capital investment that they are able to undertake. The introduction of the code, and the legislation behind it, in 2004, was a major step in freeing local government from centrally imposed borrowing controls and the Government placing genuine trust and reliance in local government’s ability to manage its own affairs according to the sector’s own professional standards. The track record of local government since the Prudential Code was first introduced has shown both that local government has proved worthy of that trust and that the code has an important place in enabling successful locally determined capital investment by local authorities compared to central controls.
2. The Treasury Management Code of Practice was introduced in 2001/02. Again, local authorities are required to “have regard” to the code in setting up and approving their treasury management arrangements. In practice the code is widely used, and it is likely that any local authority not following it would be required to justify (e.g. to its external auditors) why it had not used it.
3. Earlier this year Cipfa carried out an initial consultation on the scope of its forthcoming review of the Prudential Code for Capital Finance and the Treasury Management code. Resources Board approved the LGA’s response, which emphasised the strengths of the current arrangements, to these initial consultations at the April meeting of Resources Board.
4. Cipfa has now issued draft revised codes for consultation ([Consultation on the Prudential Code for Capital Finance | CIPFA](#) and [Proposed Changes to the Treasury Management Code | CIPFA](#)). The final version of these code are expected to be published at the end of the year. The deadline for responding to the consultation codes is 30 September 2017.
5. The changes to the codes are more extensive than expected. The proposed revisions strengthen the governance around capital financing and investments and should enable local authorities to retain the freedoms of the current arrangements while strengthening local understanding and reporting.
6. The draft response is included at **Appendix 1** to this report for approval.

Issues

7. An important driver behind some of cipfa's revisions to both codes is the current high profile of local authority investments. Local authority investments represent an important income stream, generating over £1 billion in 2016/17¹. The revisions to the codes are aimed at ensuring that the public can be confident in the governance framework around decision making on investments and borrowing, and that decisions are made with due regard to accumulated risk, reward, prudence sustainability and affordability. It is anticipated that the Government will consult on revisions to its investment guidelines shortly and these are expected to dovetail with the revised Cipfa codes.
8. In summary, the changes to the Prudential code move away from a calculation based approach based on specific financial indicators to an approach based on principles to show that capital expenditure and investments decisions are clearly taken in line with service objectives as well as other key matters (stewardship, value for money, prudence, sustainability and affordability). A key part of this is a new requirement for a capital strategy to be reported to full council annually, with an explicit report from the Chief Financial officer on deliverability, affordability and risk.
9. The principal changes to the Treasury Management code regarding investments are to extend the code to cover all investments, not just those formally classed as "Treasury".
10. The other major area of change is for the codes to be extended to cover new structures such as combined authorities and elected mayors, and also group entities. This appears to be a logical step.
11. Overall, the changes appear to offer an improvement on the current arrangements and should ensure that local authorities retain necessary freedoms if they follow the enhanced governance arrangements. The draft response attached is therefore supportive of the revised codes.

Implications for Wales

12. The codes apply to all UK local authorities, including Wales. The impact on Welsh local authorities is therefore the same as the impact on English local authorities.

Financial Implications

13. This is part of the LGA's core programme of work and as such has been budgeted for.

Next steps

14. Draft suggested consultation response appended for approval.

¹ [DCLG Revenue Outturn 2016/17](#)

Local Government Association

Response to Consultation on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

September 2017



About the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

This response has been approved by the LGA's Resources Board.

General points

As we stated in our response to the initial consultation in April, the LGA is of the opinion that the arrangements introduced in 2002 (Treasury Management code) and 2004 (Prudential Code) have worked well and provide a good governance framework to be followed by local authorities. We are therefore of the strong opinion that the present review should not fundamentally alter these arrangements. Overall, although the changes proposed mean that both codes undergo an extensive re-write, we believe that the changes will only improve what is already a good governance framework used and will strengthen good decision making by local authorities. We are therefore supportive of the proposed rewrites.

Formal “yes / no” responses to specific questions in the consultation are given in the attached pro forma response sheets. In addition, we would like to outline the reasoning behind those responses.

Prudential code

Question 1 Do you agree that the requirement of the Prudential code to adopt CIPFA's Treasury Management Code is removed?

Yes. We accept the point that local authorities are statutorily required to “have regard” to the Cipfa Treasury Management Code, so this requirement is superfluous in the Prudential code.

Question 2 Do you agree that the Code confirm that the underlying principles apply to mayors and combined authorities and the group entity?

Yes. This confirms the points we made in our response to the earlier consultation.

Question 3 Do you agree that the impact of such structures is best dealt with

Submission

through the use of local indicators?

Yes. We agree with the general move in the code away from applying generic indicators and generic calculations that are hard to interpret locally to specifying indicators that have local meaning. This is therefore especially relevant for these newer structures with diverse funding structures and responsibilities.

Question 4 Do you agree with the requirement to consider explicitly separate ring-fenced funding streams and that this requirement removes the need to specify separate requirements for the HRA?

Yes. This is an extension of the principle outlined in Question 3.

Question 5 Do you agree with the proposal to introduce the requirement for a capital strategy to be formally reported?

We welcome the thinking behind this. Local authorities' capital expenditure and investment decisions are taken in line with service objectives and with a full understanding of accumulated risk, in the full context of the long term finances of the authority. We believe this new capital strategy is a good way to demonstrate publicly that this is the case. Some of our members have expressed concerns that the requirement for this to be reported to full council adds to existing reporting of lengthy and complex financial documents, particularly at the point that the budget is being set, and flexibility over local reporting of this would be welcomed in order to achieve best outcomes locally.

Question 6 Do you agree with a principles based approach and that the key matters to be taken into account are reflected in the proposed wording in the annex?

Yes. The approach will improve the understanding and transparency over this.

Question 7 Do you agree with the proposal to require the chief financial officer to report explicitly on the risks associated with the capital strategy?

Yes. As with other statutory duties it is appropriate for the local authority to look to the Chief Finance Officer for advice on this.

Q8. *Do you agree with the proposal to delete the council tax indicator?*

Yes. The long term financial sustainability of local authorities relies on much more than the council tax. We therefore agree that this indicator is "slightly contrived". This fits with the general move away from generic calculation based indicators.

Treasury Management code

Question 1 Do you agree with the proposed indicator changes?

Due consideration should be given to the views of individual local authorities on these technical changes.

Question 2 Do you agree with the clarification that the Code should cover all investments held primarily for financial returns and the proposed amendments to the Code set out in the annex?

Yes. This is an important change to the code. Local Authority investments

represent an important income stream. In 2016/17 in England they generated revenue of just over £1 billion (of which £700 million was English Councils), compared with £660 million in 2010/11 (of which £480 million was English Councils), an increase of over £300 million (£180 million for English councils). This is an important income for councils and an important way that many have protected local services from significant reductions in central government funding. It is therefore critical that that councils both retain the freedom to make appropriate investments and that the governance framework around this ensures that the public can be confident that they do so with due regard to accumulated risk, reward, prudence, sustainability and affordability. It is appropriate that this applies to all investments, not just those classified as “Treasury Management” so this is supported. However, the emphasis in the draft to consider “liquidity” in relation to non Treasury Management investments is, we believe, less appropriate as such investments are often by their nature not liquid and for these the importance of security should therefore be greater.

Question 3 Do you agree with the proposal to allow some delegation of reporting to a committee / sub-committee in order to promote more active engagement and with the subsequent changes proposed to the Code.

Yes. This should be a local decision as to what is appropriate.

Question 4 Are there other comments you wish to make, including on the proposed substantive changes set out in the Annex?

See above.



Local Government Finance Update

Purpose of report

For discussion.

Summary

This report provides an update on the LGA's work on local government finance policy matters, including the autumn budget submission and further business rates retention.

Recommendation

The Resources Board are asked to note this report, comment on its contents and agree any further action.

Action

LGA Officers proceed as directed.

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Local Government Finance Update

Background

1. This report highlights recent developments in local government finance. It provides an update on the LGA's work in this policy area, including the autumn budget submission and further business rates retention.

Issues

Autumn Budget Submission

2. At the Spring Budget in March this year, the Chancellor announced that Budgets would in future take place in autumn and that would be the only fiscal event each year. Instead of a Spring Budget, the Government will deliver a Spring statement which is intended to be an update on the economy without policy announcements.
3. In line with usual practice, on 21 August 2017 HM Treasury invited submissions in advance of the Autumn Budget. The LGA's representation is scheduled to be submitted to the Government and published on the day of this meeting. It has been developed with the help of the District Councils Network, County Councils Network, Special Interest Group of the Municipal Authorities (SIGOMA), the LGA's Chief Executive Sounding Board and Chief Executives of Combined Authorities and approved by the LGA's Leadership Board, Executive and lead members of Resources Board.
4. Key Finance asks included in the Autumn Budget submission are:
 - 4.1. Meet the funding gap facing local services of £7.1 billion, made up of at least £5.8 billion by 2019/20 and a £1.3 billion pressure to stabilise the adult social care provider market today.
 - 4.2. Ensure that the Fair Funding Review does not result in any local authority seeing its funding reduce. Instead, the new funding baselines should be introduced through the additional resources provided by greater business rates retention (see below, paragraph 22 for more detail of this point).
 - 4.3. Make council tax a truly local tax. There should be increased local control over discounts and referendum limits should be abolished.
 - 4.4. Provide councils with financial flexibilities to build new homes by devolving funding, localising planning fees and removing the cap on Housing Revenue Account funding.

Adult Social Care finance

5. The £2 billion of new resources for adult social care, through the improved Better Care Fund (iBCF) announced in the Spring Budget was a welcome step in the

right direction to meet some of the pressures on adult social care. It has allowed councils to deliver some improvements and additional capacity this year.

6. According to the Association of Directors of Adult Social Services' (ADASS) Budget Survey 2017, nearly half of this year's iBCF has been spent on meeting social care needs, such as purchasing additional reablement support. The ADASS analysis highlights how funding can expand social care capacity in order to ease NHS pressures and enable more people to be discharged quickly and safely from hospital.
7. Other councils are investing in preventative services, including telecare or hospital avoidance schemes such as rapid response teams which mobilise quickly to treat someone in crisis in their own home rather than A&E.
8. The funding is not, however, sufficient to meet all funding pressures either short or long term. Respondents to the ADASS budget survey also highlight that the funding is not enough to both offset planned cuts, and deal with demographic and inflationary pressures. The need to find a long term, sustainable solution to the social care crisis remains urgent.
9. There is now recognition across the political parties both nationally and locally that social care is a vital service in its own right. It has a crucial role to play in helping people of all ages to live fulfilling lives and to remain independent as long as possible.
10. Following the discussion at the June 2017 meeting of the Resources Board we have offered to host round table talks to help secure agreement and build cross party consensus on the way forward. In August, the LGA wrote to leading figures of all main national political parties to invite them to the talks. Resources Board Lead Members had an opportunity to comment on the draft letter. The deadline for responses is 18 September and officers will update on progress at the meeting.
11. As discussed at the previous Resources Board, any review will require fresh approaches to the roles and responsibilities of individuals in providing for their old age and an ambitious rethink of the role of the government (both local and national) in managing demand for, and meeting the costs of, adult social care.

Further Business Rates Retention

12. In autumn 2015 the then Chancellor of the Exchequer announced that all business rates would be retained by local authorities by 2020. Since then, the LGA had been working closely with DCLG on how such a system would work. This joint work came to halt with the announcement of the General Election earlier this year.

13. The Local Government Finance Bill, which would have provided the legislative framework for the introduction of further business rates retention, commenced its passage through Parliament in January 2017. However, the Bill did not get far enough in its passage through Parliament before the dissolution of Parliament, prior to the General Election, and so fell. The Queen's Speech, announced on 19 June, set out the Government's legislative programme for the next two years. It did not include a reintroduction of the Bill.
14. The Government committed to giving local government more control over the money it raises, and in a debate in the House of Lords on 13 July the Government said that it will look at ways to implement further business rates retention without primary legislation. More recently, the Government has [invited local authorities to pilot 100% business rates retention in 2018 to 2019](#) and to pioneer new pooling and tier-split models. The deadline for authorities to submit pilot proposals to DCLG is Friday 27 October.
15. In June, the LGA's Leadership Board expressed support for the LGA continuing to work with the sector and the Government on the introduction of further business rates retention, if needs be without primary legislation, and officers will continue to work towards this objective. The Board agreed that the sector should now take the opportunity to argue for extra business rates to be localised and used to plug the £7.1 billion funding gap instead and to make sure the Fair Funding Review works for all. This would preclude the transfer of new responsibilities to local government as part of the reforms.
16. In late July the LGA arranged a meeting for the local government members of the Business Rates Retention steering group. The purpose of the meeting was to take stock of views on further business rates retention, following the general election, and to consider business rates retention in the wider context of local government finance. The view of group members was that the proposed reforms cannot be considered in isolation from the fair funding review and wider issues such as the Government's commitment in the Queen's Speech to a consultation on options for putting adult social care on a more secure financial footing.
17. The Chairman wrote to the Secretary of State on 17 August outlining the LGA's position. The Secretary of State responded to the letter, expressing a commitment to further joint working between the LGA and the Government on potential options for delivering the reform. He reiterated the Government's aim for the reforms to be fiscally neutral.
18. The full joint DCLG / LGA Business Rates Retention Steering Group has been reconvened with DCLG to meet in early October. The Business Rates Task and Finish Group will also need to meet shortly to consider the issues in more depth.

Fair Funding Review

19. At the time of the 2016/17 final Local Government Finance Settlement, the Government announced the Fair Funding Review. The Review is looking at the mechanism used to distribute funding between local authorities and the intention is for the results of the review to contribute to the setting of individual local authority funding baselines. Prior to the General Election, the Government's intention was for the review to be implemented in April 2019 to coincide with further business rates retention reforms.
20. Following the General Election in June, the Government has committed to continuing with the Fair Funding Review. This work has resumed, but the revised timescale for implementation is uncertain and is likely to be April 2020. The officer technical working group, co-chaired by the LGA and DCLG, met for the first time after the Election on 19 July and future meetings are planned to take place every two months.
21. Leadership Board has considered the Fair Funding Review and the following points have been included in the Autumn Budget submission as the LGA's position, calling on the Government to:
 - 21.1. Ensure that no local authority sees its funding reduce as a result of the Review. Instead, the new funding baselines should be introduced through the additional resources provided by greater business rates retention.
 - 21.2. Deliver a simpler system of assessing relative funding needs that ensures that only indicators which have a material impact on distributions are used. All councils should be able to tell as easily as possible why their allocations are the way they are. This should not come at a cost to fairness or incentives to be more efficient and reduce demand for services.
 - 21.3. Carefully consider the basis on which relative ability to benefit from council tax is taken into account. Local authorities accept that council tax needs to be considered in the review, but we urge the Government to continue discussing with councils the various options that are available. This should include a discussion of the impact of local council tax support schemes.
 - 21.4. Set a clear time limit on transition from the current funding baselines to new ones, to avoid past situations where some areas never reached the allocations implied by the formulae.

Business Rates Reliefs

22. In the 2017 Spring Budget, the Chancellor announced a number of business rates reliefs:

- 22.1. Business rates relief for pubs. This is a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017.
- 22.2. Supporting small business relief. This is support for small businesses losing Small Business Rate Relief due to the revaluation, to limit increases in their bills to the greater of £600 or the real terms transitional relief cap for small businesses each year.
- 22.3. Discretionary relief for small businesses most affected by the revaluation, with locally designed schemes and a £300 million fund spread over three years.
23. Formal confirmation of the schemes was delayed by the announcement of the General Election and the supporting small business relief required an update of local authority software to identify eligible businesses. The Government has been pressing hard for a quick implementation of all three schemes and has written to local authorities on a number of occasions urging them to implement the schemes as soon as possible. A Ministerial statement on the matter was made on 14 September. This highlighted examples from a number of named councils and set out plans to publish a list of authorities that have notified DCLG that they have rebilled for each of the three relief schemes from 3 October.
24. The LGA continues to work with the Government and councils since the Spring Budget on this issue.
- 24.1. We successfully pressed the Government to provide official confirmation of the reliefs policies before the General Election.
- 24.2. We provided regular updates and reminders to member authorities through LGA bulletins and dedicated email alerts.
- 24.3. We collected information about emerging issues, such as the need for software updates and other reasons for delay, in order to ensure the Government has an informed position before resorting to unfounded criticism.
- 24.4. We continue to call for HM Treasury to allow local authorities to carry forward unspent allocations of the £300 million fund to future years of the discretionary relief policy.

MiFID II

25. The Markets in Financial Instruments Directive II (MiFID II) is a package of EU legislation, introduced in 2014, which regulates both retail and wholesale investment business in the UK. The aim of the MiFID legislation is to strengthen protection for investors. In this case investors includes local authorities and local authority pension funds. The Directive reclassifies the status of local authorities from “professional” to

“retail” and this will have a major impact on the ability of local authorities to invest in certain financial instruments. Much of the consultation, as it affected local authorities, was about the process local authorities would have to go through to qualify to “opt up” from “retail” status to “elective professional” status which would enable them to continue to invest in more complex financial instruments.

26. In early July the Financial Conduct Authority (FCA) published a policy statement setting out final rules for their implementation of the Markets in Financial Instruments Directive II (MiFID II). This followed a consultation in December 2016 to which the LGA submitted a response.
27. The FCA’s July policy statement was a big improvement on that consulted on last year and recognised the unique nature of decision making within authorities in the conducting of treasury and pension fund investment management activities. This will result in a more straightforward process for local authorities for ‘opting up’ to elected professional status. This was good news for local government and follows extensive lobbying from the LGA and councils. This is particularly true for Pension Funds, where the special nature of the Funds has been specifically recognised.
28. Nevertheless Local Authorities (and Pension Funds separately) do need to consider what action to take to implement the Directive. It is likely that all Pension Funds will want to elect to opt up to professional status and the LGA has worked with representatives of investment managers who work with Pension Funds to design a standard opt up process. This was launched in August and can be found on the [Scheme Advisory Board’s website](#).
29. The position for Local Authority Treasury management is less clear as the market is more diverse, and not all local authorities will want to opt up. Nevertheless, as reported to Resources Board during the June meeting, we are working with the financial sector to design a possible standard opt up process, based on that designed for pensions. A standard process would be of value to the local authorities in that they would be asked the same questions by each financial institution with which they wish to opt up. For such a process to be of use, it would be essential that financial institutions use it widely as they will control the opt-up process. If such agreement can be obtained, it is proposed to publish the process.

Implications for Wales

30. The proposals for business rates retention set out by DCLG, the Fair Funding Review, and business rates reliefs affect England only. MiFID and the Autumn Budget, apply to Wales and England, although some of the points in the LGA’s submission relate to England only.



Financial Implications

31. This is part of the LGA's core programme of work and as such has been budgeted for.

Next steps

32. Members of the Resources Board are asked to note this report, comment on its contents and agree any further action.

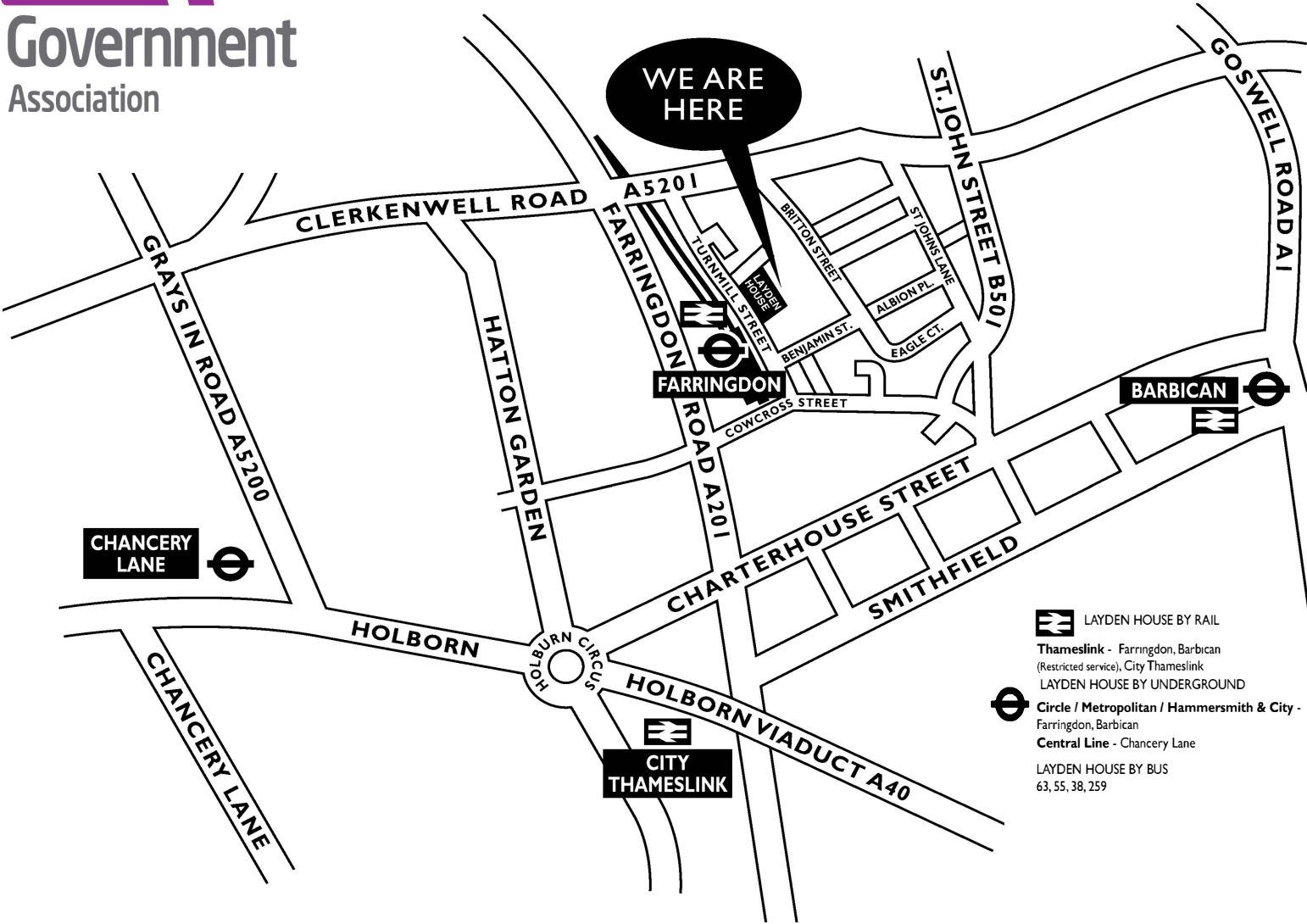
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**The Local Government Association will be based at Layden House whilst refurbishment takes place at their offices in Smith Square.*

Public Transport

Layden House is served well by public transport. The nearest mainline station is **Farringdon** (Circle, Hammersmith & City and Metropolitan Lines. It also has Overground lines)

Bus routes - Farringdon Station

- 63 - Kings Cross - Crystal Palace Parade (**Stop A/B**)
- 55 - Oxford Circus -High Road Leyton (**Stop E/K**)
- 243 - Redvers Road - Waterloo Bridge (**Stop E/K**)

Cycling Facilities

The nearest Santander Cycle Hire racks are on Theobold's Road.
 For more information please go to www.tfl.gov.uk

Car Parks

- Smithfield Car Park - EC1A 9DY
- NCP Car Park London Saffron Hill - EC1N 8XA