



**Government**  
Association

# Resources Board

Agenda

Monday, 22 January 2018  
11.00 am

Smith Square 1&2, Ground Floor, 18 Smith  
Square, London, SW1P 3HZ

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Resources Board  
22 January 2018

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There will be a meeting of the Resources Board at **11.00 am on Monday, 22 January 2018**, Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ. A sandwich lunch will be available from **13.00 pm**.

**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.

<b>Conservative:</b>	Group Office: 020 7664 3223	email: <a href="mailto:lgaconservatives@local.gov.uk">lgaconservatives@local.gov.uk</a>
<b>Labour:</b>	Group Office: 020 7664 3334	email: <a href="mailto:Labour.GroupLGA@local.gov.uk">Labour.GroupLGA@local.gov.uk</a>
<b>Independent:</b>	Group Office: 020 7664 3224	email: <a href="mailto:independent.grouplga@local.gov.uk">independent.grouplga@local.gov.uk</a>
<b>Liberal Democrat:</b>	Group Office: 020 7664 3235	email: <a href="mailto:libdem@local.gov.uk">libdem@local.gov.uk</a>

**Location:**

A map showing the location of 18 Smith Square is printed on the back cover.

**LGA Contact:**

Benn Cain  
020 7072 7420 | [Benn.cain@local.gov.uk](mailto:Benn.cain@local.gov.uk)

**Carers' Allowance**

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	<b>22/9/17</b>	<b>4/12/17</b>
<b>Councillors</b>		
<b>Conservative Group</b>		
Cllr. John Fuller	Yes	Yes
Cllr. Philip Atkins OBE	Yes	Yes
Cllr. Hilary Carrick	Yes	Yes
Cllr. Barry Macleod-Cullinane	Yes	Yes
Cllr. Roger Phillips	Yes	Yes
Cllr. Byron Rhodes	Yes	Yes
Cllr. David Williams	Yes	No
Cllr. David Finch	Yes	No
<b>Labour Group</b>		
Cllr. Claire Kober OBE	Yes	Yes
Cllr. Rishi Shori	Yes	Yes
Cllr. Sharon Taylor OBE	Yes	Yes
Cllr. Sian Timoney	No	Yes
Cllr. Tom Beattie	Yes	No
Cllr. Sarah Hayward	Yes	No
Cllr. Peter Marland	No	Yes
<b>Lib Dem Group</b>		
Cllr. Claire Hudson	Yes	No
Cllr. Adam Paynter	No	Yes
<b>Independent</b>		
Cllr. Graham Whitham	No	Yes
<b>Substitutes</b>		
Cllr. Amanda Serjeant	Yes	Yes
Cllr. Andrew Leadbetter	No	Yes
Cllr. Christopher Massey	Yes	
Cllr. Simon Shaw	Yes	
Cllr. Clarence Barrett	Yes	

## Resources Board – Membership 2017/2018

Councillor	Authority
<b>Conservative ( 8 )</b>	
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
<b>Substitutes</b>	
Cllr James Gartside	Rochdale Metropolitan Borough Council
Cllr Andrew Leadbetter	Exeter City Council
<b>Labour ( 7 )</b>	
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
<b>Substitutes</b>	
Cllr Amanda Serjeant	Chesterfield Borough Council
Cllr Christopher Massey	Redcar & Cleveland Borough Council
<b>Liberal Democrat ( 2 )</b>	
Cllr Claire Hudson (Deputy Chair)	Mendip District Council
Cllr Adam Paynter	Cornwall Council
<b>Substitutes</b>	
Cllr Simon Shaw	Sefton Metropolitan Borough Council
<b>Independent ( 1 )</b>	
Cllr Graham Whitham (Deputy Chair)	Sutton London Borough Council
<b>Substitutes</b>	
Cllr Gillian Corr	Stockton-on-Tees Borough Council

## Agenda

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### Resources Board

Monday 22 January 2018

11.00 am

Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

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**Date of Next Meeting:** Thursday, 5 April 2018, 11.00 am, Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ





**Resources Board**

22 January 2018

## **Provisional 2018/19 local government finance settlement**

### **Purpose**

For information and discussion.

### **Summary**

This report provides an update on the 2018/19 Provisional Local Government Finance Settlement announced by the Government on 19 December 2017 and summarises the LGA's formal response.

### **Recommendation**

That Members of the Resources Board note the report.

### **Action**

Officers to proceed as directed.

**Contact officer:** Mike Heiser  
**Position:** Senior Adviser (Finance)  
**Phone no:** 0207 664 3265  
**Email:** Mike.heiser@local.gov.uk

## **Provisional 2018/19 local government finance settlement**

### **Introduction**

1. The Secretary of State for Communities and Local Government delivered the provisional local government finance settlement on 19 December 2017, with a deadline for responses of 16 January 2018.
2. The settlement sets out allocations of key local government grants, as well as the Government's assessment of local authorities' core spending power, for 2018/19 and indicative figures for 2019/20.
3. The Government also used the settlement to announce that 75 per cent business rates retention and the Fair Funding Review will be introduced in April 2020. The Government also published a consultation on the Fair Funding Review. This is covered by a separate item on the agenda.
4. The LGA produced an [on-the-day briefing](#), providing a summary of all announcements and the LGA's immediate reaction.

### **Key announcements**

5. The following were the key announcements in the provisional local government finance settlement:
  - 5.1. Almost no new money from central government has been included in the settlement. The Government decided to not go ahead with a planned £15 million reduction to the rural services delivery grant in 2018/19.
  - 5.2. The general council tax referendum limit was increased from 1.99 per cent to 2.99 per cent for 2018/19 and 2019/20. This will not benefit the 88 shire district councils with lowest council tax levels as they already can increase council tax by 3 per cent or more due to the £5 flexibility.
  - 5.3. The Government decided not to change the housing growth threshold for calculating new homes bonus allocations and not to go ahead with further planned changes to bonus calculation methodology. This resulted in total new homes bonus payments £8 million above previously planned levels for 2018/19.
  - 5.4. The Government will consult on 'fair and affordable' options to address the 'negative revenue support grant' that affects almost half of all English councils in 2019/20.
  - 5.5. The flexibility for councils to use capital receipts to fund revenue costs of transformation projects has been extended to 2022.
  - 5.6. The Government announced 10 new 100 per cent business rates retention pilots for 2018/19, and that 75 per cent business rates retention will be introduced for all from April 2020. The outcome of the Fair Funding Review will be implemented at the

same time. The Government also published a consultation on the Fair Funding Review. These issues are covered by a separate item on the agenda.

### **The LGA response**

6. On the basis of the views set out in the LGA on-the-day briefing, subsequent further analysis of the announcements in the settlement and views gathered from member authorities, a formal [response](#) was cleared by the Chairman, LGA Political Group Leaders and Lead Members of Resources Board. It was submitted in line with the Government's deadline.
7. The following are the key messages of the response:
  - 7.1. Almost no new money from central government has been included in the settlement, although the Government has increased the general council tax referendum limit from 1.99 per cent to 2.99 per cent for 2018/19 and 2019/20. It is extremely disappointing that the Government has again chosen not to address the continuing funding gap for children's and adult social care. We have repeatedly warned of the serious consequences of funding pressures facing these services, for both the people that rely on them and the financial sustainability of other services councils provide. An injection of new money from central government is the only way to protect the vital services which protect children and support families and care for older and disabled people.
  - 7.2. Local services are facing a £5.8 billion funding gap in 2019/20, as well as a £1.3 billion pressure to stabilise the adult social care provider market today. Whilst we estimate the welcome additional council tax flexibility to be worth up to £540 million in 2019/20 if all councils use it in both 2018/19 and 2019/20, it is nowhere near enough to meet the funding gap. The Government needs to provide new funding for all councils over the next few years so they can protect vital local services from further cutbacks. Further business rates retention income could be used to meet the funding gap facing local government. In particular, we call on the Government to use the final settlement to provide additional resources for children's services.
  - 7.3. Further flexibility for local authorities in setting council tax levels will give some councils the option of raising extra money to offset some of the financial pressures they face next year. For 88 shire districts with the lowest council tax levels the new limit does not provide any more spending power, as they can already increase council tax by 3 per cent or more due to the £5 flexibility. For many other district councils, the positive impact is minimal for the same reason, with only 12 district councils able to benefit from the change in full. We call on the Government to offer further flexibility to shire district councils.
  - 7.4. No other national tax is subject to referenda. The council tax referendum limit needs to be abolished so councils and their communities can decide how under-pressure local services are paid for, with residents able to democratically hold their council to account through the ballot box. However, this is not a sustainable solution as increasing council tax raises different amounts of money in different parts of the country, unrelated to need. This also adds an extra financial burden on already struggling households.

- 7.5. The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities. It is good news that the Government has accepted our call to avoid further increases to the threshold and no holdback for decisions on new homes approved by the Planning Inspectorate. We call on the Government to make it clear that they will not increase the housing growth threshold for any local authority in 2019/20 either and, if needed, provide additional resources for this to happen.
- 7.6. Ten further business rates retention pilots will enable aspects of the business rates retention system to be tested. At the same time, discussions will continue between Government officials, the LGA and councils on the introduction of further business rates retention for all in 2020/21. The Government has also confirmed that the Fair Funding Review will be completed in time for implementation in April 2020. We will continue to work with the Government on further business rates retention and the Fair Funding Review, including tackling the impact of business rates appeals on local authorities in time for the implementation of further business rates retention in 2020/21.
- 7.7. Councils will see their Revenue Support Grant cut in half over the next two years and almost phased out completely by the end of the decade. We acknowledge that the Government has recognised the need to find a way to help councils who will move into a negative Revenue Support Grant position in 2019/20. As stated above, we consider that the Government should use the final Settlement to provide funding to all councils over the next two years.
- 7.8. The four year deal runs out in March 2020. We remain concerned that there is no clarity over funding levels, for both the national pot and local allocations, and any council tax referendum limits, after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.
- 7.9. We consider that Autumn Budgets need to happen earlier in the year so that the provisional Local Government Finance Settlement can be brought forward. We would recommend the process takes places at least two months earlier than the current timescales. This would allow councils to make robust and efficient medium term plans.

### **Implications for Wales <sup>1</sup>**

8. The provisional local government finance settlement is applicable to English local authorities only. The Welsh Government has separate arrangements with Welsh local authorities.

### **Financial implications**

9. This is core work for the LGA and is budgeted for within the 2017/18 LGA budget.

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<sup>1</sup> The WLGA pays a membership fee to the LGA on behalf of all Welsh councils and we lobby for them on "non-devolved" issues - e.g. DWP work. The WLGA provides "top-slice" for workforce support, but none for "improvement".

## **Local Government Finance Update**

### **Purpose**

For information and discussion.

### **Summary**

This report updates members on progress of the LGA's work related to local government finance policy since the last meeting of the Board. It focusses on business rates retention reform and the progress of the Fair Funding Review.

### **Recommendation**

That Members of the Resources Board note the report.

### **Action**

Officers to proceed as directed.

**Contact officer:** Nicola Morton  
**Position:** Head of Local Government Finance  
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## **Local Government Finance Update**

### **Introduction**

1. This report updates members on progress of the LGA's work related to local government finance policy since the last meeting of the Board. It focusses, in particular, on Business Rates Retention and the progress of the Fair Funding Review. The 2018/19 Provisional Local Government Finance Settlement is covered separately on the agenda of the Board.
2. The LGA Leadership board and LGA Executive set the policy direction on business rates retention reform and the Fair Funding Review, with the assistance of the LGA Business Rates Task and Finish Group. Appendix A sets out the background of the reforms and current key LGA policy lines on these matters.

### **Business Rates Retention**

3. At the time of the provisional 2018/19 Local Government Finance Settlement, the Government announced that it will proceed with introducing 75 per cent business rates retention from April 2020. To achieve greater retention the following grants will be phased out and funded through business rates retention:
  - 3.1. Revenue support grant;
  - 3.2. Rural services delivery grant;
  - 3.3. Public health grant; and
  - 3.4. GLA transport capital grant.
4. Following this switch, English councils will collectively keep 75 per cent of any future growth in business rate income. The top-up and tariff mechanism will be retained, but the top-ups and tariffs will be reset at the point of implementation of greater retention and will take the Fair Funding Review into account.
5. The Government still needs to make a number of decisions about the design of the system before implementing greater business rates retention including:
  - 5.1. The split of business rates income between different tiers of local government.
  - 5.2. The future of the business rates levy.
  - 5.3. The level of, and the funding mechanism for, the safety net against business rates losses.
  - 5.4. Ways to minimise the uncertainty arising from business rates avoidance and appeals.

- 5.5. The extent and frequency of resets – prior to the General Election the Government was looking at partial resets, allowing local authorities to keep some of the growth at the point of reset.
6. The list above will be used to form the work programme for the joint DCLG/LGA officer-led Steering Group and technical working groups, most notably the systems design working group.
7. The Government also announced that 10 areas were successful in applying to pilot 100 per cent business rates retention in 2018/19 – Berkshire, Derbyshire, Devon, Gloucestershire, Kent & Medway, Leeds, Lincolnshire, Solent, Suffolk and Surrey.
8. The 2017/18 pilots have been extended for another year. The London pilot has also been expanded to include London boroughs as well as the Greater London Authority. This means that in 2018/19 there will be 16 business rates retention pilots in operation. The Government has committed to the pilots process continuing in 2019/20.
9. The LGA also submitted written evidence to the [business rates retention inquiry by the Communities and Local Government Select Committee](#). This will be published in due course according to usual House of Commons procedures.

#### **Fair Funding Review**

10. Alongside the provisional 2018/19 local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review by April 2020. The results of the Review will be used to form funding baselines as part of the move to 75 per cent business rates retention. This is the date that the joint DCLG / LGA working group on the Fair Funding Review has been working to.
11. Following our calls to inject further pace into the process of the Review to maintain its credibility with our members, the Government also published the awaited consultation on the design of the relative needs assessment, in particular:
  - 11.1. The extent to which a single formula could be used to assess relative spending needs;
  - 11.2. Which services might require specific formulae to assess their relative spending needs;
  - 11.3. What cost drivers could be used in these formulae; and
  - 11.4. What techniques could be used to give weightings to different cost drivers as well as the formulae against one another.
12. While the LGA's response is in the process of being formulated, it is notable that the Government has accepted the case made by stakeholders, and supported by the LGA, that the new needs assessment should aim to be simpler but without a disproportionate cost to fairness. Discussions about a much reduced number of formulae and cost drivers are a welcome recognition of the proposals and concerns made by councils.
13. The consultation does not cover the relative resources adjustment, transition or other technical matters. We expect these to be addressed through a series of technical papers

throughout 2018 and the expanded LGA work programme, [as outlined at the last meeting of the Board](#), will be used to feed into these discussions.

14. Officers are in the process of organising a series of regional workshops, attended and co-delivered by DCLG colleagues, to discuss the consultation and councils' views in the second half of February 2018. These workshops will follow the previous two series of workshops in spring and autumn of 2017, attended by approximately 500 delegates.
15. The deadline for consultation responses is 12 March 2018. The Business Rates Task and Finish Group will oversee the production of the draft LGA response, with LGA Leadership Board and Executive providing final clearance at its meetings on 7 and 8 March, respectively.
16. At the time of writing this report, the Fair Funding Review Working Group was due to meet on 16 January. Key items to be discussed include the consultation document and in particular the progress of government thinking on which analytical techniques could be used to weight cost drivers against one another in the formulae. The papers will be available [on the LGA website](#).

#### **Investments and MRP consultations**

17. The [LGA's response](#) to the [consultation](#) from the Government on the proposed changes to the Local Authorities investment code and the Minimum Revenue guidance was approved at the last meeting of this Board and was submitted to the Government before the deadline in December.
18. The code and guidance form part of the overall local authority prudential framework for capital finance along with the Cipfa Treasury Management Code and the Cipfa Prudential Code. The revised Cipfa codes were published at the end of December 2017.

#### **IFRS (International Financial Reporting Standard) 9**

19. UK law stipulates that IFRS standards must be implemented into public service reporting. IFRS 9 is due to be implemented from the financial year 2018/19. The standard includes new rules for the valuation of investments, particularly collective investment vehicles, in local authorities' final accounts and there is concern in the sector that it will have an unintended negative impact on local authority revenue accounts.
20. These new rules mean that local authorities will have to make an annual revenue account adjustment for fluctuations in the value of certain specified long term investments, even where these fluctuations are unrealised. There is a concern that this revenue adjustment will either force local authorities to hold additional reserves as insurance against fluctuations, or will be forced to reduce revenue spending in other ways to take account of possible fluctuations.
21. The LGA is working with Cipfa to try to persuade the Government to implement a statutory override to these specific provisions. Such an override could be implemented at no cost and would avoid these unintended consequences of the new standard, as referred to above.

**Implications for Wales**

22. IFRS 9 affects all UK local authorities, however, the implementation of the statutory override for Welsh local authorities would be a matter for the Welsh Government rather than DCLG. The LGA will liaise with the Welsh Local Government Association on this issue. There are no other direct implications for Wales arising from this report. The funding of Welsh local authorities is a devolved matter in Wales.

**Next steps**

23. Officers will proceed on the basis of the discussions at Resources Board.

24. The LGA will continue to work closely with Government on further business rates retention reform and the Fair Funding Review, including responding to future consultations and technical discussion papers.

**Financial implications**

25. With the exception of the work mentioned in paragraph 12, the work is part of the LGA's core programme of work and as such has been budgeted for in 2017/18 budgets.



**Appendix A - Background briefing for Resources Board Members –  
Business Rates Retention and the Fair Funding Review**

**Background**

1. In October 2015, the then-Chancellor of the Exchequer announced that, by the end of the Parliament:
  - 1.1 English local authorities would be able to collectively retain all income from business rates collected by local government;
  - 1.2 To keep the reform package cost-neutral, the Government would phase out grants (such as the revenue support grant) and transfer new responsibilities to local government;
  - 1.3 Individual local authorities would be able to keep all growth in business rates until a point of reset; and
  - 1.4 Combined Authorities with directly elected mayors would have the power to levy up to an additional 2p to help fund infrastructure projects. All local areas would have the power to reduce the national multiplier locally.
2. In January 2016, the Government announced a fundamental Fair Funding Review which is looking at the distribution of income between individual local authorities, and how relative need to spend on services is assessed to underpin this distribution. The results of the Review will inform the funding baselines for the further business rates retention system.
3. The announcement of the 2017 General Election resulted in the fall of the Local Government Finance Bill, which would have provided the enabling legislation for 100 per cent business rates retention. The 2017 Queen's Speech, covering a two year period, did not reintroduce the Bill. In December 2017, the Government announced that:
  - 3.1 It will introduce 75 per cent business rates retention; and
  - 3.2 The Fair Funding Review will be implemented from the same date.
4. At this stage it is unclear whether the original associated reforms, such as introduction of multiplier flexibilities or abolition of the levy, will be implemented. The former in particular would need primary legislation, which is unlikely in the short and medium term.
5. This briefing provides a brief summary of the various strands of the work on business rates retention and provides further background on the work of the Task and Finish Group.

## **LGA Governance**

6. In March 2016, the LGA's Leadership Board agreed the following:
  - 6.1 The LGA will work jointly with DCLG on further business rates retention;
  - 6.2 The LGA will publish Government papers on further business rates retention on the LGA website; and
  - 6.3 To set-up of a Member level Task and Finish group to steer the work of the LGA on the reform, including policy development.
7. As agreed by Leadership Board, the LGA established a Business Rate Retention Task and Finish Group to help develop and steer the LGA's position on further business rates retention.
8. In addition, the LGA's Leadership Board is maintaining an active role and is receiving reports on the progress of business rates retention reform and the Fair Funding Review at every meeting. The proposals are also being discussed at Executive on a regular basis.. Ultimately the sign off of consultation responses and LGA policy on further business rates retention and the Fair Funding Review rests with Leadership Board and Executive.

## **Further business rates retention**

### Responsibilities and quantum

9. The Government's aim is that the move to further local government retention of business rates will be fiscally neutral at the point of implementation. To achieve 75 per cent business rates retention from April 2020 the government is intending to phase out a number of specific grants, and fund them through business rates instead. These, have been discussed with the sector and are:
  - 9.1 revenue support grant;
  - 9.2 GLA transport capital grant;
  - 9.3 rural services delivery grant; and
  - 9.4 public health grant.
10. The LGA, and local authority officers on the responsibilities working group, have been clear that the sector does not want to take on any additional responsibility as part of the move to further business rates retention. This appears to have been ruled out by the Government for the time being.

11. Overall the LGA's position has been that existing pressures and responsibilities – estimated to result in a funding gap of £5.8 billion by the end of the decade - should be funded through greater business rates retention. There is also a concern that linking any funding of health and social care services with business rates will mean that growth in demand for services will quickly outstrip any growth in business rates.

#### System Design and Multiplier Flexibilities

12. Key systems design issues are related to striking the balance between needs and incentives, controlling for risks such as those arising from appeals and the balance between the central and local lists.
13. The main tool for achieving a balance between needs and incentives is how frequently the system is reset and how much growth authorities are allowed to carry over from one reset period to the next. The Task and Finish Group has supported, subject to further analysis, a system of partial resets once every few years, where a proportion of growth is kept at reset and a proportion is used to reset the baseline for those authorities which have lost business rates. The Group has not yet agreed a position on the precise length of time between resets but felt there might be a need for a full reset on an infrequent basis.
14. There are currently almost 300,000 unsolved business rates appeals. Since 50 per cent business rates retention was implemented local government has had to fund 50 per cent of losses due to appeals. The Task and Finish Group, and the majority of local government, support a national provision for appeals funded from income from the central list.

#### **The Government's Fair Funding Review**

15. The outcome of the Fair Funding Review will help establish a needs baseline for each authority under further business rates retention. This will be used to compare to the business rates baseline of each authority to determine tariffs and top-ups i.e. how much income will be redistributed around the country to equalise for needs and resources. The review does not cover absolute need or the minimum cost of providing services.
16. The Fair Funding Review covers a wide range of issues and interactions with other work streams. The Government has identified core issues for the review as:
  - 16.1 Defining Need It focusses on determining the methodology and approach to measuring relative need to spend on services. For example, the shape of the formula, the number of formulae, what indicators should be included and how they should be weighted.
  - 16.2 Treatment of resources - how to take locally raised resources, such as council tax, into account when determining funding baselines.

- 16.3 Features of the system - the interaction with wider business rates retention reform; for example, business rate resets.
- 16.4 Transition - how councils will move from the current funding / income position to the future one.
- 17. The LGA focusses on facilitating the conversations between member authorities and the Government so that all parts of the sector have an opportunity to state their case. Current LGA policy position on the Fair Funding Review is to call for the Government to:
  - 17.1 Ensure that no local authority sees its funding reduce as a result of the review.
  - 17.2 Deliver a simpler system of assessing relative funding needs. This should not come at a cost to fairness.
  - 17.3 Carefully consider the basis on which relative ability to benefit from council tax is taken into account.
  - 17.4 Set a clear time limit on transition from the current funding baselines to new ones.

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## Note of last Resources Board meeting

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<b>Title:</b>	Resources Board
<b>Date:</b>	Monday 4 December 2017
<b>Venue:</b>	Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

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### Attendance

An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions
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### 1 Welcome and Apologies

The Chair welcomed Members to the Board.

Apologies were received from Cllrs. Williams and Finch. The Chair welcomed all substitutes.

Cllr. Whitham declared that he was a Member of the Commercial Advisory Board.

### 2 Working together to deliver a fair and effective welfare system

Rose Doran, Senior Advisor, introduced the paper, by updating Members and asking for views and steers on the Local Government Association's current and future priorities for joint working between national and local government to design and deliver a fair and effective social security system.

Rose also gave an update on the Autumn Budget (22 November 2017) in relation to social security, welfare, and the roll-out of the new Universal Credit (UC). This included national policy in relation to:

- Housing benefit (HB) and its discontinuation with Universal Credit (UC).
- The drawn out pace of UC roll-out, and the focus of the Department for Work and Pensions (DWP) on IT as a priority over policy impacts.
- The continued role of local authorities in administering HB and the shortfall in HMG funding.
- All of the above made it hard for both local authorities, and the LGA, to forward plan.

Rose directed Members to paragraph 21 – headline asks in relation to UC, and asked for a steer from Members in relation to these priorities. With this in mind, Members discussed

the following:

- It was raised by Members that UC has been a complex project.
- That the complexities fall into two distinct areas – the IT system, and the people.
- Ideas were brought forward that whilst the IT system is being heavily focused on by the DWP, local authorities could and should be focusing on the problems related to people and users, given local authorities know people are claiming welfare much better than central Whitehall departments.
- Discussions were held over the old system of HB being paid directly to landlords and the benefits of this.
- The increase in benefit fraud (the Member referenced a recent study suggesting this is costing the UK economy £200 million), what powers and influence local authorities have in tackling this, effectively aiding the DWP and offers that could be put forward to the DWP.
- Members also discussed the issues with UC, and how this crisis is centred on housing shortages.
- It was raised that families in crisis who are claiming welfare often focus solely on their most immediate crisis, and the lack of proper funding or support means that they cannot forward-plan.
- Claimants of HB and UC often find that they cannot get out of receiving it.

Members voiced concerns about the ongoing impact of the reforms on residents and suggested that it would be beneficial for the LGA to place more emphasis on the policy outcomes and impacts on vulnerable residents.

Members also discussed the vital need for a coherent message around UC, which included further devolution around benefits and skills to local authorities. Members deliberated on the fact that this lack of a clear narrative – especially around local authority fiscal devolution – had paid a part in the negative messages around UC. Members also agreed that there had been an overall lack of clarity around the delivery of UC.

Rose Doran commented on the LGA's work on skills, and gave a brief overview on the LGA's Work Local Campaign that is currently being rolled out. The Chair discussed that UC feeds into both skills and housing shortages - both of which are complex issues and at the forefront of national concern. The Chair also expressed the need to address and pull together all sides Members of the different Political Groups raised, by working alongside other Boards and creatively thinking to address the issues raised.

### **Decisions**

The Board agreed that the LGA's headline asks in relation to Universal Credit should be amplified and increased.

### **Action**

For Jasbir Jhas, Senior Advisor, to be invited to a future meeting to discuss the LGA Work

Local campaign.

### **3 Autumn Budget 2017: Implications for Local Government (paper & presentation)**

This Item was presented to Members via a paper and a PowerPoint presentation, by Aivaras Statkevicius, Senior Adviser, regarding the 22 November 2017 Autumn Budget. Aivaras also stated that a Spring Statement, providing an update on the economy and associated OBR forecasts, would be delivered next year but it would not include policy announcements. Reference to the LGA on-the-day briefing was also made.

Members held discussions around the following:

- Concerns were raised by Members in relation to how many issues were left unaddressed by the Budget. This was particularly in relation to public services, social care and the NHS.
- Members noted the severe lack of funding local authorities are experiencing and lack of Whitehall action.
- Members agreed that whilst calls for more funding to local authorities are being made by the LGA, this message is not being listened to.

#### **Decisions**

The Board noted the report.

### **4 Local Government Finance Update**

Nicola Morton, Head of Local Government Finance, introduced the paper. The report updated Members on progress of the LGA's work related to local government finance policy since the last meeting of the Board. The paper focused on:

- the Government's local government finance settlement consultation;
- business rates retention;
- the Fair Funding Review.

In relation to the local government finance settlement consultation, Members noted that whilst there had not been a date set for the release, it was speculated that this was due to be the following week (week commencing 11 December 2017). The LGA submitted its response to the technical consultation on the 2018/19 Local government Finance settlement.

Nicola also detailed that at the time of the Board, successful bids to become 2018/19 business rates retention pilots had not been announced, but were due in the coming weeks. Nicola also made reference to the cross party Member Task and Finish Group on Business Rates Retention to help take forward the LGA's work on greater business rates

retention and the Fair Funding review.

Members gave their feedback, including:

- Details relating to the 'Leicestershire model', which was discussed at the Executive Board. Some Members felt this could form the basis of future work and expansion in relation to the fair Funding review.
- Members expressed their concerns that this roll-out cannot wait until the 2020/21 financial year, and that some local authorities are facing extreme financial difficulties.
- There was a distinct agreement for the roll-out to be brought forward amongst Board Members.

Members also discussed Appendix A, and requested LGA officers amend the table to:

- Reflect that there have been no agreed parameters; and
- To review the wording for key criteria to assess.

### **Decision**

The Board **noted** the report and **agreed** that Appendix A be amended as set out above.

## **5 Response to the Consultation on the Proposed Changes to the Prudential Framework of Capital Finance: Local Authorities Investment Code and Minimum Revenue Provision Guidance**

Bevis Ingram, Senior Adviser, gave an overview of the paper; the LGA's response to the Consultation on the Proposed Changes to the Prudential Framework of Capital Finance: Local Authorities Investment Code and Minimum Revenue Provision Guidance. Bevis further elaborated for the board, explain that this response highlighted two areas that will affect local authority finance:

- The impact of local authorities investing in commercial property to generate income to support local services; and
- The terms of setting aside money for a council's minimum revenue provision (MRP).

The discussion was opened to the Board, who made points that investments made by local authorities were to generate income to support services that have been severely affected by budget cuts and austerity measures. There was cross-party agreement made on this point.

### **Decision**

The Board agreed the response, subject to a small amendment calling for the lift on

housing revenue account borrowing cap.

## **6 Securing funding and investment currently sourced from the EU**

The Item was discussed alongside **Item 3**.

The paper discussed the consultation and creation of a UK Shared Prosperity Fund (UKSPF) to replace the money local areas currently receive from the European Union, following successful lobbying by LGA. It also updated Members on the Autumn Budget and the release of the Industrial Strategy White Paper (27 November 2017).

Members then commented with the following:

- Members made reference to the issue of fiscal responsibility, and spending any money appropriately received from the UKSPF.
- The urgency for the DWP to discuss EU funding, and where this leaves local authorities post-Brexit., preferably directly with the LGA.
- A discussion was held over the need to share the UKSPF out equally, or proportionality with local authorities that need it the most.

### **Decision**

The Board **noted** the report.

### **Action**

Comments made by Members would be passed to Russell Reefer upon his return.

## **7 Workforce Update**

Item seven was delivered by Jon Sutcliffe, Senior Advise, and Marj Keddy, Head of Workforce, covering the key workforce policy developments that have taken place since the Board meeting on 22 September 2017. The main business was an oral update on the current pay negotiations.

JS explained that a meeting of the National Joint Council Employers' Side had been held with on the 30 November, and that they had reached an agreement (via a vote) for a new pay offer. This includes:

- An offer over a two year period.
- From April 2018, a minimum hourly rate of £8.50 per hour.
- From April 2019, a minimum hourly rate of £9 per hour and assimilation to a new pay spine.

- The staged offer includes “bottom-loading” for a number of pay points affected by the National Living Wage and increases of 2 per cent in each year for all other points.

This offer had been passed to the Staff Side of the NJC on an informal basis, with a formal offer made by the end of the week commencing 4 December 2017. JS stressed that it was important to note that all elements of the offer except the 2 per cent increase each year had been agreed by consensus.

It was noted that in Northern Ireland, payment of any settlement would require ministerial sign-off and that there is no administration in place currently.

Members agreed that whilst this was a positive step many local authorities will certainly struggle to fund increases of this level and this will need to be monitored.

Members also discussed reports of decrease in apprenticeship start-ups. All Members agreed that this was extremely disappointing news, and enquired further regarding the government’s response and the LGA’s strategy to tackle this. Discussion was curtailed due to lack of time.

#### **Decision**

The Board **noted** the report.

#### **Action**

Jon Sutcliffe to invite LGA officer Nigel Caruthers to the next Board meeting, dependent on his availability, to give an update on apprenticeships.

### **8 New Local Government Mutual: Proposed Next Steps**

Sally Burlington, Head of Policy, gave a brief update on the LGA’s work to develop options for a Local Government Mutual. The Founding Members currently in place were detailed in paragraph one in the Supplementary Agenda Item. Sally sought a number of different steers from Members of the Board, decisions on which are listed below. A similar paper was also being taken to Leadership Board.

Members of the Board discussed changes to the constitutional documents for the mutual and wanted to ensure that Councillors’ roles are properly understood, and that appropriate support and training is provided for the Board of Directors.

#### **Decision**

- The Board **agreed** with option 8.3 and the use of a Skills Matrix; but it was stressed that this should reflect that the representative role of elected Members is important in its own right, as well as any regulatory and other legal requirements.
- The Board was **agreed** with the constitutional documents but asked that use of the term ‘Members’ should be clarified as there was some confusion. The Board was

content that weighted voting arrangements should be developed

- Members expressed a preference for the title LG Mutual.
- Members were content that the LGA should incorporate the mutual company on behalf of the founding Members.

## 9 Minutes of the previous meeting

Minutes of the previous meeting were agreed.

### Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Cllr Claire Kober OBE	Haringey Council
Vice-Chairman	Cllr John Fuller	South Norfolk District Council
Deputy-chairman	Cllr Graham Whitham	Sutton London Borough Council
Members	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 Andrew Leadbetter	Exeter City Council
	Cllr Rishi Shori	Bury Metropolitan Borough Council
	Cllr Sharon Taylor OBE	Stevenage Borough Council
	Cllr Sian Timoney	Luton Borough Council
	Cllr Peter Marland	Milton Keynes Council
	Adam Paynter	Cornwall Council
	Amanda Serjeant	Chesterfield Borough Council
Apologies	Cllr David Williams	Hertfordshire County Council
	Cllr David Finch	Essex County Council
	Cllr Tom Beattie	Corby Borough Council
	Cllr Sarah Hayward	Camden Council
	Cllr Claire Hudson	Mendip District Council
LGA Officers	Sarah Pickup	Deputy Chief Executive
	Sally Burlington	Head of Policy
	James Alexander	Lead Adviser – Local Government Mutual
	Nicola Morton	Head of Programmes - LG Finance
	Bevis Ingram	Senior Adviser - LG Finance
	Aivaras Statkevicius	Senior Adviser
	Rose Doran	Senior Adviser
	Marj Keddy	Head of Workforce
	Jon Sutcliffe	Senior Adviser (Workforce Policy & Strategy)



**Resources Board**

22 January 2018

Benn Cain

Member Services Officer



# LGA location map

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## Public transport

18 Smith Square is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are **St James's Park** (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

## Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

## Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at [www.tfl.gov.uk](http://www.tfl.gov.uk)

## Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at 18 Smith Square. Please telephone the LGA on 020 7664 3131.

## Central London Congestion Charging Zone

18 Smith Square is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at [www.cclondon.com](http://www.cclondon.com)

## Car parks

- Abingdon Street Car Park (off Great College Street)
- Horseferry Road Car Park Horseferry Road/Arneway Street. Visit the website at [www.westminster.gov.uk/parking](http://www.westminster.gov.uk/parking)

