

## Minutes of last LGA Leadership Board meeting

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**Title:** LGA Leadership Board  
**Date:** Wednesday 23 January 2019  
**Venue:** 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

#### 1 Apologies and Declarations of Interest

There were no apologies for absence and no declarations of interest.

Members congratulated Cllr Lib Peck on her new role leading the London Mayor's Violence Reduction Unit.

Members also congratulated Cllr Nick Forbes on his recent award of a CBE in the Queen's New Year Honours list.

#### 2 LGA 2019/20 Budget Assumptions

Jonathan Gratte, Strategic Finance Manager, introduced the report which set out the key Budget assumptions and indicative budget ahead of consideration of the 2019/20 final proposed Budget at the next meeting in March. Members noted that it was expected that the 2019/20 Budget would propose a net cost position, but that the LG group would be able to Budget a net income position from 2020/21 onwards.

In the discussion which followed Members raised a number of questions about the level of confidence in the projected financial position, the degree of dependence on reduced costs of the pension deficit and about how the search for tenants for 18 Smith Square was progressing. The also asked for regular updates. Officers responded with the following points:

- The level of confidence in the return to a net income position was based on a number of issues, including income generated by the Local Government Mutual, rents from 18 Smith Square and Layden House, and generally managing costs going forward. While there were a number of sensitivities, the level of confidence was high. Actions underway are based on the financial strategy agreed by leadership board which has a number of strands including generating income from our properties and seeking additional sources of income including through commercial activity. Whilst there is a delay in the return to a net income position, all parts of the strategy are still progressing well.
- There was expected to be a drop-off in pension deficit repayments under the current plan after 2020/21, but this was not a primary factor in the current positive budget outlook for that year. The Leadership Board, Audit Committee

and Strategic Management Team would continue to receive regular updates on the budget and financial strategy as appropriate.

- Regarding tenancies in 18 Smith Square and Layden House, Members noted that the income from commercial events had been better than projected and the LGA was currently discussing tenancies for 18 Smith Square with potential tenants. The marketing of Layden House has also received a very positive response so far. It was confirmed that tenancies for 18 Smith Square would be of varying lengths.

#### **Decision**

The LGA Leadership Board **noted** the 2019/20 Budget key assumptions and issues, and the financial direction of travel over the course of the Medium Term Financial Plan.

#### **Action**

Final proposed Budget to be considered by the LGA leadership Board at the next meeting. (**Jonathan Gratte**).

### **3 Treasury Management Annual Report**

Jonathan Gratte, Strategic Finance Manager, introduce the report which set out the LGA's Treasury Management investment performance for the year to 31 December 2018. Members noted that there had been more opportunities to optimise the yield within the LGA's investment portfolio policy due to interest rate rises in November 2017 and August 2018. Following receipt of the Westminster loan in October 2018 there was a further increase in investment yield.

#### **Decision**

The LGA Leadership Board **noted** the LGA's annual Treasury Management performance for the year to 31 December 2018.

### **4 Appointment of External Auditor**

Jonathan Gratte, Strategic Finance Manager, introduced the report which recommended that PKF Littlejohn LLP be reappointed as the LGA's external auditor following an OJEU-compliant procurement exercise in 2018.

In response to questions from Members it was confirmed that officers were satisfied that PKF Littlejohn performed well, and had been the LGA's external auditor for the previous five years.

#### **Decision**

The LGA Leadership Board **agreed** to appoint PKF Littlejohn LLP as statutory external auditors in line with the recent OJEU-compliant procurement process.

### **5 Local Government Mutual Ltd and LGA Commercial Services Ltd -Financial Update**

Jonathan Gratte, Strategic Finance Manager, introduced the report which provided a financial update on the Local Government Mutual Ltd and LGA Commercial Services Ltd.

There followed a confidential discussion.

**Decision**

The LGA Leadership Board **noted** and **approved** the recommendations as set out in the report.

**6 LGA Modern Slavery Statement 2018**

Claire Holloway, Head of Corporate Services, introduced the report which set out the LGA's Modern Slavery Statement for approval. Section 54 of the Modern Slavery Act requires any organisation which has an annual turnover in excess of £36 million to publish a Modern Slavery Statement. In April 2018 the IDeA Company turnover rose to £36.84 million, and so the LGA group was required to publish a Statement.

Members agreed the Statement, and suggested the LGA should promote its work to tackle Modern Slavery as most councils would also have to produce a Statement.

**Decision**

The LGA Leadership Board **approved** the Modern Slavery Statement.

**7 Chief Executive's Report - January 2019**

Mark Lloyd, Chief Executive, introduced the report which set out the LGA's main achievements against the Business Plan since the previous meeting in December 2018.

In particular he highlighted the recent successful Local Government Finance Conference 2019, discussions with the Government on the Local Government Finance Settlement and the Spending Review, work in response to the NHS Long Term Plan, as well as LGA responses to reports on Academy failures, and variation of spend by councils on children's services. Members also noted the LGA's work to highlight the rising number of families in temporary accommodation, responses to the Clean Air Strategy and the Resources and Waste Strategy, and the LGA's own political leadership programmes.

In the discussion that followed the following points were raised by Members:

- There was more which could be done on analysis of differential Children's Services spending, such as asking authorities if they were required to have a Children's Trust and undertaking a cost benefit analysis. The LGA should also look more at unmet needs around the lack of provision for children with SEND. Members noted that 71 per cent of children's services spending was not in the hands of councils, and it was clear the SEND was creating growing pressures. The Health select committee was looking into cost benefit analysis and early intervention, and the LGA would continue to engage with this work.
- More work could also be undertaken on the Government's Clean Air Strategy to ensure that accurate information could be provided to councils and to businesses which would be impacted. A number of cities had been issued with clean air directives which could present serious economic challenges over the next few years, and more engagement with the Government was required.
- Regarding permitted development, concern was raised that this applied to fracking as well as housing, which could cause potential environmental damage and was counter to the Government's Clean Air and Energy Strategies.

**Decision**

The LGA Leadership Board **noted** the Chief Executive's report for January 2019.

**Action**

Comments from Members to be fed back to appropriate Boards working on these areas. (Mark Lloyd).

**8 Provisional 2019/20 Local Government Finance Settlement**

Nicola Morton, Head of Local Government Finance, introduced the report which provided an update on the 2019/20 provisional Local Government Finance Settlement announced by the Government on 13 December 2018, and summarised the LGA's formal response.

Members noted that key announcements included additional resources for Adult Social Care and Children's Social Care, no increase to the New Homes Bonus threshold, and a removal of downward adjustment to tariffs and top-ups for authorities which would otherwise be in negative RSG. It was also announced that the 15 local authority areas would pilot 75 per cent Business Rates Retention in 2019/20, as well as all London Boroughs and the City of London. The five 100 per cent business rates pilots which started in 2017/18 would continue at 100 per cent in 2019/20.

The LGA's formal response was included in the report, which welcomed the additional resources but highlighted the large funding gap which remained, as well as particular issues regarding Adult Social Care.

**Decision**

The LGA Leadership Board **noted** the report.

**9 Fair Funding Review - December 2018 Consultation**

Cllr Richard Watts, Chair of the Resources Board and the LGA Task and Finish group on Business Rates Retention and the Fair Funding Review, and Nicola Morton, Head of Local Government Finance, introduced the report which provided a summary of the Government's recently published consultation on the Fair Funding Review, and asked Members to comment on the draft LGA response which had been developed by the Task and Finish Group.

The consultation outlined the Government's leading options for the structure of the relative needs assessment, covering suggested funding formulas, likely cost drivers, and techniques to weight cost drivers against one another. Some policy positions in the draft response had been previously agreed by the Leadership Board, and others had been developed by the Task and Finish Group. The Government were proposing for deprivation not to be included as a cost driver in the foundation formula, but the response drafted by the Task Group suggested that this should remain in the formula.

In the discussion which followed the following points were raised by Members:

- Members agreed that the LGA response should state that deprivation should remain as a cost driver in the foundation formula, and it would be for the Government to work out how this should be weighted. A significant part of the LGA membership would agree with this, and the response should be clear and strong on this issue, but there should be robust evidence to support the

weighting.

- Regarding parking, it was highlighted that some councils had off street parking and others did not, so members agreed that parking income should not be adjusted for in resources equalisation. Taking other sources of income into account within the formula was complex, and councils who were entrepreneurial should not be disadvantaged.
- Members agreed that the response should recognise the variation of tax bases and there should also be a strong message on redistribution. The new formula should be as transparent and as fair as possible.
- Regarding adult and children's services, the methodology should be considered as it still counted people over 65 as elderly when this should be raised to 75. High cost learning disability support should be commented on as this accounted for a high percentage of council budgets.
- Regarding Area Cost Adjustment, the response should reflect the higher costs in rural / densely populated areas, and should reflect the work which had already been undertaken on this issue. It was noted that journey times were included in the Area Cost Adjustment to reflect higher costs in rural and densely populated areas.
- Members agreed that public health should also remain as a cost driver in the formula, and noted that the inclusion of public health was contingent on the final decision on whether the public health grant would be rolled into business rates retention.

### **Decision**

The LGA Leadership Board:

1. **noted** the draft LGA response to the Fair Funding Review consultation;
2. **provided comments** ahead of its consideration by the LGA Executive and subsequent submission to the Government; and
3. **agreed** that the final consultation response would be cleared by the Chairman and Group Leaders.

### **Action**

Comments from Members to be taken into account when amending the draft consultation response. (**Nicola Morton**).

## **10 Draft LGA Response to MHCLG Business Rates Retention Reform Consultation**

Cllr Richard Watts, Chair of the Resources Board and the LGA Task and Finish group on Business Rates Retention and the Fair Funding Review, introduced the report which provided a summary of the Government's recently published consultation on Business Rates Retention and asked Members to comment on the draft LGA response which had been developed by the Task and Finish Group.

Members noted that the key issues included resets, with a full reset planned for 2020 and various options for later resets; the Safety Net remaining to soften shocks to the system by setting a minimum Baseline Funding level; noting that scrapping the levy would require primary legislation and so confirming that reform was the best option; looking at options for tier splits; incentivising pooling of authorities to allow for better planning, decision making and a joint approach and a proposal to implement an alternative model of administration to reduce the impact of appeals on councils' budgets. The Government would also conduct a review of Central and Local Lists, with the aim of creating a rational and transparent system, and reaffirmed the Government's commitment to address the issue of the impact of appeals on councils' budgets, and to

reform the administration of the system.

In the discussion which followed the following points were raised by Members:

- Regarding resets, it was highlighted that any transitional arrangements should be incorporated into work on the Fair Funding Review.
- There should be a clear understanding of how the Government planned to incentivise growth, and the Task Group could consider what the Government has done in the past regarding this.
- It was confirmed that the Task Group was minded to support the Government's position on phased resets, but more work was needed to further look at the impact of this.

#### **Decision**

The LGA Leadership Board:

1. **noted** the draft LGA response to the Business Rates Retention consultation;
2. **provided comments** ahead of its consideration by the LGA Executive and subsequent submission to the Government; and
3. **agreed** that the final consultation response would be cleared by the Chairman and Group Leaders.

#### **Action**

Comments from Members to be taken into account when amending the draft consultation response. (**Nicola Morton**).

### **11 LGA Forward Plan**

The Chairman introduced the Forward Plan, which set out the agendas for the LGA Leadership Board, LGA Executive, and Councillors' Forum for the next three months.

#### **Decision**

The LGA Leadership Board **agreed** the Forward Plan.

### **12 Minutes of the previous meeting held on 6 December 2018**

#### **Decision**

The LGA Leadership Board **agreed** the minutes of the previous meeting held on 6 December 2018.

### **13 Brexit Update**

Ian Hughes, Head of Policy, introduced the report which updated the Leadership Board on the work that the LGA was undertaking to support councils on work related to Britain's exit from the EU.

There followed a confidential discussion.

#### **Decision**

The LGA Leadership Board **noted** the report, and the urgent issues to be raised with the Government on Britain's exit from the EU.

#### **14 Joint Inspection Team**

Mark Norris, Principal Policy Adviser, introduced the report regarding a Joint Inspection Team to be convened by MHCLG and the LGA to assist local authorities in their work to ensure building owners removed combustible cladding from private high-rise residential buildings.

There followed a confidential discussion.

##### **Decision**

The LGA Leadership Board **noted** the report.

#### **15 Layden House Refurbishment**

Claire Holloway, Head of Corporate Services, introduced the report which updated Members on the latest position with the refurbishment of Layden House, including the latest summary cost plan.

There followed a confidential discussion.

##### **Decision**

The LGA Leadership Board **noted** the latest position on the refurbishment of Layden House, including the completion date and updated cost plan.

#### **16 Minutes of the previous Audit Committee**

##### **Decision**

The LGA Leadership Board **noted** the minutes of the Audit Committee held on 27 November 2018.

#### **17 Minutes of the previous Commercial Advisory Board**

##### **Decision**

The LGA Leadership Board **noted** the minutes of the Commercial Advisory Board held on 29 November 2018.

**Appendix A -Attendance**

Position/Role	Councillor	Authority
Chairman	Lord Porter of Spalding CBE	South Holland District Council
Senior Vice-Chair	Cllr Nick Forbes CBE	Newcastle upon Tyne City Council
Vice-Chairmen	Cllr James Jamieson	Central Bedfordshire Council
	Cllr Howard Sykes MBE	Oldham Metropolitan Borough Council
	Cllr Marianne Overton MBE	Lincolnshire County Council
Deputy Chairmen	Cllr Izzi Seccombe OBE	Warwickshire County Council
	Cllr Paul Carter CBE	Kent County Council
	Cllr David Simmonds CBE	Hillingdon London Borough Council
	Cllr Robert Alden	Birmingham City Council
	Cllr Lib Peck	Lambeth London Borough Council
	Cllr Michael Payne	Gedling Borough Council
	Cllr Anne Western CBE	Derbyshire County Council
	Cllr Peter Box CBE	Wakefield Metropolitan District Council
	Cllr Ruth Dombey OBE	Sutton London Borough Council
	Cllr Clive Woodbridge	Epsom and Ewell Borough Council
In Attendance	Cllr Richard Watts	Islington London Borough Council