

Note of last Resources Board meeting

Title: Resources Board
Date: Friday 14 September 2018
Venue: Smith Square 3&4, Ground Floor, 18 Smith Square, London, SW1P 3HZ

Attendance

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

| Item | Decisions and actions |
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1 Welcome, Apologies and Declarations of Interest

The Chair welcomed Members to the Board.

The Chair noted apologies received.

Two declarations of interest was made:

- One substitute member of the board is a serving teacher in a secondary school. This declaration was made in reference to the workforce pay items on the agenda.
- Sarah Pickup, Deputy Chief Executive of the LGA, declared their involvement with the Insurance Mutual.

2 Membership and Terms of Reference for 2018/19

The Chair invited Benn Cain, Member Services Officer, to introduce the item.

Benn stated that the paper was in two parts. Part one of the report asks members to note the Membership of the Resources Board. The second part asks members to note the Terms of Reference, and also gives details on the one outside body the Resources Board has currently:

- This is the Enforcement Law Reform Group, whom Cllr Sharon Taylor is a Member of. Cllr Taylor was appointed towards the end of the 2017/18 cycle by Lead Members and the Group Political Offices and it was advised this arrangement still proceeds.

Actions

- Members noted the report.
- Members agreed to the Membership of the outside body.

3 Resources Board Priorities and Work Programme 2018/19

The Chair invited Sarah Pickup, Deputy Chief Executive, to introduce the item.

Sarah stated that the report outlines proposals for the Board's priorities and key areas of work, set against the available resources and LGA business plan.

The Chair thanked Sarah for her update and welcomed members to comment:

- Members discussed the idea of having a dedicated work-stream on housing finance, including discussions on the consultation on the use of right to buy receipts and a broader look at HRH and housing finance. In response to this, Sarah stated that this work is being picked up in the LGA's Spending Review Campaign.

Action

- Members agreed and noted the update.

4 Local Government Finance Update

The Chair invited Mike Heiser, Senior Adviser, to introduce the item.

Mike stated that the report updates members on progress of the Fair Funding Review and further Business Rates Retention, as well as other local government finance items not covered elsewhere on the agenda. He referred to the work of the Business Rates Retention and Fair Funding Review Task and Finish Group. Sarah Pickup also stated that many items were the subject of ongoing discussions with MHCLG.

The Chair thanked Mike for the update and asked members to comment:

- Members discussed the existing social care precept and how it only covers county councils and not districts in two tier areas. The view was expressed that there should be a 'prevention precept' of up to 3 percent for shire districts. It was also said that there needed to be a co-ordinated plan with counties which was signed off.
- Sarah Pickup also stated that these comments would be picked up in the Autumn Budget and Spending Review submissions as suggestions.

The Chair thanked members for their comments.

Action

- Members noted the update.

5 Local Government Finance Settlement 2019 to 2020 – Technical Consultation

The Chair invited Mike Heiser, Senior Adviser, to introduce the item.

Mike stated that the report sets out the key points in the Government's technical consultation on the 2019/20 local government finance settlement and asked members to comment on the LGA's draft response. Mike stated that this had also been considered by both the LGA's Leadership Board and Executive.

The Chair thanked Mike for his update and invited members feedback:

- Members discussed amending the response to increase the council tax flexibility for shire districts below the referendum limit to £10 pound flexibility and three per cent, and to make the case for districts in two tier areas to be able to raise a 'prevention precept' to be used alongside the adult social care precept.
- Members discussed how the New Homes Bonus revenue did not meet the additional costs from new housing in full. They agreed to strengthen the wording relating to the New Homes Bonus.

The Chair thanked members for their comments.

Action

- Members agreed the response subject to the comments made being incorporated.

6 Response to Consultation on Mitigating the Impact of Fair Value Movements on Pooled Investment Funds on Local Authority Budget Setting

The Chair invited Bevis Ingram, Senior Adviser, to introduce the item.

Bevis stated that the government is consulting on mitigations to the implementation of International Financial Reporting Standard 9 (IFRS 9) in 2018/19. This follows concerns raised across the sector that the implementation would have unintended consequences on funding available for services though cash adjustments made to revenue accounts. The government's proposals go some way to mitigating the possible effects in the short term, but do not go all the way to a full statutory override that had been called for. Bevis concluded that a suggested draft response from the LGA is appended to the report for approval.

The Chair thanked Bevis for the introduction and invited members to comment:

- Members agreed that this is an excellent response.
- Members discussed strengthening the wording around councils having less income from investments and so less income to fund services if they are forced to sell current investments

The Chair concluded that this response is agreed subject to the wording being strengthened as discussed. The Chair then thanked members for their comments.

Action

- Members agreed and noted the submission.

7 Workforce Update

The Chair invited Naomi Cooke, Head of Workforce, and Jeff Houston, Head of Pensions, to introduce the item.

Naomi stated that the report sets out the key workforce policy developments that have taken place since the last Board meeting. This included an update on teachers' pay from the Department of Education (DfE), which was announced just as the board commenced.

Naomi concluded that one decision is requested on taking forward the agreed idea for a LGA diversity champion.

Members of the Board then discussed the following:

- The Chair requested more information around inflation rate and roll-out/design of new pay-grades.
- Members agreed the need to work towards influencing the Treasury, as there is some window of opportunity to reduce the impact on local government.
- Members mentioned the recent TUC meeting, which had a motion regarding the increase made by employers, which didn't include the LGA/local government.
- Members discussed how teacher pay rises could have a significant knock on impact in rural areas, which may mean result in redundancies and smaller schools closing.
- Members discussed the apprenticeship levy.
- Members discussed potential changes to public service pension schemes as a result of scheme valuations and Treasury cost cap estimates. Significant increases to employer contributions and/or member benefits are expected for Local Government, Teachers and Firefighter schemes although there are indications that school funding will increase during 2019-20 to meet the new costs.

The Chair concluded that he agreed with all points raised by members, and reassured members that a solid relationship is in place between the LGA and the treasury.

Action

- Members noted the update.
- Members agreed to the nomination of Cllr Sharon Taylor as Member Champion for Diversity and Inclusion.

8 Strategic Workforce Priorities Consultation Update

The Chair invited Naomi Cooke, Head of Workforce, to introduce the item.

Naomi stated that this report summarises the approach that the LGA will adopt in setting out the key strategic pay and workforce priorities for the sector. The priorities are based, amongst other things, on responses received to the recent consultation paper *Great People for Growing Places*. The responses were very positive and will enable us to refine our support programme.

The Chair thanked Naomi for the update.

Action

- Members agreed and noted the update.

9 EU Funding and Successor Arrangements

The Chair invited Paul Green, Adviser, to introduce the item.

Paul stated that the report provides an update of LGA work to ensure councils continue to receive EU funding during the current funding period (2014-2020) amid Brexit negotiation uncertainties, and that successor funding arrangements are in place and co-designed with local areas once the UK exits the EU.

Paul's update also included:

- Details on the Growth Programme Board on European Social Funds (ESF), and how there is concern over Department of Work and Pensions (DWP) capacity. Currently, only 48 per cent of ESF has been committed, with the potential of any unspent funding being sent back to the European Commission at the end of 2020.
- In response to this, DWP are currently looking at adopting bigger contracts, reducing the extent to which programmes will be locally driven.
- Paul advised that press work is vital to ensure DWP spend the funding before we leave the programme in 2020 and that this centralisation is not repeated in the design and delivery of EU funding replacement, the UK Shared Prosperity Fund (UKSPF).
- In a no deal scenario, the government has committed to fund contracts up until 2020 but there are still questions regarding the finite details of how this will operate.
- Paul concluded that there is no further detail on UKSPF, and the consultation is likely to start at the very end of year, continuing into the new year.

The Chair invited members to comment:

- Members stated how the underspent is a disgrace; DWP has been aware of this issue for a long time and has done nothing.
- Members stated that the additional funding, as a result of the exchange rate, will be a challenge to spend in such a short period of time.
- Members stated that the LGA represents local government at a national level, and discussed how the LGA should call for a framework, which would insist on national priorities administered at a local level.
- Members discussed how Local Enterprise Partnerships (LEPs), and their relationship with councils, will be key to how this money is to be administered.

The Chair thanked everyone for their comments and stated future updates via email on this work-stream may have to be considered, considering the fast-paced developments on Brexit.

Action

- Members noted the update.

10 Universal Credit and Managed Migration Update

The Chair invited Rose Doran, Senior Adviser, to introduce the item

Rose's verbal update then included the LGA's ongoing work around Universal Credit (UC), managed migration and engagement with the DWP.

The Chair thanked Rose for her update and welcomed members to comment:

- Members discussed how to feed local stakeholders' concerns into the LGA's work.
- Members expressed frustration that DWP is not listening the views of local government.
- Members discussed the need for better impact assessment, particularly for financially insecure households.
- Members highlight the potential link between UC rollout and the increase in the use of food banks.
- Members discussed how job centres share some concerns locally about lack of information for managed migration.
- Members agreed that councils are at the forefront of supporting residents, and potentially require more recognition and resources from national government.

The Chair highlighted areas that need focusing on in relation to this work-stream:

1. High quality communications at local and national level.
2. The impact on local government finance.
3. The duty of care both local and national government have over residents.
4. The LGA to push for more cumulative impact assessment.

The Chair thanked all members for their comments.

Action

Members noted the update.

11 Local Government Mutual Update

The Chair welcomed Sally Burlington, Head of Policy, and James Alexander, Lead Adviser for the Local Government Mutual (LGM), to introduce the item.

James stated that this paper provided members with an update on the LGA's work to develop a Local Government Mutual. James update also included details:

- Around the ownership of the mutual (currently LGA unlimited);
- The upcoming Founding Member meeting, which is going to be Chaired by the Chair of the Resources Board; and
- Anticipated reaction from the insurance sector.

The Chair thanked both for the update and invited members to comment:

- Members discussed risk management, identifying risk and the differences in risk amongst local authorities and their individual profiles. This included talks the LGA and local government have held with Fire and Rescue Authorities (FRS).
- Discussions also took place around the work of the Australian Local Government Mutual, including the sharing of best practices.
- Discussions took place around how the mutual is now up and running, including the price of the LGM and comparisons with other providers. James also made reference to tax benefits and rewards if reserves are not spent.
- Members also discussed government regulation in this area of business; and advantages of the LGM.

The Chair thanked members for their comments and stated a future update will be given to the board.

Action

- Members noted the update.

12 City Regions Update

The Chair invited Daniel Gardiner, Adviser, to introduce the item.

Daniel stated that the paper updates members on two pieces of research on fiscal devolution that were commissioned by the City Regions Board during the 2017-18 political cycle.

The two pieces of research focus on detailed econometric modelling of specific instances of fiscal devolution and public perceptions of devolution and fiscal devolution specifically. The two research reports were appended to the paper and the paper concluded by outlining options for next steps for the LGA's work in this area.

Daniel invited feedback from the Board on next steps for this work and noted that a meeting would be set up between the Chairs of the City Regions Board, the People and Places Board and the Resources Board to agree on next steps.

The Chair thanked Daniel for his update, and commenced feedback by stating:

- The messaging research presents a challenge for the sector and is important in informing how we most effectively put forward the case forward for the local government sector.
- A tourism tax is of interest and, based on previous experiences, there will be a lot of interest from the tourism industry on what the money would go towards (tied to hypothecation point in the report).
- Interest in considering how tax models for physical and online businesses might be equalised and considering how local government are beneficiaries of this – the Chair noted that this also came up in a recent meeting with Marks and Spencer.
- On the modelling research, Members noted the variable impact of a tourism levy in areas across the country and the importance of assignment of income tax being based on where you live rather than where you work.
- There was broad agreement that further work on a tourism levy was worth pursuing but that this needed to be considered in the context of domestic visitor numbers going up.
- Members noted the need to be mindful of the unintended consequences of variable rates in taxation between areas.
- It was commented that the way we might secure the introduction of local levies is through the use of effective local pilots, e.g. a tourism levy.
- Members agreed that the messaging research was extremely insightful and not necessarily in line with what might have been expected. Members agreed the importance of taking this work forward in order to increase understanding in local government, noting that this would help make the case for more substantive fiscal devolution in future.
- Members commented on the need for greater clarity to be provided to enable the public to better understand who is taxing residents, and what this tax is being spent on.
- Members commented on the need for a robust LGA communications approach in

response to the messaging research.

- Members reflected on local experiences of public consultations that demonstrate how vital it is to frame questions correctly.

The Chair concluded this work was vital to further shape public opinion in relation to local government, in order for more residents to become engaged with local politics, and to better understand what local government does, and where its funding comes from. The Chair also noted an emerging consensus of interest in progressing work relating to a tourism levy and work relating to taxation arrangements for online businesses.

Action

Members noted the update.

13 Autumn Budget and Spending Review

The Chair invited Bevis Ingram, Senior Adviser, to introduce the item.

Bevis stated that the report provides an update on the LGA's planned activity ahead of the 2019 Spending Review and asks for members' views regarding the outline content of the LGA's 2018 Autumn Budget submission.

The Chair thanked Bevis for the update. Members agreed with the outline content of the LGA's 2018 Autumn Budget submission.

Action

- Members noted and agreed to the proposed outline, detailed in the report and its appendices.

14 Note of last Resources Board meeting

Members agreed to the notes from the previous Resources Board, on Thursday 28 June 2018.

Appendix A -Attendance

| Position/Role | Councillor | Authority |
|-----------------|------------------------|----------------------------------|
| Chairman | Cllr Richard Watts | Islington Council |
| Vice-Chairman | Cllr John Fuller | South Norfolk District Council |
| Deputy-chairman | Cllr Claire Hudson | Mendip District Council |
| Members | Cllr Philip Atkins OBE | Staffordshire County Council |
| | Cllr Hilary Carrick | Cumbria County Council |
| | Cllr David Finch | Essex County Council |
| | Cllr David Harvey | Westminster City Council |
| | Cllr Roger Phillips | Herefordshire Council |
| | Cllr Byron Rhodes | Leicestershire County Council |
| | Cllr Richard Wenham | Central Bedfordshire Council |
| | Cllr Tom Beattie | Corby Borough Council |
| | Cllr Peter Kelly | Preston City Council |
| | Cllr Peter Marland | Milton Keynes Council |
| | Cllr Sharon Taylor OBE | Stevenage Borough Council |
| | Cllr Sian Timoney | Luton Borough Council |
| Apologies | Cllr Sue Murphy CBE | Manchester City Council |
| | Cllr Adam Paynter | Cornwall Council |
| | Cllr Gillian Corr | Stockton-on-Tees Borough Council |
| In Attendance | | |
| LGA Officers | | |