Resources Board

Agenda

Friday, 14 September 2018
12.00 pm

Smith Square 3&4, Ground Floor, 18 Smith Square, London, SW1P 3HZ

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Local Government Association

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Local Government Association

Resources Board
14 September 2018

There will be a meeting of the Resources Board at **12.00 pm on Friday, 14 September 2018** Smith Square 3&4, Ground Floor, 18 Smith Square, London, SW1P 3HZ.

A sandwich lunch will be available at 12.00 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.

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 18 Smith Square is printed on the back cover.

LGA Contact:
Benn Cain
benn.cain@local.gov.uk / 020 7072 7420 / 07554 334 900

Carers' Allowance
As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £7.83 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.

Local Government Association

Resources Board – Membership 2018/2019

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 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
Substitutes	
Cllr Andrew Joy	Hampshire County Council
Cllr Andrew Leadbetter	Exeter City Council
Cllr Ian McCord	South Northamptonshire District Council
Labour (7)	
Cllr Richard Watts (Chair)	Islington Council
Cllr Tom Beattie	Corby Borough Council
Cllr Peter Kelly	Preston City Council
Cllr Peter Marland	Milton Keynes Council
Cllr Sue Murphy CBE	Manchester City Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Sian Timoney	Luton Borough Council
Substitutes	
Cllr John Fillis	Lancashire County Council
Cllr John Merry CBE	Salford City Council
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 Gillian Corr (Deputy Chair)	Stockton-on-Tees Borough Council
Substitutes	
Cllr Geoff Knight	Lancaster City Council

Agenda

Resources Board

Friday 14 September 2018

12.00 pm

Smith Square 3&4, Ground Floor, 18 Smith Square, London, SW1P 3HZ

Date of Next Board Meeting: Thursday, 22 November 2018, 12.00 pm, Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ

Resources Board

14 September 2018

Membership and Terms of Reference for 2018/19

Purpose

For discussion and decision.

Summary

For Members to note the membership, and agree the Terms of Reference of the Resources Board for 2018/19.

Recommendations

Members of the Resources Board are asked to:

1. Note the membership of the Board for 2018/19 (table one);
2. Agree the Board's Terms of Reference for 2018/19 (paragraph 1 – 12); and
3. Agree to Membership of any Outside Bodies (paragraph 13 onwards)

Action

Officers to take any actions as required.

Contact officers:	Benn Cain
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Local Government Association

Resources Board

14 September 2018

Resources Board – Membership 2018/19

Table One

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 David Harvey *	Westminster City Council
Cllr Roger Phillips	Herefordshire Council
Cllr Byron Rhodes	Leicestershire County Council
Cllr Richard Wenham *	Central Bedfordshire Council
Cllr David Finch	Essex County Council
Substitutes	
Cllr Andrew Joy **	Hampshire County Council
Cllr Andrew Leadbetter	Exeter City Council
Cllr Ian McCord **	South Northamptonshire Council
Labour (7)	
Cllr Richard Watts (Chair)	London Borough of Islington
Cllr Tom Beattie	Corby Borough Council
Cllr Peter Marland	Milton Keynes Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Peter Kelley *	Preston Council
Cllr Sian Timoney	Luton Borough Council
Cllr Sue Murphy *	Manchester City Council
Substitutes	
Cllr John Fillis **	Lancashire County Council
Cllr Amanda Serjeant	Chesterfield Borough Council
Cllr John Merry **	Salford 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 Gillian Corr (Deputy Chair)	Stocton-on-Tees Council
Substitutes	
Cllr Geoff Knight **	Lancaster Council

* New Board Members ** New Board Substitutes

Resources Board

14 September 2018

Terms of Reference

Purpose of Committee: Resources Board

1. 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

2. Local Government Finance: issues relating to the financing of local government expenditure. The Chair of the Resources Board also chairs the LGA's Task and Finish Group on Business Rates Retention and the Fair Funding Review

3. Welfare Reform: issues relating to welfare reform.

4. EU Funding: issues relating to current EU funding and the future design and delivery of replacement funding.

5. 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

6. 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.

7. The Resources Board will be responsible for:

   7.1 Ensuring the priorities of councils are fed into the business planning process.

   7.2 Developing a work programme to deliver their brief, covering lobbying, campaigns, research, improvement support and events and linking with other boards where appropriate.

   7.3 Sharing good practice and ideas to stimulate innovation and improvement.

   7.4 Representing and lobbying on behalf of the LGA, including making public statements on its areas of responsibility.

   7.5 Building and maintaining relationships with key stakeholders.

   7.6 Involving representatives from councils in its work, through task groups, Commissions, SIGs, regional networks and mechanisms.

   7.7 Responding to specific issues referred to the Board by one or more member councils or groupings of councils.

7.8 Providing views, as appropriate, to inform the decision making responsibilities of the national negotiating committees and the Local Government Pension Committee.

8. The Resources Board may:

8.1 Appoint members to relevant outside bodies in accordance with the Political Conventions.

8.2 Appoint member champions from the Board to lead on key issues.

Quorum

9. 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

10. Substitute members from each political group may also be appointed.

Frequency per year

11. Meetings to be five times per annum.

Reporting Accountabilities

12. 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.

Outside Bodies

13. Currently the Board has selected one Member to one Outside Body:

13.1 Cllr Sharon Taylor – Enforcement Law Reform Group – appointed March 2018.

Resources Board Priorities and Work Programme 2018/19

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 Members of the Resources Board agree its priorities and work programme for the 2018/19 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 2018/19

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 2018/19 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

5. This work stream is organised into three strands: pay and negotiations support; pension policy and strategic workforce issues.

<u>Pay and Negotiations</u>

6. 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.

7. Complete the work of implementing the new pay structure for Local Government Services.

8. Complete work on broadening the role of firefighters through a longer term pay agreement

9. Continue to coordinate responses to consultation on changes to employment law and regulations.

<u>Pensions</u>

10. Combining the £200 billion assets of the 88 pension funds in England and Wales into seven or eight pools ensuring that there is no reason for the Secretary of State to intervene in investment matters.

11. Local Government Pension Scheme (LGPS) to be a leading player in the implementation of cost transparency across the entire institutional investor space. We are also focused on implications for exit payment reform on LGPS and outcome of scheme cost management process.

Workforce Strategy

12. Continue to advise and assist councils in modernising their approaches to organisational design, pay and rewards and other workforce development issues.

13. Complete publication and introduction of refreshed local government workforce strategy to support modernisation.

14. Focus on workforce issues arising from public service reform and revised workforce strategy priorities, for example providing support to the sector on the gender pay gap and improving diversity in senior roles.

15. Continue to provide support to councils to address skills gaps and skill shortages issues, focusing on apprenticeship levy access and delivering a new set of the ‘Return to’ campaigns.

16. Focus on support for councils needing to improve their HR services.

17. Continue to review and enhance our chargeable support offer.

Local Government Finance

Spending Review 2019

18. Working with other Boards develop and deliver a high profile campaign and reports in advance of the 2019 Spending Review that makes the case for adequate resources for local government and the additional freedoms and flexibilities needed.

19. This is a high priority for the LGA.

Business Rates Retention and Fair Funding Review

20. A long-term work programme looking at issues such as securing extra business rates, designing the retention system, managing risks and incentives.

21. This is high priority work for the Local Government Finance Team. This work is being led by the Business Rates Retention and Fair Funding Review Task and Finish Group, Leadership Board and Executive.

22. Focussing 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.

23. This is a priority for the LGA. This work is being led by the Business Rates Retention and Fair Funding Review Task and Finish Group, Leadership Board and Executive.

24. The Chair of the Resources Board chairs the LGA's Task and Finish Group on Business Rates Retention and the Fair Funding Review.

Other Business Rates Issues

25. Focussing, 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 and business rates avoidance. Given the impact of these changes on local authority income this work is a priority.

Local Government Finance Settlements

26. Analysis of the annual local government finance settlement, on the day briefing, responding to the consultation/s, parliamentary work and the LGA's annual finance conference.

Local Government Finance Contributions to set pieces

27. Autumn Budget submission and on the day briefing/s.

Capital Financing

28. 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.

Other Finance Policy

29. Influence thinking, formulate policy and respond on behalf of the local government sector to other ad hoc financial consultations and reports that impact on local government, including but not limited to, accounting practices, audit policy, Treasury management, tax, and investments.

Contribute to wider LGA Objectives

30. Provide local government finance support to other Boards on service-specific issues.

Local Government Mutual

31. The Chair of the Resources Board will chair the group of Founding Members overseeing the establishment of the new Local Government Mutual and will represent the LGA on the group. The Board will steer the LGA's stance as the first founding member of the mutual.

EU Funding

32. The Board's two priorities for 2018/19 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. The second priority is to ensure that current EU funding is fully spent until 2020, and any issues arising.

Welfare Reform

33. Build on the 2017 review of Housing Benefit (HB) administration costs and repeat the exercise for 2018/19. Continue to press for councils to be fully funded, particularly in light of the August 2018 announcement in relation to the retention of Supported Housing in HB.

34. Continue to ensure that all 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, particularly in relation to 'managed migration' of claimants on legacy benefits from July 2019.

35. Build on this year's scoping project on 'reshaping financial support' to deliver a range of local best practice pilots on integrated support for low income households.

36. Ensure that the LGA's work on welfare reform is effectively integrated with work on housing, employment and health and continue to press Government for a more integrated approach to improving life chances and promoting social mobility.

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 directorate / team budget.

Resources Board

14 September 2018

Local Government Finance Update

Purpose

For comment.

Summary

This 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 of the Resources Board.

Recommendation

That Members of the Resources Board note this update.

Action

Officers to proceed with delivery of the LGA work programme on matters set out in the paper as recommended by the Board.

Contact officer:	Nicola Morton
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Email:	Nicola.morton@local.gov.uk

Resources Board

14 September 2018

Fair Funding Review and Business Rates Retention Update

Introduction

1. This 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 of the Resources Board.

2. Policy on further Business Rates Retention and the Fair Funding Review is being developed through the Task and Finish Group on Business Rates Retention and the Fair Funding Review, Leadership Board and Executive.

Fair Funding Review

Delivery of the LGA Fair Funding Review work programme

3. In November 2017 the LGA's Executive and Leadership Board agreed a LGA work programme on the Fair Funding Review. A high level update on this work programme is attached as **Appendix A** and the following paragraphs provide more detail.

4. Work on evaluation criteria and the divergence of relative needs over time is now complete.

Relative needs assessment and council tax adjustment models

5. As agreed at Leadership Board, the LGA commissioned two separate models:

   5.1. A needs distribution model to allow local authorities to see the impact of different cost drivers and differential weightings within needs formulae;

   5.2. A council tax equalisation model to identify the impact of adjustments for council tax and council tax support on individual authorities.

6. These models provide member authorities with a set of tools to evaluate the impact of future proposals or to enable them to build proposals of their own. The LGA will also use these tools to see if we can reach agreement on some of these issues.

7. Following clearance by the Task and Finish Group and LGA Group Leaders, the models have been published and shared with member authority chief executives and chief finance officers.

Transition options review

8. As agreed at previous meetings of the LGA's Leadership Board and Executive, officers have commissioned a review of transition methods previously used in the distribution of funding from central government and a model to assess the impact of different methods of moving from the current pattern of funding to the one following the Fair Funding

Review and introduction of 75 per cent retention. Suppliers have been appointed to produce this work which we expect to be completed in September.

Fair Funding Review technical working group update

9. The officer-led Fair Funding Review Technical Working Group, attended by officers from all types of local authorities covering all regions and co-chaired by LGA and MHCLG officials, met on 10 July. Over the course of the meeting the group discussed:

    9.1. The Area Cost Adjustment, its role in future relative needs adjustment formulae and ways to update the analysis;

    9.2. Principles for future transitional arrangements from one pattern of funding to another. As referred to above the LGA has commissioned work on this issue;

    9.3. Treatment of historic supported capital borrowing which predates the 2003 prudential borrowing system. There used to be a specific formula to take this into account in the pre-2013 formula grant system. The technical working group supported using principles similar to the previous formula, with notional debt levels used instead of actuals.

The Government's next steps for the Fair Funding Review

10. The Government's work is building towards a wider consultation on the Fair Funding Review, expected in autumn 2018. Government officials have elaborated on the issues the consultation might explore as part of papers to the July 2018 officer-led Steering Group.

11. The following is subject to Ministerial decision on the scope of the consultation, including the extent to which the Government would identify preferred options at this stage.

12. On the relative needs assessment, the consultation might cover:

    12.1. The structure of the assessment, including options for tier-specific foundation formulas and formulas to assess specific services. The Government might express a preferred option on this.

    12.2. The leading cost drivers for inclusion in the above, and a description of proposed analytical techniques to weight them against one another;

    12.3. Commentary on the area cost adjustment.

13. On the relative resources assessment, the consultation might cover high level approaches to:

    13.1. Measuring the council tax base, in particular treatment of mandatory and discretionary council tax discounts. This includes local council tax support schemes;

13.2. The choice of notional or actual council tax levels to be used when calculating the adjustment;

13.3. Treatment of other income, such as sales, fees and charges.

14. On transition, the consultation might cover:

14.1. High level principles that could underpin the choices of transition mechanism, such as stability, speed, transparency and time limits;

14.2. The definition and measurement of 'baseline' and 'target' between which the transition mechanism would be applied to.

15. This is in line with the LGA's work programme on the Fair Funding Review, with the core LGA work programme and meetings of the Business Rates Retention and Fair Funding Review Task and Finish Group all helping explore policy options ahead of the publication of the consultation document.

Business Rates Retention

Commissioning a business rates retention model

16. In April Leadership Board agreed to the LGA commissioning a business rates retention model to enable the effect of possible systems design changes to be estimated. Following a tendering exercise LGFutures were commissioned to produce the model. A working version was demonstrated at the meeting of the Business Rates Retention Task and Finish Group on 12 September. Following feedback from the Task and Finish Group officers will work with the suppliers to make refinements to the model. Following political clearance of the model it will be placed on the LGA Business Rates Retention Hub alongside the other models commissioned by the LGA. Further updates will be given to Resources Board at a future meeting.

2019/20 pilots

17. The prospectus inviting areas to bid to become a further business rates retention pilot was published on 24 July 2018. Applications for 75 per cent pilots are being invited with a closing date of 25 September 2018. It should be noted that the five 2017/18 devolution pilots will continue at 100 per cent and there will be separate discussions covering London. Non-London 2018/19 pilots will need to reapply if they wish to be a pilot in 2019/20. Unlike in 2017/18 and 2018/19 there will not be a no-detriment clause. At the time of writing, LGA and MHCLG officers were organising a joint event on 3rd September where senior officers from authorities considering making applications will have the opportunity to learn more about the pilots and process.

Other business rates retention updates

18. The joint MHCLG / LGA officer Business Rates Retention Steering Group continues to meet regularly to oversee the programme of further Business Rates Retention and the Fair Funding Review. Working under the Steering Group, the Systems Design Working Group is continuing its detailed consideration of the issues and an Implementation

Working Group has been set up to consider some of the more technical aspects of implementing further business rates retention. Since the last meeting of Resources Board the groups have discussed:

18.1. Different options for resets, including consideration of how to balance desirable criteria such as simplicity, rewarding growth and allowing for needs;

18.2. Options for pooling, looking at how pools can be incentivised in the absence of a levy. Local authority representatives felt that fiscal freedoms, such as the ability to change the conditions of grants and to vary the capital and revenue split, would be the most powerful.

18.3. A proposal for simplifying business rates retention. It was agreed that further work needed doing on this and it will be the topic of future papers to the groups. We will keep members up to date on these discussions.

19. Further discussions at the Systems Design Working Group will inform a consultation paper expected to be published later this year. This is expected to consist of a proposed overall package, individual elements of the system such as resets, tier splits, safety nets and treatment of appeals, and also a consideration of what long term reforms, requiring primary legislation, would be beneficial.

Other matters

20. In July Cipfa published a consultation on proposals to produce a financial resilience index for English councils. Resources Board lead members approved the LGA's response (link?) to the consultation. While we welcome any tools that help councils monitor and measure their finances we are concerned that such an index will be used (incorrectly) as a performance table for councils even though this is not Cipfa's intention. We have therefore started discussions with Cipfa about alternative ways that the data could be published.

21. Following calls from the LGA and from others in the sector, the Government is consulting on a statutory override for councils to the implementation of aspects of International Reporting Standard 9 (IFRS 9). The proposed response to the consultation is an item elsewhere on today's agenda.

22. Following the success of this year's conference in January, the date for the next LGA annual Local Government Finance Conference has been confirmed. It will be held on Tuesday 9 January 2019 in the conference suite at 18 Smith Square. The focus of the conference will be the Spending Review 2019, together with the Fair Funding Review and further Business Rates Retention.

Implications for Wales

23. There are no direct implications for Wales arising from this report as business rates retention and the Fair Funding Review apply to England, and the Cipfa resilience index and the IFRS statutory override are for England only. The distribution of funding to Welsh local authorities is a devolved matter in Wales.

Financial implications

24. Members of Leadership Board have previously approved spending of LGA reserves on the LGA work programme on the Fair Funding Review and commissioning of a Business Rates Retention model.

25. Other work outlined in the paper above is part of the LGA's core programme of work and as such has been budgeted for in the 2018/19 budget.

Local Government Association

Appendix A – High-level Progress Update on the LGA Fair Funding Review and Business Rates Retention Work Programme

Project	Purpose and description	Quick update
Criteria for assessing proposed distribution models and methodologies	To give the LGA a structured and consistent way to assess new distribution models.	Complete
Formula grant: update the data	Update the data in the current distribution model (where updated data is available) to see the impact of this on individual allocations separate to any methodology changes. In effect this would provide an updated baseline to inform a discussion on how long the formulae remain 'future proof' without any review of weightings. To help the LGA and member authorities form policy on the data used in the formulae and the frequency of distribution resets, or other ways to 'future proof' the mechanism.	Complete
Distribution model: develop a distribution model	A model to allow local authorities to see the impact of different key cost drivers and differential weightings. To help the LGA and member councils evaluate the impact of various Government and stakeholder proposals on their council and to allow them to put forward their own proposals	Complete
Council tax equalisation: develop a model	A model to identify the impact of adjustments for council tax and council tax support on individual authorities. To inform LGA policy and to help individual member councils evaluate Government proposals.	Complete
Damping /transition mechanisms	An analysis of historic damping / transition mechanisms and a model to inform discussions on the guiding principles of transition. To inform LGA and member authorities' policy.	Suppliers appointed; work expected to be delivered in Autumn 2018.
Business Rates Retention model	A model to enable LGA and local authorities to assess the impact of system design choices in areas including: • The setting of business rates baselines; • The extent and frequency of business rates resets; • Dealing with losses due to appeals; • The level of the safety net and how it is funded; and • The split of business rates income in two-tier areas.	Suppliers appointed; work expected to be delivered in Autumn 2018

Resources Board

14 September 2018

Local Government Finance Settlement 2019 to 2020 – Technical Consultation

Purpose

For comment and agreement.

Summary

This report sets out the key points in the Government's technical consultation on the 2019/20 local government finance settlement and asks members for views on the LGA's draft response.

Recommendation

That Members of the Resources Board comment on the draft response and agree to it being forwarded to the Ministry of Housing Communities and Local Government (MHCLG) as the LGA's response to the consultation.

Action

Officers to amend the draft in the light of comments made and forward the finalised submission to MHCLG.

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Position:	Senior Adviser (Finance)
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Email:	mike.heiser@local.gov.uk

Local Government Finance Settlement 2019 to 2020 – Technical Consultation

Introduction

1. This report presents for comment and approval the LGA's submission to the MHCLG technical consultation on the 2019/20 local government finance settlement. It is also being presented to the LGA Leadership Board at its meeting on 12 September, and the LGA Executive at its meeting on 13 September.

Detail

2. The MHCLG technical consultation paper on the 2019/20 local government finance was published on 24 July 2018. The closing date is 18 September 2018. The consultation paper sets out the government's intended approach for 2019/20, the final year of the multi-year local government finance settlement. In particular it covers:

    2.1. The arrangements for the fourth year of the multi-year settlement offer announced in 2015, which included Revenue Support Grant, business rates tariff and top-up payments and Rural Services Delivery Grant.

    2.2. Future arrangements for the New Homes Bonus; where the Government outlines that it expects to raise the 0.4 per cent threshold for the bonus in 2019/20 to keep the bonus within 2015 Spending Review limits. The Government will, in the run up to the next Spending Review period, explore how to incentivise housing growth to reward delivery or incentivise plans that meet or exceed local housing need.

    2.3. The Government's proposals for council tax referendum principles for 2019-20 which confirm those set out for 2019/20 as part of the 2018/19 settlement. These are:

        2.3.1. A core principle of 3 per cent for all single tier and county councils, fire and rescue authorities and the Greater London Authority.

        2.3.2. A continuation of the Adult Social Care precept with an additional 2 per cent flexibility subject to total increases for the Adult Social Care precept not exceeding 6 per cent between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years.

        2.3.3. Shire district councils in two-tier areas being allowed increases of up to 3 per cent, or up to and including £5, whichever is higher.

        2.3.4. A precept increase of £12 for police services.

        2.3.5. No referendum principles for the 5 Mayoral Combined Authorities with powers to raise a precept[1] or for town or parish councils.

[1] The West of England Mayoral Combined Authority has no powers to raise a precept

Local Government Association

2.4. Proposals for dealing with the negative adjustment to tariffs and top-ups known as 'Negative Revenue Support Grant'. The Government's preferred option is to cancel the negative adjustment in 2019/20 for the 168 authorities affected at a total cost of £153 million. Other authorities will not receive any additional resources.

LGA response

3. The LGA response is attached (**Appendix A**) for comment and approval. The key points are:

3.1. The LGA welcomes the Government's intention to continue with the four-year settlement to which 97 per cent of all local authorities signed up. However, local authorities are now facing rises in pay and prices, which were not forecast when local authorities signed up to the four year offer.

3.2. Local services are facing a £3.8 billion funding gap in 2019/20 rising to £7.8 billion by 2025 and solving this issue requires bold decisions from the Government.

3.3. Local government is concerned that there is no clarity over funding levels, both nationally and locally, after March 2020. This hampers meaningful financial planning at a time when government grant funding is the lowest it has been for decades.

3.4. The LGA has consistently argued against the principle of council tax referenda for any local authority. Referendums on council tax are an unnecessary and costly burden. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box. If the Government does still introduce principles, adult social care authorities which cannot increase the adult social care precept further and fire and rescue authorities are likely to make a particular case for additional flexibility, as well as shire districts who do not have any additional flexibility from the increase in the threshold from 2 to 3 per cent as this is below the £5 extra allowed.

3.5. Those authorities affected by 'negative RSG' will welcome the Government's proposal to cancel the adjustment to top-ups and tariffs in the 2019/20 settlement, meaning the 'negative RSG' will be paid for from central government resources. However, all councils face significant funding pressures and huge financial uncertainty over the next few years and into the next decade. The LGA will look to the Autumn Budget, 2019/20 local government finance settlement and the 2019 Spending Review for a settlement which is sufficient and fair to all authorities.

3.6. We would urge the Government not to increase the New Homes Bonus threshold. This would risk putting the brakes on housebuilding schemes and growth-boosting projects at a time when the housing shortage is one of the biggest challenges facing the nation and it would further exacerbate the financial challenges facing some councils. Authorities with New Homes Bonus income will also be concerned at the lack of certainty over the Bonus in 2020/21 and in future years.

Implications for Wales

4. There are no direct implications for Wales arising from this report. The distribution of funding to Welsh local authorities, is a devolved matter in Wales.

Financial implications

5. The work outlined in the paper above is part of the LGA's core programme of work and as such has been budgeted for in 2017/18 and 2018/19 budgets.

Local Government Association

Appendix A – LGA Response to the Technical Consultation on the 2019/20 Local Government Finance Settlement

1. The Local Government Association (LGA) welcomes the opportunity to respond to the technical consultation on the 2019/20 local government finance settlement.

2. The LGA is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.

3. This consultation response has been approved by the LGA's Leadership Board, Executive, and Resources Board.

Key points

4. The LGA welcomes the Government's intention to continue with the four-year settlement to which 97 per cent of all local authorities signed up. However, local authorities are now facing rises in pay and prices, which were not forecast when local authorities signed up to the four year offer.

5. Local services are facing a £7.8 billion funding gap by 2025 and solving this issue requires bold decisions from the Government.

6. 2019/20 is a particularly challenging year for councils with a projected funding gap of £3.8 billion which includes £1.5 billion to improve the financial sustainability of the care market. This assumes councils deliver all planned savings in 2018/19.

7. Local government is concerned that there is no clarity over funding levels, both nationally and locally, after March 2020. This hampers meaningful financial planning at a time when government grant funding is the lowest it has been for decades

8. The LGA has consistently argued against the principle of council tax referenda for any local authority. Referendums on council tax are an unnecessary and costly burden. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box. If the Government does still introduce principles, adult social care authorities which cannot increase the adult social care precept further and fire and rescue authorities are likely to make a particular case for additional flexibility.

9. Those authorities affected by 'negative RSG' will welcome the Government's proposal to cancel the tariff/top-up adjustment in the 2019/20 settlement, meaning the 'negative RSG' will be paid for from central government resources.

10. We would urge the Government not to increase the New Homes Bonus threshold again. This would risk putting the brakes on housebuilding schemes and growth-boosting projects at a time when our housing shortage is one of the biggest challenges facing the nation and it would further exacerbate the financial challenges facing some councils.

Local Government Association

Responses to individual questions

Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

11. The LGA welcomed the principle of the four year settlement offer made in December 2015. We have long called for local government to have a longer financial planning horizon. Certainty in the current financial environment is vital for local authorities.

12. However, local authorities are now facing rises in pay and prices, which were not forecast when local authorities signed up to the four year offer. In addition, although not confirmed local authorities were anticipating the introduction of 100 per cent business rates retention before the end of the four year settlement.

13. This is year four of the four year deal and there is no clarity over funding levels from April 2020 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 £7.8 billion funding gap by 2024/25.

14. We continue to believe this certainty should include all the other main grants allocated to local authorities. In addition to the grants already included in the multi-year offer and more certainty over new homes bonus, it should be extended to include the following funding streams:

    14.1 Public Health Grant

    14.2 Improved Better Care Fund (the Government should also continue to ensure that existing Better Care Fund continues to support social care).

    14.3 Housing Benefit and Council Tax Administration Subsidy.

    14.4 Extended Rights for Home to School Travel Grant.

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

15. It is imperative that the Government provide 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 2019/20 are announced significantly sooner than they have been in recent years.

Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

16. The LGA has consistently argued against the principle of council tax referenda. Referenda on council tax are an unnecessary and costly burden. Council tax should be a local decision and councils should be held accountable through the normal mechanism of the ballot box.

17. The referenda also present exceptionally bad value for money, costing up to £1 million for an increase in council tax that might be as low as 40 pence per week.

18. Under the Localism Act 2011, the Secretary of State has the power *not* to determine a set of principles for a financial year. The Secretary of State has announced that he is minded not to set principles for mayoral combined authorities and parish and town councils. The LGA believes the Secretary of State should give all local authorities the freedom to set council tax levels at the right level. Councils can be trusted to make sensible decisions about council tax increases, taking into account the priorities and wishes of local residents.

19. If the Secretary of State is minded to set the principles as outlined in the consultation document we would make the following points:

    19.1 There is a particular impact on those social care authorities who cannot increase their precept further due to already being at the 6 per cent limit;

    19.2 For shire districts with the lowest council tax levels the 3 per cent 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. We call on the Government to offer further flexibility to shire district councils;

    19.3 Fire authorities have particular pressures due to the funding of pay increases. If there is not an increase in the grant for FRAs, we understand they have suggested that there be an increase in the referendum cap for standalone FRAs so they could budget for a pay increase from raising council tax.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?
Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored here please provide further detail.

20. Many councils have expressed concern, since 2016/17, about the adjustment of top-ups and tariffs as a result of 'negative Revenue Support Grant' in 2019/20. Those affected authorities will welcome the Government proposal to cancel the adjustment in the 2019/20 settlement, meaning that the 'negative RSG' will be paid for from central government resources.

21. However, all councils face significant funding pressures in 19/20 and beyond and huge financial uncertainty over the next few years and into the next decade. The LGA will look to the autumn budget and the 2019/20 local government finance settlement and then the 2019 Spending Review for a settlement which is sufficient to fund identified inflationary and demand pressures and fair to all authorities.

Question 5: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

22. The LGA refers DCLG to responses from individual authorities.

New Homes Bonus

23. New Homes Bonus is covered in Section 3 of the consultation although there is not a specific consultation question.

24. Many authorities will have welcomed the Government's decision not to raise further the 0.4 per cent threshold in 2018/19. They will be concerned at the prospect of this being increased in 2019/20, as outlined in the consultation document. We would urge the Government not to increase the New Homes Bonus threshold again. This would risk putting the brakes on housebuilding schemes and growth-boosting projects at a time when the housing shortage is one of the biggest challenges facing the nation and it could further exacerbate the financial challenges facing some councils.

25. Authorities with New Homes Bonus income will also be concerned at the lack of certainty over the Bonus in 2020/21 and in future years. The consultation document states that it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need.

Resources Board

14 September 2018

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

Purpose of report

For decision.

Summary

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. A suggested draft response from the LGA is appended for approval.

Recommendation

That the LGA's response to the consultation on mitigating the impacts of fair value movements on pooled investment funds on local authority budget setting be approved for submission.

Action

That the approved response is submitted to the Ministry of Housing, Communities and Local Government.

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Local Government Association

Resources Board

14 September 2018

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

Background

1. IFRS 9 is an international financial reporting standard which is due to be implemented by local authorities in England from the financial year 2018/19. UK law stipulates that such reporting standards must be implemented into public service reporting. The standard includes new rules for the valuation of certain pooled investments in local authorities' final accounts, for example a holding in a property investment fund. This will means that local authorities will have to account for any loss or gain in value of those investments in their accounts each year even if the asset is not necessarily going to be sold. At present the investments are valued each year, but the change is effectively just noted and no cash adjustment is made to the accounts until the gain or loss is actually realised.

2. The new rules will mean that local authorities will have to make an adjustment to their revenue account every year for increases or decreases in the value of certain affected investments, even where these changes are on paper only because the investment is not being sold. This may force some councils to hold additional reserves to ensure that when there is a book reduction in the value of investments there is no impact on revenue spending. If reserves are not sufficient to cover any reduction the councils could be forced to make actual spending reductions as a result of a "loss" which may never be realised. Either way, this will decrease the amount of revenue funding available to provide local services. It could also lead to some councils needing to increase council tax by more than would otherwise have been necessary, assuming they have the flexibility to do so.

3. Should the value of investments rise (as they have done recently) the council will have to take the increased value into its accounts each year even though there is no profit from the investment if it is not being sold. This could make it seem as though it has more money available than it actually does. This could lead to a notional increase in reserves even though additional money is not available to authorities. It will be difficult to explain to the public that this increase in reserves held by an authority is not real and, therefore, it would not be prudent for councils to commit this to ongoing service provision.

4. The consultation itself notes that one example of a pooled investment fund that local authorities have invested in is the CCLA Local Authorities Property Fund and that local authorities holdings in this fund are approximately £1 billion. If local authorities were forced to make reserves provision for possible losses on such a fund at a rate of say 10 per cent then that would mean immediately £100 million less available to pay for local services for this investment alone; provision for a fall in value of up to 30 per cent (the fall

in many investment values in the 2008 crash and which some councils have indicated they believe would therefore be a prudent figure) would be proportionally higher. The CCLA example is just one example of the investments likely to be affected. Total English local authority investments in non money market externally managed funds are approximately £2.5 billion [1] but it is not possible to identify what proportion of these are pooled funds and are therefore affected nor whether any money market funds or other investments (a further £10 billion) are also affected. Clearly it will be more than just the £1 billion CCLA fund.

5. As a result of the concerns outlined above, the LGA and many others in the sector including individual councils, Treasurers' societies and the Chartered Institute of Public Finance and Accountancy (Cipfa) approached the Ministry of Housing, Communities and Local Government (MHCLG) and called for the implementation of statutory override to this aspect of IFRS 9. There is precedent for using this approach. It has been applied to accounting for pensions to avoid changes in the valuations of a pension fund assets directly affecting resources available for services.

6. In response to this call, in July the Government issued the "consultation on mitigating the impact of fair value movements on pooled investment funds on local authority budget setting". The proposal in the consultation is for a temporary statutory override for three years and the consultation looks at some of the actions to go with this and the timetable. Separately the consultation also looks at other changes to capital finance and accounting regulations as they affect the charging of equal pay back-pay awards.

7. These changes under IFRS 9 do not impact on direct investment in property where the council owns the property itself or on most types of direct shareholdings, both of which are covered by the definition of capital expenditure.

8. The deadline for responding to the consultation is 28 September 2018.

9. The draft response is appended to this report for approval.

Main proposals in the consultation

10. The consultation says that the Government recognises that for the first time changes in the market value of investments in pooled investments will directly impact on non ring fenced revenue reserves and annual budget calculations (para 16) and that this could mean that there is less money available to fund services (para 20). Nevertheless the consultation also says that the Government fully supports the objectives of IFRS 9 and that introducing a statutory override would mean that local authorities are not subject to the same requirements as the private sector (paras 17/18).

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/735518/Borrowing_and_Investment_Live_Table_Q1_2018-19.xlsx

11. The Government therefore proposes to introduce a time limited statutory override for a period of three years ending in April 2021. During the period of the override local authorities would still be required to identify and account for the changes in value as under IFRS9, but would then reverse them out of the accounts so that such changes would not impact on the balanced budget requirement or on the money available to fund services. From 2021/22 councils would have to implement IFRS 9 in full.

12. The Government argues that the period of the override will give local authorities either time to divest themselves of the affected investments or to build up revenue reserves to mitigate the impact of movements in value if they wish to continue to hold the investments.

13. Local authorities hold the investments because they give a return balanced against risk. If local authorities divest themselves of the investments then it is likely that alternative investments will either give a smaller return (affecting money available to fund services) or be at a higher level of risk, or both. If local authorities have to create new reserves that too could impact on funding available for services. Further, the period of three years to April 2021 and then the financial year 2021/22 are likely to be difficult years of financial uncertainty for local authorities with a number of changes and possible pressures already being identified. For example, 2021/22 will be the first year for revised pension contributions following the triennial valuation as at 31 March 2019, it will be shortly after the implementation of further business rates retention and the Fair Funding Review in 2020, and will be part of a new spending review cycle.

14. The suggested response, which is attached, therefore argues that a full permanent statutory override would be better for the sector, and that if the override has to be temporary, then a period of five years would be better than three.

15. The consultation also asks about whether local authorities should disclose the value of the change that has been reversed out under any statutory override. This seems to be sensible.

16. It also asks whether a similar override should be applied to changes in impairments to loans and debt. This is a different case to the value of pooled investments. The value of investments will go up as well as down, and the without a statutory override the revenue account will be having cash adjustments made for what could be temporary (paper) changes in value. The impairment of loans and debts is much more likely to be provision for a loss that actually will occur and therefore it seems reasonable that this should be met from revenue when it is identified.

17. Finally the consultation asks whether 2018/19 is still the right date for the implementation of IFRS 9 regulations. Since local authorities have been planning for this for some time, it

seems sensible to implement on the planned date and this should help avoid confusion and uncertainty.

Other proposals in the consultation

18. Separately the consultation identifies that a regulation was introduced in 2011 to allow local authorities a breathing space by allowing them not to charge back-pay awards for equal pay to revenue until they actually made the payment. This regulation has been extended twice and is currently due to expire in 2018. The proposal is for this to be extended for a further two years to 2020. This will provide further optional flexibility for councils and so is welcomed.

Implications for Wales

19. The consultation covers English local authorities only. The Welsh Government is responsible for any statutory override in IFRS 9 for Welsh local authorities.

Financial Implications

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

Next steps

21. Draft suggested consultation response appended for approval.

Resources Board

14 September 2018

Appendix A – Response to the consultation on mitigating the impact of fair value movements on pooled investment funds on local authority budget

About the Local Government Association

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

2. 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.

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

General points

4. Local government is currently under severe financial pressure. We calculate that by the end of the decade councils will have had funding reductions equivalent to £16 billion while facing increases in demand for their services. By the middle of the next decade cost pressures on services will mean that councils will face a funding gap of £7.8 billion. In these circumstances, any changes to regulations that cause further pressures would be particularly unwelcome and more likely to result in reductions in services. The changes in treatment of changes in values of pooled investments fall into this category and this is why we called for the statutory override for this. Therefore we welcome the consultation on the proposals. There are precedents for a similar statutory override approach. It has been applied to accounting for pensions to avoid changes in the valuations of pension fund assets directly affecting resources available for services. The case for a statutory override for pooled investment funds is similar and at a smaller scale.

Response to specific Consultation Questions

Question 1 Do you agree that local authorities should be allowed to reverse out the impact of fair value movements on pooled investment funds to unusable reserves? If not, why not and what alternative approach would you propose?

5. We have identified that if local authorities are not allowed to reverse out the impact of fair value movements on pooled investments funds, then, if and when those movements are negative, there will potentially be a serious negative impact on the amount of revenue funding available to fund services. Therefore we are in strong agreement that local authorities should be able to make this reversal and have called for it before.

6. This consultation itself implies that if the statutory override is applied then local authorities will be "obliged" to reverse out the impact of fair value movements on pooled investment funds to unusable reserves, rather than being "allowed" to do it. Some of our members

have expressed the view that reversing out the impact should be a local discretionary decision.

Question 2 Do you agree that the statutory override should be time limited? If not why not? If it is time limited, is a three year period appropriate.

7. We disagree that the statutory override should be time limited. The argument is made in the consultation that the statutory override should come to end as it is desirable that that local authorities should account in the same way as other reporting entities in the private sector. But the accounts of local authorities are already different from the accounts of other entities and the tax and funding regimes that underpin them are different. The override will not affect the transparency of valuations or of transactions, just how changes in paper values impact on funding for services. We believe there is a strong case for the statutory override to be permanent.

8. According to Revenue Outturn statistics, in 2017/18 council investments earned over £730 million.[1] This is a valuable source of income at a time when council budgets are under great pressure. Although the proportion of this relating to pooled investments is not published, the ability to diversify investments and spread risks through use of pooled funds is a significant factor in achieving a return.

9. One of the arguments made for the override to be temporary is that it will give councils time to divest themselves of the affected assets. It does not make sense for councils to divest themselves of one type of investment that provide positive returns over time in order to manage the risk of having to fund an unrealised loss in any one year.

10. If the statutory override is to be time limited 3 years is too short a timescale and 5 years would be preferable. The period to April 2021 is a period of great financial uncertainty for local authorities with a number of changes and possible pressures already being identified. For example, councils will have had to implement revised pension contributions following the triennial valuation as at 31 March 2019, it will be shortly after the implementation of further business rates retention and the Fair Funding Review in 2020, and will be part of a new spending review cycle. A timescale of 5 years would therefore be more practical.

Question 3 If you agree that local authorities should be allowed to reverse out the impact of fair value movements on pooled investment funds should this be limited to pooled property funds or apply to all pooled investment funds, and why?

11. Although the consultation identifies that pooled property funds are a major investment made by councils that is affected by this, there seems to be no logical reason why other pooled investments should be treated differently. Applying it to all pooled funds will ensure consistency of treatment. Other pooled investment funds (one example quoted to us is short dated bond funds) are similar to property funds, but just backed by a different asset class.

Question 4 Do you agree that local authorities should be required to disclose the net profit/loss reversed out of the general fund to mitigate the impact of the introduction of IFRS 9, as separate line in the Unusable Reserves note? If not please explain why not and detail

[1] Local authority revenue expenditure and financing England: 2017 to 2018 individual local authority data - outturn - GOV.UK

the alternative approach you would prefer.

12. The LGA agrees with this. We believe that by and large this is very similar in effect to current practice. The annual paper valuation and movements on it should already be known and be transparent. The aim of the statutory override should be that paper movements do not impact on real services. Transparency should not be diminished by the override.

Question 5 Do you agree that the Government should not create a statutory override to protect local authorities from the impact of the move to the expected loss model to calculate impairments on loans and debt? If you disagree please explain why with case study examples if relevant.

13. We agree there should be no statutory override on the impact of the move to the expected loss model on loans and debt. This is very different from pooled investments. With loans and debts it is prudent for local authorities to make immediate revenue provision for expected losses when they become apparent. Pooled investments are long term holdings the value of which will fluctuate up and down, so any gains or losses in any one year will be paper only and may change the following year.

Question 6 Do you agree that the Government should not create a statutory override for any of the disclosure requirements introduced by the new standard?

14. We agree with this. As with the answer to question 4 we support full disclosure and transparency. The call for the override is to mitigate the real impact on real services of paper movements in values.

Question 7: Do you agree with the proposal to extend the regulations allowing local authorities not to charge back-pay awards for equal pay claims for a further two years to 2020? If not please explain why not.

15. This is supported. This will give local authorities some additional local flexibility which they can then choose to use if that is appropriate and is therefore welcome.

Question 8: Do you agree that the updated regulations should take effect for the 2018-19 financial year and what would be the implications of not doing so.

16. Local authorities have been planning for the implementation of all the aspects of IFRS 9 for some time now and it seems sensible to implement on the planned date as this should help avoid confusion and uncertainty, so long as a statutory override is in place to mitigate the effects of changes in the valuation of pooled investments.

Resources Board

14 September 2018

Workforce Update

Purpose

For information.

Summary

This report sets out the key workforce policy developments that have taken place since the last Board meeting. The updates are routine in that there are no new policy developments at this stage. One decision is requested on taking forward the agreed idea for a diversity champion.

Recommendations

That Members of the Resources Board:

1. Note the report; and
2. Take forward the decision on a diversity champion.

Action

As directed by members.

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Resources Board

14 September 2018

Local Government Association

Workforce Update

Background

1. This report sets asks members to take forward the agreed appointment of a diversity champion and provides updates on other programmes, some pay negotiating groups and pensions.

Proposal for an LGA Equality and Diversity Champion

2. It was agreed at the June meeting of the Resources Board that a Board member should be identified as the “Equality and Diversity Champion” for the LGA. Members asked for more detail on the suggested role

3. The chosen member may be one of the lead members (but not necessarily); it was agreed that a discussion aimed at identifying a volunteer would take place at the September Board meeting.

Scope

4. The primary focus of the champion will be on the directly employed workforce, though there may be situations where the LGA is asked for views on diversity in the wider workforce. It is not envisaged that the role would cover social diversity more generally.

5. The role should cover what the sector does to promote workforce diversity in all its forms. So although the main territory will be avoiding discrimination on grounds of gender, ethnicity, disability and sexuality, there will also be issues around age and religion. The role will of course cover specific activity around the gender pay gap.

6. There are others areas of Government policy relating to employment for people leaving the armed forces and prison which will be relevant.

Duties

7. The champion will be expected to:

   7.1 Be the face of the LGA on workforce diversity issues;

   7.2 Clear copy;

   7.3 Sign correspondence, including letters to ministers, where needed;

   7.4 Be named in media quotes;

   7.5 Attend agreed meetings and events, including occasionally, speaking invitations if necessary (perhaps “ministerial roundtables” where political input is needed for instance).

8. Members are asked to take appropriate steps to identify an equality and diversity champion and to note that our work on the three programmes discussed in paragraphs 9-13 below is closely related to our approach to equality and diversity.

Disability Confident (former "two ticks" scheme)

9. LGA has recently worked with DWP to gain its Disability Confident Leader status. This now means that the Workforce team can help support other councils across the regions to achieve their Leader status and in turn support other employers to change the way that they recruit and retain employees with a disability. Work on this will begin this autumn with DWP.

Health and Wellbeing

10. The Workforce team have developed a Health and Wellbeing review to evaluate the:

    10.1 Effectiveness of Occupational Health services in supporting good organisational practices for promoting health and well-being and preventing ill health.

    10.2 Effectiveness of sickness management policies and procedures in supporting managers and staff to manage ill health.

    10.3 Effectiveness of health and wellbeing initiatives and supporting mechanisms to promote a healthy workplace.

11. The review is independent and provides an objective assessment of the effectiveness of health promotion activities, including identifying, describing and making recommendations for changes that the organisation may wish to consider. It will also highlight any aspects of the organisational practice that are positive and should be built upon in relation to Health and Wellbeing.

Return to Work Programmes

12. As well as meeting the Gold Standard for Returner programmes, the Workforce team have received confirmation of support from the Government Equalities Office to run five return to work programmes for the following hard to recruit professions:

    12.1 Return to social work, 2-5 years career break, cohort two;

    12.2 Return to social work, 5-10 years career break, cohort one;

    12.3 Return to local government, ICT;

    12.4 Return to local government, legal;

    12.5 Return to local government, planners.

13. Discussions are now underway with GEO to agree the MoU for this £1.1 million project.

Pay negotiations

Local Government Services

14. Work continues to implement the new pay spine.

15. UNISON sought leave to appeal in the sleep-ins National Minimum Wage case on 8 August 2018 that was last heard in the Court of Appeal and we are awaiting announcement of the Supreme Court's response. If the appeal is accepted, then it is likely to be heard later next year. In the meantime the LGA continues to assist councils on this issue.

Fire

16. Discussions have continued on the potential to reach agreement on broadening the role of firefighters in return for a pay award that would be higher than that which would otherwise be expected over the next two to three years. The negotiation within the National Joint Council, which is a UK-wide body, continues to be constructive in nature. Lead employee representatives are aware of the financial limitations within which fire and rescue authorities are working and the need therefore to be able to secure additional funding from governments.

17. Indications from Scottish Government remain that it is prepared to fund an increase in firefighter pay. This is expected to be sufficient to cover both the negotiations through the NJC and a number of local issues. However, it is showing signs of impatience and a desire to be able to now move forward quickly in introducing the new role in Scotland.

18. While expressing his view that any outcome must also work well for Wales, the Cabinet Secretary for Local Government and Public Services in Wales has indicated that he is happy for further discussion to take place. As part of that, meetings are taking place with senior civil servants. Welsh Government has also indicated that should it be prepared to provide the funding it would wish to move forward quickly thereafter in introducing the new role in Wales.

19. The situation in Northern Ireland remains challenging given the given the unique political circumstances there.

20. Talks are continuing with government in England. The Minister for Policing and Fire has been provided with further information following discussion with NJC representatives. This information covered the rationale, how the role could look, and included information on fairness (including comparison with other public sector pay settlements), increased productivity, gains for the public purse, and the potential impact on recruitment, retention and diversity. Discussions have taken place with civil servants over the recess period to identify a position which it is hoped the Minister will be prepared to support and take forward to Treasury and other departments as appropriate. Separately he has asked the employers about fire and rescue authorities' ability to fund an increase from their existing budgets and reserves. A detailed response has been provided. There had also been a suggestion from the Minister, subject to NJC agreement, of facilitating an Independent Review to assess whether a firefighter was receiving a fair salary for the current role. Such a review would only be applicable to England and the reference to the current role

was surprising but in any case it has been rejected by the employees' side of the NJC pointing out that 'in any case the real issue is not placing a value on the work of firefighters nor being able to negotiate solutions, the NJC does that regularly. The real issue is one of underfunding…'

21. The time it is taking to be able to secure commitment to additional funding across the UK is also now impacting upon the patience of the employee representatives. The Employers' side of the NJC has suggested that an uplift of 2.0 per cent on basic pay be applied while negotiations continue. The Fire Brigades Union is consulting its members on that suggestion. However, although its communication recognised the progress made within the NJC negotiation about how the role would look, it also set out that it would now be considering what next steps it could take if necessary to do so. This is likely to be in preparation for some form of industrial action in the future should it consider it necessary.

Schoolteachers

22. The Government has published its response on the teachers' pay award for 2018-19. In summary:
    - 22.1 3.5 per cent to the minimum/maximum of the main pay range;
    - 22.2 2 per cent to the minimum/maximum of the upper pay range, leading practitioner pay range; and
    - 22.3 1.5 per cent to the minimum/maximum of the leadership pay ranges.

22. A key issue regarding the DfE response is we believe that for the first time a core recommendation on pay from the Review Body has been rejected, namely that the 3.5 per cent should cover all ranges.

23. At present the details on where the additional funding for the 'pay grant' will come from and how it will be distributed are not clear. However, it is clear that there will be no new money from the Treasury and the money will be found from within the existing DfE budget. The Minister's statement also only confirms that funding would be available for 2018-19 and 2019-20 and is silent on what happens after that period.

24. The National Employers Organisation for School Teachers (NEOST) has been invited to respond, as a statutory consultee, by the 3 September 2018 and local authority leads have fed into the submitted response that is attached at **Appendix A**.

Police Staff pay

25. The Police Staff Council Employers Side has received a pay and conditions claim from the Trade Unions for 2018. The key element of this is for a 5 per cent increase or £1,000, whichever is the greater on all PSC pay points from 1 September 2018. The Employers' Side is undertaking a consultation on this claim via the APCC, NPCC and Home Office and will respond to the Trade Union Side in September.

HM Treasury Public Service Pensions Cost Management

26. The results of the HM Treasury public service pensions cost management process are due in mid-September. Early indications are that the results may have a detrimental impact on employer costs which could be in excess of 2 per cent of payroll. Although, discussions continue with MHCLG and HMT on how the outcome of the LGPS's own cost management process will impact on those results, there are no such local processes in place for the Teachers or Firefighters schemes where the HMT results will have a direct impact.

27. At the time of writing the HMT results were due on 13 September and if this is a case an update will be made available for Members at the Board.

Implications for Wales

28. The pay negotiations and pension policy sections above cover Welsh councils, whereas the strategic elements of the LGA's work do not directly apply to Welsh councils.

Financial Implications

29. The outlined activities are within the work programme and therefore have been budgeted for.

Next steps

30. Members are asked to note the report and take forward the decision on a diversity champion.

National Employers' Organisation for School Teachers
Response to the consultation on the School Teachers' Review Body's 28th Report and the draft 2018 School Teachers' Pay and Conditions Document
3 September 2018

Introduction

1. The National Employers' Organisation for School Teachers (NEOST) welcomes the opportunity to respond to the consultation on the School Teachers' Review Body's (STRB) 28th Report and the draft 2018 School Teachers' Pay and Conditions Document (STPCD). We trust our comments will be given serious consideration alongside those of the other statutory consultees to the School Teachers' Review Body and that suggested responses and changes required will be made prior to publication of the STPCD.

Executive Summary

2. Our headline responses to the consultation are as follows, that:

- NEOST is disappointed that the STRB recommendations have not been agreed in full;
- NEOST is urgently consulted about the funding formula/mechanism ahead of any announcements relating to the final pay award;
- urgent clarity is provided on the source of the necessary funding for the award and reassurances given that no existing or planned Department for Education (DfE) school funding or support programmes will be adversely impacted;
- immediate assurances are given that the funding will include Centrally Employed Teachers;
- urgent details be supplied of how SEND provision and Pupil Referral Units will be adequately funded;
- confirmation be given of the intention and mechanism to provide ongoing funding of the pay increases related to September 2018, post March 2020;
- an effective consultation process is returned to next year, where consultations on the STRB Report and the revised STPCD are not run concurrently and statutory consultees have sufficient time to engage with their stakeholders. In other words a consultation process that respects the needs of employers to budget and plan workforce development activity in a timely and effective way; and
- clarity be provided over the role of the STRB going forward.

Background

3. NEOST is the employer representative body. It draws its members from the Local Government Association, the Welsh Local Government Association, the Church of England Board of Education, the Catholic Education Service and the Freedom and Autonomy for Schools National Association. The role of NEOST includes acting as the single statutory employer representative body when submitting evidence to the STRB.

4. As the role of the local authority in relation to school employment matters is often misunderstood, it seems appropriate at this stage to provide some context to this evidence. School pay decisions are delegated to individual schools in regulations under the Education Act 2002. Nevertheless, local authorities are the employers of teachers in community and voluntary controlled schools. This affords them certain advisory rights in relation to school employment decisions and creates liabilities under general employment law. Councils retain some employment rights and responsibilities for all of their maintained schools, including Voluntary Aided and Foundation. For example, under the Teachers' Pensions Scheme and generally the Local Government Pension Scheme, the local authority is deemed the employer in all maintained schools.

5. There are 451,900 full time equivalent teachers in England[1] and 23,871 in Wales[2].

Proposed Pay Award

6. We are pleased that the NEOST's call in its written STRB evidence provided in January 2018 for an above 1% pay award has been agreed as it is necessary to improve recruitment and retention of teachers including those in leadership posts. NEOST also made it clear that the increase needed to be across the board and fully funded. Schools and local authorities without exception told us an additional increase over 1% would need to be fully funded by Central Government, with new money. Otherwise it will be extremely challenging for schools to manage, and do little to increase the immediate supply of a high-quality and experienced teacher talent pool. It would be highly likely to result in further jobs being lost in order to balance the budget. Recent years have suggested that those jobs would mostly be support staff roles, which in itself negatively impacts the workload of teachers. However, the funding situation is now impacting directly on teachers and increased class sizes affecting workload. Further redundancies in teaching roles tend to affect subjects with lower take up therefore reducing the breadth of the curriculum and thus pupil choices.

7. NEOST is very concerned that the Secretary of State (SoS) has for the first time not accepted the STRB key pay recommendations in full. This is likely to have a negative impact on morale in terms of perceived fairness as well as on recruitment and retention of some teachers, including those in leadership roles. It is likely to create industrial relations issues for many schools across the country. This negative environment would take up valuable leadership time within schools in terms of managing the consequences of decisions that will impact on them directly and time that would otherwise be focused on supporting their pupils to reach their full potential. Given the unprecedented nature of this year's response to the STRB's recommendations, NEOST seeks clarity over the role of the STRB going forward.

[1] School Workforce Census (2017)
[2] School census results 2018

8. Prior to the DfE announcements on the 24th July there had been no public DfE indication of the level or differentiation of the award and level of the funding required to support the implementation of the 2018 pay award. Therefore no school, local authority or devolved government could have reasonably prepared for this outcome in budgeting terms.

Scope

9. The STRB report (paragraph 1.19) explains that the STPCD applies “to teachers and school leaders in local authority maintained schools in England and Wales”. However, it goes on to explain that “many academies follow the provisions of the STPCD or base their pay policies on this”. In the Written Statement made by the SoS on 24th Jul 2018, it states that “the grant will provide additional support to all maintained schools and academies”. The only reference to formal academy engagement is in Appendix C to the STRB report where is says “in October 2017, we heard from Jon Coles, the CEO of United Learning, about the pay and conditions of teachers in multi-academy trusts…”. For this reason, NEOST has engaged informally with academies throughout the consultation process (via Employer Link which facilitates a national MAT Heads of HR network). Many of the issues set out in our response below similarly apply to all employers in the education sector.

10. All schools covered by the document should be able to implement the changes to the STPCD. Therefore the DfE promised “fully funded pay increase for classroom teachers and those in leadership positions” has to include Centrally Employed Teachers. We estimate the additional cost of the increase for Centrally Employed Teachers will be in the region of £5 million. SEND provision is anticipated to be a bigger cost burden.

11. The scope of NEOST, like the STRB remit and the STPCD, covers Wales and Welsh schools. Therefore, NEOST raises these issues and interests around funding, application and implications equally for Wales as it does for England. The Welsh Government estimates the full cost of implementation for the academic year 2018/19 as £27.4 million.

Consultation Process, Timing and Detail

12. This year the STRB report and draft STPCD consultation report were published jointly on the 24th July 2018, when the vast majority of schools had closed. We understand that the STRB presented their 28th Report for the Government’s consideration sometime towards the end of May. NEOST agrees with the STRB recommendations that their report should be shared much earlier, ahead of the consultation on the STPCD, and well before schools close for the summer break. NEOST seek reassurance that next year the STPCD consultation will be designed and implemented in a way that reduces the difficulties and additional workload caused by a late timetable for schools and local authorities.

13. The current process and timescale impacts negatively on the application of the DfE guidance on the appraisal process within schools. Governing bodies have to consult representatives of recognised trade before finalising their own revised pay policy / pay structure ahead of setting appraisal objectives. This last minute approach places immense pressure on governing bodies, school leaders and other staff to agree new policies and then meet the best practice deadline of the 31 October each year.

14. The DfE consultation on the draft STPCD does not provide the detail on how the "fully funded pay rise for classroom teachers and those in leadership posts" would be calculated on a practical level. Starting the consultation process with the limited information on how the funding will work, now and into the longer term, when we would expect all schools to have entered the summer holiday period is extremely unhelpful. It is difficult for all stakeholders who include school leaders, governing bodies, local authorities, trustees and all NEOST members to be able to assess the implications and therefore provide detailed responses to the consultation on the draft STPCD without that critical information.

15. Policy makers must recognise that something as important as the detail behind the teachers' pay award is essential for employers to budget, to plan for and utilise their flexibilities and to set effective workforce development programmes to align with organisational priorities and affordability. Local authorities and school leaders have informed us of the difficulties they experience reviewing their pay policies in a managed and timely fashion as a result of the delayed consultation and final STPCD. For example Multi-Academy Trusts generally have a single pay policy that applies across their trust (especially in the pay rates that apply on the ranges and the pay points they operate within them). Understanding of the funding mechanism is therefore imperative at an early stage for all schools, especially those trusts where they are spread over wide geographies, where differing local labour market issues could be a factor.

Recruitment and Retention

16. NEOST contends that by tapering the pay range increases, DfE has not taken into account the evidence concerning recruitment and retention throughout the school teaching hierarchy. The STRB report highlights the NEOST evidence (paragraph 2.55) "that local authorities had reported increasing difficulty in recruiting school leaders, in terms of both quality and quantity. Particular difficulties were found recruiting head and deputy head teachers in areas of high deprivation, for religious schools and for small primary schools*".* Therefore the SoS's decision to propose lower percentage increases for all but those on the Main Pay Range (MPR) appears to have been made on an analysis of cost rather than consideration of the evidence in relation to the STRB's remit. We recognise that cost is a key factor in determining changes to the pay framework. However in the light of the strength of evidence on recruitment and retention issues regarding leadership roles we are disappointed in how the factors have been weighted.

17. Without any accompanying evidence to the STPCD consultation, there appears to be no obvious recruitment and retention rationale for awarding different rates of increase to different ranges, only a financial one. NEOST have made this observation as the common experience amongst the majority of STRB's consultees is that there are currently significant challenges in recruiting and retaining experienced teachers into middle and senior level teaching leadership roles, with increasing issues of concern emerging. The Government responded to the STRB report in a statement to Parliament by the SoS on 24th July 2018, describing how he wants to "retain" as well as "recruit" "brilliant teachers". The STRB report records the SoS's agreement that "improving the retention of experienced teachers would also help to improve productivity". Chapter 3 paragraph 3.49 of the STRB 28th report, provides the evidence that the number of Head Teacher vacancies has doubled since 2011. Paragraph 4.17 goes on to set out the need for "pay levels being sufficient to attract people in stepping up to such leadership positions and feeling fully remunerated for

additional responsibility and pressures they are taking on" as well as highlighting the "evidence of the emerging problems in the recruitment and retention of school leaders…".

18. Local authorities have told us that applying lower pay uplifts to the Upper Pay Range (UPR) and Leadership ranges is highly likely to lead to perceptions of unfairness and decreased levels of motivation amongst the teachers impacted. It will also erode differentials between pay ranges, contributing to potentially lower retention rates than might otherwise be achieved with an across the board increase, whatever the total value. In addition it provides a disincentive towards career progression and therefore a medium-term issue with retention, and a long-term problem in leadership development.

Pay Grant Funding

19. We note that at present the details on where the additional funding for the 'Pay Grant' will come from and how it will be distributed are not clear, and some of the issues from a transparent consultation process are highlighted at paragraph's 12 -15 above. However, it seems to be the case that there will be no new money from HM Treasury and the money is to be found from within the existing DfE budget. In redistributing the departmental budget within DfE to find the reported £508 million to fund the Pay Grant until March 2020, NEOST is concerned that this is likely to result in future reduced budgets requiring cuts and restricted support programmes for schools. NEOST is seeking clarity and detail about how the pay award will be fully funded, including for employers' 'on costs' such as employers increased pension contributions, and urgent assurances that this will not be funded by moving money from other school budgets and reducing investment in other areas.

20. It is our current understanding that the funding will be found for a 19 month period (September 2018 – March 2020). Also that the new proposed Pay Grant will be calculated on the assumption that it excludes the cost of the 1% increase that DfE assumes schools will have anticipated under the previous public sector pay cap. Obviously pay decisions made now will create ongoing additional costs not only for this and next year but for years to come. School leaders, trustees and governing bodies need to be assured of long-term funding position when making decisions now for current budgets, but also they need the information to inform the impact on the school's medium to long-term financial position. NEOST seeks assurances that we will be consulted on the funding formula ahead of any announcements relating to the final pay award, and that it will be fair and transparent taking into account all employment models for teachers working in schools/academies in England and Wales. Again, we include Welsh schools in scope of these issues as the STPCD is not a devolved matter.

21. NEOST is seeking confirmation from DfE that pay increases for 'Centrally Employed Teachers' will be fully funded. The school workforce census records 3,800 Centrally Employed Teachers that need to be taken into account in any funding formula. The rising demand for SEND support and Pupil Referral Units, combined with an underestimation of the cost of implementing reforms set out in the Children and Families Act 2014, changes to schools and high needs funding, have had a significant financial impact on councils. We are concerned that unless additional funding is found, councils will be unable to meet their statutory duties to support children with SEND. The additional costs must also be fully funded in order to meet the Government's stated intention of fully funding pay awards for "class room teachers…".

School budgeting and financial planning

22. As described above, the delay in the consultation process generally and the announcement of the STPCD in particular is difficult for all schools. For example academies had to submit their three-year Budget Forecast Returns on 30th July 2018. Funding as already noted is only agreed until 31st March 2020, which is only part way through this three-year forecast. Delays here, as with other types of schools, means that proactive pay policy development is limited and becomes reactionary, restricting the opportunity for innovation, especially without assurances around the long term funding of the award.

23. School funding issues will also be affected by the outcome of the forthcoming teachers' pension scheme valuation. We expect some form of announcement on employer contribution rates during early autumn and we will be seeking assurances that any additional burden as a consequence of employer contribution rate changes will be included in any funding formula.

24. Whilst NEOST acknowledges that technically schools have discretion to pay more to UPR teachers and teachers in leadership posts as long as they stay within the range, schools have increasingly informed us that these decision are restricted due to the severe pressure on the vast majority of school budgets. Therefore they would struggle to be able to use the full range of their discretions even where there is a strong rationale to do so.

STPCD

25. If the proposed increases are agreed it will result in the minimum starting salary of the Leading Practitioner pay range being above the Leadership range. This has never occurred before. It is therefore possible that a teacher on the starting range as a Leading Practitioner would be on a higher salary than a teacher starting as a Deputy or Assistant Head Teacher range. Therefore the pay ranges act as a potential deterrent to teachers aspiring to become school leaders at a time of increasing issues in attracting teachers into headship roles.

26. In response to the consultation, some schools highlighted the increasing level of unwanted bureaucracy and complexity for them and their payroll providers in implementing recent pay awards as a consequence of moving away from national pay spines, differentiated awards and additional flexibilities.

STRB Report Executive Summary - Looking ahead

27. In looking ahead, the STRB signalled its thinking around the next phase of potential reform to the national pay framework as possibly requiring "targeted pay awards, and further uniform uplifts to pay and allowance ranges may not be appropriate in the future". NEOST would highlight the evidence recorded within the STRB 28th report at paragraph 2.91 that "with the exception of the UK Government, all consultees were opposed to the principle that schools should have the ability to decide how uplifts to the national framework would apply to the pay of individual teachers. Most stated that a "cost-of-living" award was required, which would be applied to all teachers' salaries and allowances in payment, separate to any pay progression decisions." NEOST believes strongly that the STRB should not seek to differentiate the award in 2019 by

applying different percentage uplifts within the same pay ranges nor across them. NEOST sees little scope for using pay as a tool to address recruitment and retention difficulties whilst budget pressures appear to be increasing above the rate of any additional funding. The ability for schools to differentiate awards since 2015 has caused confusion, employee relations issues, and is deemed divisive by the vast majority of employers.

STRB Report Chapter 5 Further Observations

28. The STRB highlighted the DfE non-statutory guidance it publishes annually on school teachers' pay and conditions, the document titled 'Implementing Your School's Approach to Pay: Advice for maintained schools and local authorities'. The STRB recommended that the DfE should take further action to make sure that all local authority maintained schools are aware of that guidance document. NEOST members are already very familiar with this annual publication and have previously raised awareness of this guidance to schools and stakeholders as appropriate. However, NEOST would ask the DfE work in partnership to strengthen the existing communication to ensure that all schools and relevant stakeholders e.g. Head Teachers, governing bodies, local authorities and schools HR providers are aware of this useful guidance for this and future years**.** Some of our consultees have argued that the best way of doing this would be to incorporate this document into the statutory guidance contained in the STPCD, albeit while keeping its non-statutory status. However other NEOST stakeholders indicated they would not wish to see further guidance and felt a mixture of statutory and non-statutory guidance would cause confusion. In this context we would suggest that DfE give consideration to making a more detailed examination, of the pros and cons part of this proposal, in a future remit for the STRB.

Resources Board

14 September 2018

Strategic Workforce Priorities Consultation Update

Purpose

For information.

Summary

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.

Recommendation

That Members of the Resources Board note the report.

Action

As directed by members.

Contact officer:	Naomi Cooke
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Strategic Workforce Priorities Consultation Update

Background

1. Early in 2018, the LGA committed to identifying the key national pay and workforce strategic priorities for local government, having last produced a strategy some eight years ago. In order to develop the new priorities we undertook an extensive on-line consultation exercise under the banner *Great People for Growing Places*. We also reviewed our available workforce data and had extensive conversations with Government, professional organisations and senior officers.

2. We are now in a position to set out a shared vision for the workforce the sector needs to develop over the next decade. Every council will have its own ideas of course but an agreed general vision helps us carry out our work on behalf of the sector and helps us all think strategically about the workforce.

3. We took evidence also on the key themes that need to be addressed to achieve the agreed vision and on priorities that the LGA should have under each theme in when providing support to employers.

Responses to the consultation

4. We received responses from 68 councils and individuals/other organisations to the online consultation which break down as follows:

Type of respondent	Number of responses
Shire County	11
Shire District	15
Metropolitan District	8
London Borough	3
Unitary	18
Welsh Unitary	1
Other	12

5. We believe that the spread of respondent councils makes the sample representative. We have not used the “other” responses, which are mostly from individuals, in the detailed analysis of work priorities because ours is a membership organisation for councils, however we have referred to them in the analysis of the more general questions such as about the overall vision. We have also taken account of written comments from “others”.

Support for our overall vision

6. We asked councils and other interested parties to tell us whether or not they broadly supported the vision we set out. **95 per cent of respondent councils offered their support**. We feel that this is sufficiently emphatic to declare that we will use the basic vision to inform our work at a national level and the general sense of direction we will promote for the local government workforce. We don’t want to waste the observations that some people offered however.

7. So our agreed, slightly revised national vision is for a workforce that is:

   7.1 **Productive** – affordable, effective, efficient, motivated, flexible and able to thrive in the digital world.

   7.2 **Joined-up and collaborative** – working in adaptable structures and teams that are properly integrated across all the different organisations providing services on a partnership basis.

   7.3 **Involved in co-designing and co-creating user-focused services** – so that the ideas and experience of the people most involved in services day to day can be fully utilised in ensuring that their work is focused on what users really need within budget constraints.

   7.4 **Truly valued and respected** – supported throughout the stages of life and career and able to enjoy good quality benefits as well as fair pay.

   7.5 **Diverse** – reflecting the communities it serves and making use of all the talent in those communities.

8. One of the main areas of debate amongst those who offered comments was about the scope of the vision as much as the language or whether or not it is comprehensive. We stated in the consultation that as an organisation our main remit covers the directly employed workforce but quite rightly, people made points about the changing nature of service delivery across communities and partnerships. We believe that the vision can be discussed, adapted and used as a core framework across partner organisations but we have adapted some wording to strengthen this point by referencing collaboration and partnership.

9. An interesting point was made about the need to be productive whilst also doing the right thing. We believe that the combination of factors in the vision should lead to efforts being focused correctly on the priorities set by communities but we have made changes to reflect this by adding something about effectiveness and some further detail on design of services. Some respondents highlighted the importance of the digital future and we have reflected this with some more emphatic wording.

Priorities for future work

10. As well as the overall vision for the workforce, the consultation document included five key themes which we suggested that the sector needs to focus on to achieve its aims:

    10.1 **Great leadership** that is visionary, ambitious and effective and the development of leadership skills at all levels.

    10.2 **Organisational change and development** that is focused on people, their wellbeing and resilience.

    10.3 **Kills development** that is truly innovative and focused on combining organisational and individual needs.

10.4 **Improved recruitment and retention** outcomes based on proper planning and use of best practice techniques.

10.5 **Pay and reward** systems that attracts and retains talent, motivating and helping people throughout their careers.

11. Respondents were asked to indicate whether or not they supported these key themes. On average, **95 per cent of respondents** supported each of the themes which is a very positive response.

12. The detailed discussion of each theme included a set of suggested priorities for the LGA's support programme, working with partners at a national level to help deliver change under each theme and so achieve the workforce vision over the next few years. Respondents were asked to rank the priorities in order of importance for them.

13. A clear set of priorities for our work programme emerged under each theme. This will be discussed in detail in the full report but we have identified a series of ten actions that we will focus on as immediate priorities:

13.1 The sector needs to ensure that its workforce development goals are shared and pursued with partners.

13.2 The basic working culture across local government and its partners still needs considerable change and improvement with a focus on new ways of working, especially in the new digital world.

13.3 Further research and sharing of information on best and new practice is very important and the LGA needs to lead this on behalf of the sector.

13.4 Managing and developing internal talent, especially those with leadership potential at all levels requires even more effort.

13.5 Political and managerial leadership development remains a key focus and must involve partner organisations, with particular emphasis on change and performance management and political relationships.

13.6 Making optimum use of apprenticeships at every level is very important.

13.7 Resources for skills development are strictly limited and so continued innovation in skills programmes is needed, with a particular emphasis on all things digital.

13.8 Further reform of pay structures is needed to make them both fair to individuals and relevant to organisational needs.

13.9 Individuals also need much clearer career structures which demonstrate opportunities and allow for planning.

13.10 There are endemic recruitment and retention problems in key specialisms and more debate is needed about how to solve these in the long term, although a focus on the other priorities should be helpful.

13.11 Significant weaknesses remain in approaches to ensuring the diversity of the workforce, especially with regard to people from black and minority ethnic backgrounds and people with disabilities.

Immediate actions

14. Each one of these priorities is a challenge, though they are familiar and considerable efforts have been put into them already. The sector needs to take stock of what to do next and we will continue to report on the issues. The immediate step for us will be to publish a report setting out the strategic vision and priorities, with recommendations for councils and action commitments for the LGA. We will follow this with updates on our work programme in the coming months.

Implications for Wales

15. Steps are being taken to ensure that Welsh authorities are able to benefit from our strategic wok priorities through discussions with the WLGA.

Financial Implications

16. The outlined activities are within the work programme and therefore have been budgeted for.

Next steps

17. Members are asked to note the report and officers will continue to update the Board and discuss priorities over the coming meeting cycle.

Resources Board

14 September 2018

EU Funding and Successor Arrangements

Purpose of report

For discussion.

Summary

This 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.

Recommendations

That Members of the Resources Board:

1. note the report; and
2. steer how we progress our lobbying.

Action

Officers to progress lobbying work in-line with Members steer and direction.

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EU Funding and Successor Arrangements

Background

1. This report provides an update on LGA work to ensure councils continue to receive EU funding during the current funding period (2014-2020), and that successor funding arrangements are in place and localised once the UK exits the EU.

Current EU funding – Growth Programme Board

2. The next Growth Programme Board is on 20 September 2018. The biggest concern is likely to be the management of the European Social Fund (ESF). DWP confirmed in July that 48 per cent of the budget had been committed and we are awaiting an updated figure for the next Board meeting. This provides no clarity on what is actually contracted and being delivered. LGA members will continue to raise concerns again that it should translate commitments into contracted provision in order to ensure that funding has been spent.

EU Funding and 'No Deal'

3. On 24 July 2018, the Ministry of Housing, Communities and Local Government confirmed that the Government will cover the full 2014-2020 programme period and allocation in the event of a 'no deal'.

4. The LGA has welcomed this announcement as it provides local areas with a level of certainty. We have been calling on the Government to ensure that there is no gap between the end of EU funding and the commencement of the UK Shared Prosperity Fund (UKSPF), and the announcement will provide this in the case of a 'no deal'.

5. There is however, no detail on how this funding would operate. LGA members will press for details at the next Growth Programme Board meeting to ensure that there is not a gap in funding for local areas.

UK Shared Prosperity Fund – successor to ESIF

6. Members were updated at the last meeting on the Government's pledge to create a UK Shared Prosperity Fund (UKSPF) to replace it. Secretary of State for Housing, Communities and Local Government, James Brokenshire MP, has since announced the following UKSPF elements will be:

   6.1. Tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind.

   6.2. A simplified, integrated fund;

6.3. Respect the devolved settlements in Scotland, Wales and Northern Ireland;

6.4. A national framework in England that works for local priorities;

6.5. Consult the public.

7. However, there is limited detail on what it will mean in practice and the LGA will continue to press for our key lines.

8. There has been an All Party Parliamentary Group (APPG) set up to investigate Post-Brexit Funding for Nations, Regions and Local Areas. This is chaired by Stephen Kinnock MP and are running an inquiry on the lessons learnt from EU funding and what UKSPF should look like.

9. The LGA have been proactive in pressing the Government on the design and delivery principles to underpin UKSPF. We have published our principles in the Beyond Brexit report and made the case for urgent action in our conference report, Brexit: Moving the Conversation On. The LGA are working with the sector to develop these further as well as supporting councils and combined authorities to make the case for a localised pot.

10. The Government is holding a series of pre-consultation events and formal consultation is expected by the end of the year. The LGA secured a roundtable at officer level as part of the pre-consultation process, which was held on 24 August 2018. This focused on how UKSPF can be integrated within wider economic development and inclusive growth programmes, the issues of current EU funding and the innovation that local authorities have demonstrated in programmes that promote inclusive growth. The LGA will be pursuing more opportunities to influence the details of UKSPF and reaching out to other relevant stakeholders.

11. The objective at the moment is therefore to lobby the Government to co-design UKSPF with local areas immediately. We will continue to call for UKSPF to be a new, locally driven fund, which should be at least equal in value to the current full sum of funding, and operational by January 2021. We will continue to utilise media opportunities to make this case.

12. We are preparing a response to the Post-Brexit Funding APPG where we will continue to make the case for EU funding to be replaced by a localised, place based fund which does not roll back any devolved decision making powers.

13. The LGA is preparing for the likely consultation that will take place towards the end of the year and we continue to welcome contributions from members.

14. **Members are asked to note the report and provide any further steer on how we can progress our lobbying objectives.**

Implications for Wales

15. Through the Brexit Taskforce, the LGA has a defined work programme with the three associations (Welsh Local Government Association, Convention of Scottish Local Authorities and Northern Ireland Local Government Association). This includes a focus on EU funding and its successor arrangements.

Financial implications

16. This is core work for the LGA and is budgeted for within the 2017-18 LGA budget.

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LGA location map

Local Government Association
18 Smith Square
London SW1P 3HZ

Tel: 020 7664 3131
Fax: 020 7664 3030
Email: info@local.gov.uk
Website: **www.local.gov.uk**

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.

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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**

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**

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**