

## **Resources Board – report from Cllr Claire Kober OBE (Chair)**

### **2018/19 Local Government Finance settlement**

1. The Secretary of State announced the provisional Local Government Finance settlement for 2018/19 on 19 December 2017. The LGA produced its usual on the day briefing summarising the announcement. The provisional settlement included almost no new money from central government but the general council tax referendum limit was increased from 1.99 per cent to 2.99 per cent for 2018/19 and 2019/20. The consultation on the settlement closes on 16 January 2018. At the time of writing the LGA intends to submit its response following clearance with Group Leaders and the lead members of the Resources Board.
2. In October the LGA submitted a [response](#) to the Government technical consultation in advance of the 2018/19 Local Government Finance Settlement. This response was cleared by the Leadership Board, Executive, and Lead members of Resources Board. This included a call for the Government not to make further amendments to the New Homes Bonus mechanism, and pleased such changes were not implemented in the provisional settlement in December.

### **2017 Autumn Budget**

3. The Chancellor announced his autumn Budget on 22 November 2017. This included no new funding for social care, but the Chancellor did lift the HRA borrowing cap for some councils to enable them to borrow to build new homes. The LGA produced its usual [on the day briefing](#) summarising and responding to the Chancellor's announcements that affect local government.

### **Business Rates Retention**

4. Work on Business rates retention has continued and the joint MHCLG / LGA officer steering group held two meetings in the autumn, reviewing how further retention can be taken forward without primary legislation and planning further work to achieve this.
5. As part of the 2018/19 Provisional Local Government Finance Settlement, the Government announced that it will proceed with introducing 75 per cent business rates retention from April 2020 by rolling in a number of specific grants. Following this switch, English councils will collectively keep 75 per cent of any future growth in business rate income. The Government also announced that 10 areas were successful in applying to pilot 100 per cent business rates retention in 2018/19, alongside the previous pilots which have been extended for another year. The London pilot has also been expanded to include London boroughs as well as the Greater London Authority. This means that in 2018/19 there will be 16 business rates retention pilots in operation. The Government has committed for the pilots process to continue in 2019/20.
6. We welcomed the Government's commitment to working with the sector to improve the way the local government finance system works, including tackling the impact of business rate appeals.
7. The LGA continues to hold the view that any resources from further retained business rates should be used to plug the funding gap of £5.8 billion facing councils in 2020.
8. The LGA also submitted written evidence to the business rates retention inquiry by the Communities and Local Government Select Committee. This will be published in due course.

### **Fair Funding Review**

9. Alongside the provisional 2018/19 local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review by April 2020. The results of the Review will be used to form the funding baselines as part of the move to 75 per cent business rates retention. Following our calls to inject further pace into the process of the Review to maintain its credibility with our members, the Government also published a [consultation](#) on the design of the relative needs assessment.
10. While the LGA's response is in the progress of being formulated (deadline 12 March 2018), it is notable that the Government has accepted the case made by stakeholders, and supported by the LGA, that the new needs assessment should aim to be simpler but without a disproportionate cost to fairness. The Business Rates Task and Finish Group will oversee the production of the draft LGA response, with LGA Leadership Board and Executive providing final clearance.
11. Officers are in the process of organising a series of regional workshops, co-delivered with MHCLG, to discuss the consultation and councils' views in the second half of February 2018. These workshops will follow the previous two series of workshops in spring and autumn of 2017, attended by approximately 500 delegates.

### **Spring Budget – business rates reliefs**

12. The Government has published a list of billing authorities that have started rebilling on the basis of all of the three reliefs announced in the 2017 Spring Budget. We were successful in persuading Government to do this instead of 'naming and shaming' councils. As at end of December 2017 it was reported that there are 23 councils which need to implement one relief and five councils which need to implement two reliefs, all other councils have implemented all three reliefs.

### **MiFID (Markets in Financial Instruments Directive) II**

13. Following on from the Financial Conduct Authority's policy statement in July, Resources Board lead members approved the publication of a [guidance note](#) for councils outlining the steps they need to take to comply with the directive for its implementation on 3 January 2018; the note included links to some standard documentation which was produced to help with the process. This note and documentation were produced following consultation with a range of colleagues in the local government and financial sectors.

### **Prudential Framework of Capital Finance: Local Authorities Investment Code and Minimum Revenue Provision Guidance**

14. The Resources Board approved [a response](#) to the [MHCLG consultation](#) on the Local Authorities' investment code and Minimum Revenue Provision guidance. The aim of the guidance is to ensure that local authorities are prudent and undertake due diligence over their investments and do so in a transparent way that ensure members understand and approve overall investment activity. Local authorities have a strong record already in this area, successfully managing ongoing investments, and we called for this to be acknowledged in the framing of the guidance.

15. Many local authorities have successfully used investment income as an alternative funding source in order to protect local services. In our consultation response we made a strong call for there to be no new restrictions that would have a negative impact on council's ability to fund and deliver services locally. Local authority investments have had a relatively high profile in the press and the issue was discussed by the Vice Chair of the Resources Board on the BBC Radio 5 Live's Drive Time programme.

**LGA Annual Local Government Finance Conference – Funding for the Future**

16. At the time of writing the annual LGA Finance conference was due to take place on 9 January 2018 chaired by the Chair of Resources Board. The conference programmes includes a wide range of speakers including the Secretary of State and Shadow Secretary of State, as well as senior government officials from MHCLG, VOA and NHS England, and leading figures from local government finance. The event was at full capacity and was attended by over 100 delegates.

**Workforce**

17. As Chair of the Resources Board, I have filmed a segment for a launch video podcast for the online consultation on strategic workforce priorities, which will be launched in the coming weeks.

**Insurance Mutual**

18. The Resources Board has been tasked by the LGA to oversee the setup phase of a new local government mutual, which is planned to offer a financially beneficial alternative to the existing insurance market that is currently available to local authorities. In my capacity as Chair, I have been asked to chair meetings of the founding member authorities of the mutual. There are eighteen founding members, including the LGA, and we held our first meeting in December, with the second due to take place on 23 January 2018. The Councillors' Forum is to receive a presentation on the mutual in June 2018.

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