

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

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

1. The Secretary of State announced the 2018/19 final local government finance settlement on 6 February 2018. In addition to the announcements made in the provisional settlement around council tax flexibilities, the Government has allocated a £150 million one-off adult social care support grant and increased the value of the rural services delivery grant to £81 million in 2018/19. We circulated a media statement in response to the settlement, and LGA spokespeople appeared widely across the radio and TV to warn that extra council tax income this year will not be enough to plug the growing funding gaps facing councils.
2. In our Parliamentary briefing on the final settlement we pointed out that local services are facing a funding gap in excess of £5 billion in 2019/20, as well as a £1.3 billion pressure to stabilise the adult social care provider market. Whilst the additional council tax flexibility is welcome it is nowhere near enough to meet the funding gap. Further business rates retention income could be used to help fund pressures facing local government. The LGA was directly mentioned eight times in the Chamber during the debate on the settlement, in addition to a number of MPs referring to our analysis of the funding pressures facing local government.
3. The new £150 million adult social care support grant is recognition of our calls for the Government to try and help councils tackle some of the immediate social care pressures they face. However, this is a temporary measure and will be unlikely to have a significant positive impact on adult social care services. It is also a one-off grant which means that councils cannot use it to establish extra long-term capacity or to pay providers more.

### **Fair Funding Review and Business Rates Retention**

4. Officers are in the process of delivering a series of regional Fair Funding Review consultation workshops, in partnership with colleagues from the Ministry of Housing, Communities and Local Government. These are free to attend for all council officers and politicians and are focussed on the current [Government consultation on assessing relative needs](#). At the time of Councillors' Forum, five events will have taken place, with a final event planned for Manchester on 20 March.
5. The LGA is also in the process of finalising its response to the consultation. The draft response, to be discussed at LGA Executive on 8 March, continues to stress that the new needs assessment should aim to be simpler but without a disproportionate cost to fairness. The response also suggests further cost drivers and service-specific issues that should be considered in the assessment, and suggests sense-checking any new formula with panels of service directors and other experts.
6. In recognition of the importance of the Fair Funding Review and its priority within the work programme, with the member-led LGA Business Rates Task and Finish Group has reconvened and renamed itself the LGA Fair Funding Review and Business Rates Retention Task and Finish Group. The work of this Group, of which I am Chair, will continue to advise LGA Leadership Board and Executive on LGA policy in this area.
7. Finally, the LGA was invited to attend a Communities and Local Government Select Committee session on the impact of the Fair Funding Review and business rates retention on local authority financial planning beyond 2020. Cllr David Simmonds spoke on the LGA's behalf and

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highlighted the uncertainty facing councils as a result of these reforms, stressing the importance of the Government providing exemplifications of the impact as early as possible. Other witnesses across the two panels included Cllr John Fuller (District Councils Network), Cllr Paul Carter (County Councils Network) and Cllr David Finch (Essex County Council).

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

8. The Government continues to publish and update [a list of billing authorities](#) that have rebilled on the basis of all of the three business rates reliefs announced in the 2017 Spring Budget. As at 13 February 2018 it was reported that there are four councils which need to implement one relief and two councils which need to implement two reliefs. All other councils have implemented all three reliefs.

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

9. Following on from the Financial Conduct Authority's policy statement in July, the deadline for compliance with the directive in terms of opting up as professional investor was 3 January 2018. The LGPS Scheme Advisory Board (SAB), working with the LGA and Investment Managers produced a standard opt up process and Resources Board lead members agreed a more general guidance note for councils for their Treasury Management activities following consultation with a range of colleagues in the local government and financial sectors. I am able to confirm that all LGPS Pension funds have confirmed that they have successfully opted up to professional status as an investor under the MiFID II directive by the 3 January 2018 deadline. The SAB and LGA are continuing to work with the sector to produce guidance for LGPS funds and Investment Managers with regard to promotion and procurement in a post MiFID II world.

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

10. Following consultation towards the end of 2017, there have been some minor improvements to the Government's updated statutory guidance on capital finance (on [local government investments](#) and on [minimum revenue provision](#)) which were published in February 2018. The Government also published its [response](#) to the consultation on the proposed changes to this guidance. Resources Board submitted a response to the consultation and Lead Members produced a short [briefing](#) to help councils understand the implications of the new guidance
11. Under the new investment guidance councils should not borrow to fund any investments (including property investments) that are made solely to make a financial return. Councils will need to "have regard" to the guidance and to the associated codes published by CIPFA. If a council chooses to disregard the CIPFA Prudential code and this guidance, its investment strategy should set out why this is the case and what the council's relevant policies are.
12. The new guidance on Minimum Revenue Provision (MRP) will apply from 1 April 2019 instead of 2018 as consulted on – this is an important concession that we called for as the earlier implementation would have caused problems for councils. While the MRP guidance is more flexible than in the consultation, it is clear that some councils will have to increase the amount they put aside under the new rules, particularly where property investments have been funded by borrowing.

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

13. I chaired the annual LGA Local Government Finance Conference on 9 January. The conference contained a lot of lively debate among delegates, with 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 Public Health England, and leading figures from local government finance. The event was at full capacity and was attended by over 100 delegates.

**Local Government Mutual**

14. The Resources Board was 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 to local authorities. In my capacity as Chair of the Resources Board, I have been asked to Chair meetings of the founding member authorities of the mutual. There are eighteen founding members, including the LGA, and so far, three meetings have been held. The next meeting will take place on 22 March. The Councillors' Forum is to receive a presentation on the mutual in June 2018.

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