

24 January 2019

Resources Board – report from Cllr Richard Watts (Chair)

Local Government Finance

2019-20 Local Government Finance Settlement

1. The 2019/20 Provisional Local Government Finance Settlement was announced on 13 December, a week later than originally expected. On the day of the settlement, we issued our [on-the-day briefing](#), and a [media statement](#). Whilst there was some new money in the Autumn Budget and provisional settlement, it is disappointing that the Government has not used the Settlement to provide further desperately needed resources for councils next year. Next year will continue to be hugely challenging for all councils, who face an overall funding gap of over £3 billion in 2019/20, I highlighted this in a series of interviews with BBC local radio stations.
2. The consultation on the provisional settlement closed on 10 January. The [LGA's response](#) was agreed by the Lead members of resources Board along with the Chairman and the leaders of the political groups. We also raised our key concerns with the settlement with the Minister for Local Government on 9 January.

2019 Local Government Finance Conference

3. Our annual finance conference on 8 January was a great success. It featured speakers from across the political spectrum including the Chief Secretary to the Treasury, Liz Truss, the Secretary of State for Housing, Communities and local Government, James Brokenshire, and the Shadow Secretary of State for Communities and Local Government, Andrew Gwynne, as well as leading officials and technical experts. The conference was fully sold out with delegates being a mix of elected members and finance officers, and was chaired jointly by myself and the Vice Chair of Resources Board Cllr John Fuller.

Business Rates Retention and the Fair Funding Review

4. I chair the cross party, cross board Further Business Rates Retention and Fair Funding Review Task and Finish Group, which reports to the LGA Leadership Board and Executive.
5. The Task and Finish met in December to help shape the LGA's responses to the consultations on [Business Rates Retention](#) and the [Fair Funding Review](#) which were published alongside the provisional settlement in December. The consultations close on 21 February, and the responses will have been discussed by the LGA's Leadership Board and Executive by the time they are submitted.
6. In order to help the sector understand the implications of the proposals, over the last year we have published a series of models on both [Fair Funding](#) and [Business Rates Retention](#) that member councils can use to help them assess the financial impact of some of the proposals in the consultation papers. In addition, in conjunction with MHCLG, we are running a [series of free regional events](#) in January and February for councils to hear about the proposals and to feed in their views.

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Autumn Budget

7. Back in October, the Chancellor announced the Autumn Budget. We issued an [on-the-day response](#), a [summary of the key announcements](#) for local government as well as a more [comprehensive briefing](#) outlining our view on the announcements.
8. Whilst the Budget once again fell short of what local councils across the country require in terms of long-term financial support, the additional resources announced show that the Government has started to listen to the LGA's call for desperately-needed investment in our under-pressure local services.

International Financial Reporting Standard 9 (IFRS 9)

9. After calls from the LGA and others in the sector the Government consulted on a statutory override for IFRS 9. Resources Board approved the LGA's response to the consultation and the Government has announced that the override will be for five years with scope for review at the end of that period. This is good news as without it local authorities would have had to make cash adjustments in their accounts for paper fluctuations in the values of pooled investments, and several local authorities told us that this would have been a financial problem for them.

EU Funding and the UK Shared Prosperity Fund (UK SPF)

10. The LGA has continued to push for current EU funding to be delivered locally and be spent by December 2020. The Department for Work and Pensions (DWP) reported that 50 per cent of European Social Fund (ESF) has been "committed". LGA representatives on the Board continued to raise concerns regarding the lack of progress that DWP has made in managing and delivering ESF to local areas for essential employment and skills programmes and stress that funding must not be sent back to the EU.
11. The LGA has previously called on the Government to ensure that there is no gap between the end of EU funding and the start of any domestic replacement. In July, the Government confirmed that it will cover the full 2014-2020 programme period and allocation in the event of a 'no deal'. More details can be found on the [LGA's Brexit "No Deal" briefings for Councils](#).
12. The LGA continued to press for details of the quantum of funding, how it will be administered or allocated in regards to the Government's replacement for EU funding, the UK SPF. The Government are still intending to hold a consultation and have been running regional roundtables as part of the pre-consultation process, involving some councils.
13. The LGA has been preparing for the consultation by developing a greater understanding of the wider economic and inclusive growth landscape for when SPF will be introduced in 2021. We are currently refreshing our 'Fragmented Funding' work to gain a better understanding of the funding landscape and have gathered evidence from the sector through:
 - 13.1 hosting roundtables;
 - 13.2 the LGA's skills and employment conference;

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13.3 Combined Authorities chief executives and employment and skills officers networks; and

13.4 Regional Brexit Sounding Boards.

14. The LGA will continue to press Government to provide clarity of the detail of UKSPF to best equip local areas. More details can be found in the [Beyond Brexit discussion document](#) and our Moving the Conversation On [Brexit Conference Report](#).

Universal Credits

15. There have been two significant announcements on Universal Credit (UC):

15.1 Secretary of State for Work and Pensions, Amber Rudd MP, [announced](#) that the Government was postponing the 'managed migration' of three million existing benefits claimants on to UC. Instead, the Government will await the outcome of a pilot scheme of 10,000 with the aim of addressing issues raised by MP's over the operation of UC.

15.2 It was also [announced](#) that those with children born before the system began in 2017 would remain exempt from the two-child cap and that the Government would ensure that the main carer in a household would be the primary recipient of UC.

16. The LGA and councils are working with DWP to inform the approach to 'managed migration' and the pilot scheme. The roll-out of Universal Credit Full Service for all new claims (including those initiated by a change of circumstances) was completed in all areas in December 2018. The number of people on Universal Credit in November 2018 was 1.4 million. Government expects the caseload to continue to rise steadily.

17. The Board continues to monitor UC and the impact this is having on both our residents and local government closely. You can also contact rose.doran@local.gov.uk with any input you or other colleagues would like to make.

Media Roundup

18. Since the last Forum, I have given comments in the following press releases on behalf of the Board:

18.1 [LGA responds to IFG public finances Performance Tracker](#)

18.2 [LGA responds to Universal Credit delay](#)

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