End of Year Board Report

**Purpose of report**

For information and discussion.

**Summary**

This report provides an overview of the issues and work the **Resources** **Board** has overseen during last year. It sets out key achievements in relation to the priorities for the board in 2018/2019 and looks forward to next year’s priorities.

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| **Recommendations**  Members are invited to:   1. **Note** the achievements against the board’s priorities in 2018/2019, and 2. **Note** the board’s proposed priority areas for 2019/20.   **Action**  Officers to action as appropriate, in line with members comments and steers. |

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End of Year Board Report

**Background and Context**

1. 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; EU Funding and Successor Arrangements; Welfare Reform; and Workforce issues.
2. Members are asked to consider the achievements of the board over the last year against the use of allocated resources and to reflect on whether the board is continuing to meet its purpose in response to the emerging priorities of metropolitan areas.

**Priorities and Achievements for 2018/19**

**Local Government Finance**

Local Government Funding

1. Through its work on highlighting financial pressures facing local government, the LGA with the help of Resources Board, secured over £1 billion of additional funding in 2019/20 in the 2018 Autumn Budget, including further funding for social care and high street regeneration. The Resources Board contributed to developing and clearing the [2018 Autumn Budget submission](https://www.local.gov.uk/moving-conversation-lga-budget-submission-2018) and the [LGA’s on-the-day briefing](https://www.local.gov.uk/parliament/briefings-and-responses/budget-2018-lga-briefing-30-october-2018) on the Autumn Budget was well received by member authorities.
2. The LGA’s funding gap analysis has continued to be influential, featuring in LGA Parliamentary briefings and press work.  It continues to be widely quoted across the media.
3. With input from the Resources Board, the LGA Leadership Board and Executive have agreed a set of high level messages to be employed as part of the [LGA’s 2019 Spending Review campaign](https://www.local.gov.uk/spending-review-2019). Resources Board will continue to have direct input into a significant number of LGA Spending Review-related activities and will also continue to advise LGA Leadership Board and Executive throughout the Spending Review campaign period in the 2019/20 LGA political year.
4. The LGA held a sold out annual finance conference in January 2019, with the Secretary of State of Communities and Local Government and his Shadow counterpart, as well as the Chief Secretary to the Treasury all addressing the delegates.
5. Councillor Richard Watts, Chair of Resources Board, has featured regularly in the media over the last year expressing the LGA case on a number of local government finance issues including the funding gap and the impact of funding reductions and council tax.

Business Rates Retention

1. The LGA continues work with MHCLG officials on reforms in preparation for introducing 75 per cent business rates retention. The LGA submitted a [response](https://www.local.gov.uk/sites/default/files/documents/Business%20rates%20retention%20-%20Business%20Rates%20retention%20consultation%20%E2%80%93%20LGA%20response%20March%202019.pdf) to an MHCLG [consultation document on reforms](https://www.gov.uk/government/consultations/business-rates-retention-reform) including how to balance risk and reward, resetting, and minimising risks in the system. Discussions with MHCLG have continued in the officer-level Systems Design and Implementation Working Groups, notably concerning an alternative administration model for business rates retention to mitigate the impact of appeals.
2. The LGA commissioned a [business rates retention model](https://www.local.gov.uk/business-rates-retention-model), available on the LGA website, to enable modelling of possible future business rates retention scenarios, including different options for resets. This model is being used to develop LGA policy as well being available to member authorities.

Other Business Rates Issues

1. The LGA submitted [written evidence](http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/impact-of-business-rates-on-business/written/98837.html) to a Treasury Select Committee [inquiry into the impact of business rates on business](https://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/parliament-2017/inquiry3/). Councillor Richard Watts, Chair of Resources Board, appeared before the Committee at an [oral hearing](http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/impact-of-business-rates-on-business/oral/102753.html). The session covered a wide range of issues including the importance of business rates as a source of income for local government, the impact of on-line retailing and out of town developments, the need for flexibility around reliefs, and the need to tackle the effect of appeals as well as business rates avoidance.
2. On behalf of the LGA, the Resources Board submitted a [written response](https://www.local.gov.uk/sites/default/files/documents/Consultation%20on%20the%20Business%20Rates%20Treatment%20of%20Self-Catering%20Accommodation.pdf) to a [consultation](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754559/Holiday_Lets_Condoc.pdf) on the business rates treatment of self-contained accommodation.

Fair Funding Review

1. The LGA continues to co-chair, with MHCLG officials, a technical working group of local authority finance officers. Through this group, consensus is being built on what services should have specific relative needs assessments, common cost drivers that could be used in the funding formulae, and other important aspects.
2. Officers and politicians continue to be engaged with the Government and other stakeholders as part of the reforms. The LGA has also ensured that there are plenty of opportunities for member authorities to engage directly with the MHCLG and the LGA on Business Rates Retention and the Fair Funding Review, such as through regional events.
3. The LGA has also not shied away from developing policy positions on some controversial issues related to the Review. For example, the LGA called for deprivation to be included as a factor in the foundation formula, covering £13 billion of spending on services (as at 2017/18 outturn) in our [response](https://www.local.gov.uk/sites/default/files/documents/Business%20rates%20retention%20-%20Fair%20Funding%20Review%20consultation%20%E2%80%93%20LGA%20response%20March%202019.pdf) to the recent MHCLG [consultation](https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources).
4. The LGA has published a [number of tools](https://www.local.gov.uk/fair-funding-review-modelling-tools) (on relative needs, relative resources and transition) to help local authorities assess the impact of proposals arising from the Review. The LGA is also successfully using these tools to develop LGA policy positions on the Review.
5. While the work is being led by the LGA Leadership Board, Executive and the Business Rates Retention and Fair Funding Review Task and Finish Group, members of Resources Board continue to be updated. The Chair of the Resources Board also chairs the Task and Finish Group and the Vice Chairman of the Resources Board is also on the group.

CIPFA Financial Management Code and Resilience Index

1. In September we [responded](https://www.local.gov.uk/sites/default/files/documents/LGA%20submission%20-%20Financial%20resilience%20index%20consultation%20final.pdf) to the CIPFA [consultation](https://www.cipfa.org/policy-and-guidance/consultations/consultation-on-cipfa-index-of-resilience-for-english-councils) on its proposal for a local authority financial resilience index. In response to consultation responses CIPFA has altered its approach. Following this, in April we [responded](https://www.local.gov.uk/sites/default/files/documents/FM_Code_Consultation_Questions_LGA%20response%20WEB.pdf) to CIPFA’s [consultation](https://www.cipfa.org/policy-and-guidance/consultations/financial-management-code-consultation) on a new Financial Management Code for Local Government which CIPFA believes will support good practice in financial management and assist local authorities in demonstrating their financial sustainability. We welcomed the code as an additional tool for councils but believe it should be viewed as guiding principles and should not prescribe what councils have to do. We expect CIPFA to launch the code at their annual conference in July.

Audit

1. In May we submitted a [response](https://www.local.gov.uk/sites/default/files/documents/Code%20of%20audit%20prcatice%20consultation%20response%20from%20LGA.pdf) to the National Audit Office (NAO) [consultation](https://www.nao.org.uk/code-audit-practice/about-code/) on the New Code of Audit Practice. This first stage consultation seeks to identify high level issues for the five year review of the code, and the second stage, to be conducted later in the year, will look at the actual draft text for the new code. The new code will be laid before Parliament in time for it to come into force no later than 1 April 2020. In December we also [responded](https://www.local.gov.uk/parliament/briefings-and-responses/response-consultation-201920-scale-audit) to the annual [consultation](https://www.psaa.co.uk/audit-fees/2019-20-audit-fee-scale/2019-2020scaleoffees/) by PSAA on the level of audit fees.

Capital and investments

1. In September we [responded](https://www.local.gov.uk/sites/default/files/documents/LGA%20response%20IFRS%209%20Mitigation%20Final%20following%20Resources%20Board.pdf) to the Government’s [consultation](https://www.gov.uk/government/consultations/local-authority-budget-setting-mitigating-the-impact-of-fair-value-movements-on-pooled-investment-funds) on a statutory override to the IFRS 9 accounting code. While this is a technical topic, without the statutory override some councils might have been forced to make real service reductions in response to paper movements in the values of certain pooled investments. We called for the override to be extended and made permanent. Following the consultation, the Government announced that it was extending the override by five years and then will undertake a further review.

**Workforce**

1. Most of the workforce team’s priorities are established by the memorandum of understanding with MHCLG which sets out funded improvement programmes. The general objective for the team was to ensure that Councils are supported to address future workforce changes associated with public sector reform, the practical implementation of current employment legislation etc. and to modernise and transform the way they work, developing workplace cultures that motivate and value staff at all levels. The team also had objectives relating to pay negotiations, employment law and pensions policy.
2. Some of the main achievements undertaken within the remit of the Resources Board over the year have been:
   1. Published Workforce Focus, a major document outlining priorities for workforce development and LGA support.
   2. Assisted Councils in introducing the new pay spine with all Councils doing so without delays and a number of Councils re-joining the national spine.
   3. Agreed pay deals for coroners, youth and community and Soulbury staff.
   4. Assisted with a number of very complex employee relations cases involving senior local government staff.
   5. Successfully developed the Apprenticeship Accelerator Programme.
   6. Continued organisational effectiveness reviews, and Decision Making and Accountability (DMA – assessing managerial spans of control).
   7. Conducted a health check for employers of Adult and Children social workers.
   8. Promoted the Disability Confident scheme to councils through workshops with DWP.
   9. Produced resources and promoted the issue of workforce financial wellbeing to Councils and supported this through a free support offer to Councils.
   10. Supported the LGA on key legal cases including sleep-ins and the National Minimum Wage; and the employment status of foster-carers.
   11. Represented the LGA in a number of Health and Safety networks including the Local Authority Waste Occupational Health and Safety Forum.
   12. Conducted a major survey of chief executives and chief officers for the first time in many years covering pay and demographic characteristics.
   13. Worked with the Care and Health Improvement Team to commission a toolkit to assess the added value provided by social care services to local economies.
   14. Worked with the Investment Association and the PLSA to successfully launch the Cost Transparency Initiative which in May published templates to cover 90 per cent of pension investment costs.
   15. Successfully raised the profile of Pensions Tax and its impact on workforce issues in local government.
   16. Worked with CIPFA to develop guidelines for reporting on the results of the formation of eight asset pools in the £208 billion LGPS.
   17. Organised a very well attended conference on infrastructure and housing investment addressed by the Local Government Minister.

**Welfare**

1. The Board agreed the continued need for the LGA to press Government on the resource and delivery impacts of welfare reform and Universal Credit (UC) for councils.  This year this has particularly focused on the support offer to vulnerable claimants, which remains under-recognised and under-resourced.  The decision to transfer responsibility for ‘Universal Support’ from councils to Citizens Advice and the ‘Move to UC’ for those on long-term legacy benefits are key areas of concern that we continue to highlight.  Evidence on the need for resources for a properly recognised and resourced local safety net is being presented to HMT, DWP and MHCLG in advance of the forthcoming Spending Review.
2. LGA has worked with a range of partners to develop a strong and evidence-based position on the need to ensure that benefits meet housing costs, to protect residents and prevent costs for councils, particularly in relation to homelessness.  This has focused particularly on the private sector Local Housing Allowance rate and impacts on key costs including Temporary Accommodation.  This work will form a key strand of our work on the forthcoming Spending Review.
3. The LGA completed its scoping exercise / report on ‘reshaping financial support’.  This will underpin a programme of pathfinders throughout 2019/20, which brings together a wide range of funding and work on this area, which is of increasing interest to councils, Government and partners.

**EU Funding**

1. The board has focused on the continuation of £5 billion of investment in local areas from the European Structural and Investment Funds (ESIF) until 2020 through the LGA’s membership of the Growth Programme Board. As part of the draft agreement between the UK and the EU in December, the UK will continue to participate in ESIF and other programmes until the end of the current 2020 programme period. The LGA has played a key lobbying role to ensure local areas continue to access these funds.
2. The Director of European Programmes, Julia Sweeny, attended the board to consult members on both the ‘no deal’ preparations and the use of the reserve fund for the European Regional Development Fund. Members expressed the need to prioritise the use of funds to respond to any short term economic shocks, as well as ensuring there is a smooth transition from the ESIF programme to the UK Shared Prosperity Fund.

**Proposed Programme of Work and Priorities 2019/20**

1. The Resources Board will discuss and agree the 2019/20 work programme during its first meeting of the political cycle.

**Local Government Finance**

1. 2019 Spending Review: Contributing to the further development of the LGA’s Spending Review campaign will be a major priority for the Resources Board and other Boards during 2019 and 2020.  This includes local government finance policy development, work on efficiency and variation in costs, maintaining and refining the funding gap analysis, supporting the work of other Boards on service-specific issues and related work and research.
2. This work will be led by LGA Leadership Board and Executive with advice from the Resources Board and other Boards.
3. Business Rates Retention: The long term work programme looking at issues such as securing extra business rates, designing the retention system, managing risks and incentives will continue to be a priority for the Resources Board in 2019/20.
4. This work is being led the LGA Leadership Board, Executive, and the Business Rates Retention and Fair Funding Review Task and Finish Group.
5. Other Business Rates Issues: This will work include avoidance, changes to the appeals and other issues such as flexibility around reliefs.  Given the impact of these changes on local authority income this work is a priority.
6. Fair Funding Review: The LGA will continue to ensure 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.
7. This is a priority for the LGA. This work is being led the LGA Leadership Board, Executive, and the Business Rates Retention and Fair Funding Review Task and Finish Group.
8. Local Government Finance Settlements and other set pieces: The LGA will continue to lobby for additional resources in the 2020/21 local government finance settlement.  We will analyse the settlement, produce an on-the-day briefing, respond to the consultation/s, and support activity in parliament.
9. Our annual finance conference will take place in January 2020 with input from Resources Board Lead Members.
10. We will lobby for local government in the run up to the 2019 Autumn Budget (and 2019 Spending Review) including a submission and on the day briefing.
11. Capital Financing: The LGA will continue to try to influence thinking and formulate policy improvements in the area of financing capital and infrastructure, to lobby for this in the 2019 Spending Review and to contribute to national reviews of capital finance.

Workforce

1. Priorities for Workforce come under the MHCLG memorandum of understanding (MoU), which helps inform the work and priorities of the Resources Board.
2. The MoU for 2019/20 (to be signed-off shortly) has the following overall outcome on workforce issues: “*Councils recruit, develop, reward and deploy their workforce to best meet their objectives.”*
3. The MoU sets out that programmes to deliver this overall outcome will follow the priorities set out in the recent Workforce Focus publication which will drive our work over the next few years and will take into account the potential workforce issues that may arise from Brexit. The five priorities set out in Workforce Focus as a result of consultation in the sector are:
   1. organisational development;
   2. skills development;
   3. leadership;
   4. recruitment and retention; and
   5. pay and reward.
4. The general objective for the next year in the MoU is: “Councils are supported to address current and future workforce changes associated with public sector reform, the practical implementation of current employment legislation etc., to modernise and transform the way they work, developing workplace cultures that motivate and value staff at all levels and to increase diversity and inclusion.”
5. Specific deliverables under this objective will include:
   1. Help councils to address inequalities, gender pay gap, ethnicity gap and the roll out of Disability Confident.
   2. Support over 50 councils to transform their workforces and modernise the way they are managed through a range of HR/OD initiatives and in line with sector priorities.
   3. Identify the five occupations with the most significant recruitment and retention problems and target advice and support on those areas.
   4. An apprenticeship programme (of encouragement and practical support) designed to help councils increase the number of apprentices and maximise their levy investment.
6. There is an additional objective under the MoU to ensure *that “Pay settlements are agreed and workforce disruption minimised”*. Deliverables to include: maintaining the national negotiating machinery on pay and workforce issues, facilitating the negotiation of a pay agreement that builds on the progress made in introducing a new pay spine for local government that addressed the challenge of the National Living Wage and avoids the duplication of single employer negotiations. To deliver pay agreements for other occupational groups that are not in the middle of current two-year agreement.
7. The Workforce team will continue to develop and provide advice on employment law issues and to respond on behalf of the sector to legislative and regulatory consultations.
8. The team has a special responsibility for resolution of complex senior employee relations cases which continues to grow.
9. The team also has an income-generating responsibility which will continue to focus on:
   1. Providing bespoke consultancy on recruiting, organising and rewarding senior management teams.
   2. Job evaluation.
   3. Enhancing and growing the information and support subscription service provided to associated employers such as academy trusts through the “Employer Link” programme.

Welfare

1. Deliver a programme of pathfinders and action learning on ‘reshaping financial support’.
2. Deliver research to better define the actual and potential role of councils in the wider welfare system, make the case for a more efficient and effective local safety net, and identify how this can and should be resourced as part of our work for the forthcoming Spending Review.
3. Continue to develop the evidence base of the cost to councils of shortfalls between incomes and housing costs, and propose viable sector-led solutions linked to our work on Housing and Homelessness.
4. Engage with DWPs pilot approach to ‘Move to UC’ to ensure that the role of councils in supporting vulnerable residents is properly understood and resourced.
5. Make the case for effective data-sharing between Government and councils, particularly UC, to support improved outcomes for low income households.

EU Funding

1. We will continue to lobby Government about the design of the UK Shared Prosperity Fund. Our aim is to ensure that it will be fully funded, locally driven and support existing infrastructure, enterprise, and social cohesion schemes.

Financial Implications

1. All work programmes are met from existing LGA budgets and resources.