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Finance Panel – report from Councillor Sharon Taylor (Chair)

Finance Panel

1. The Finance Panel held its first meeting on 14 September. Members discussed a range of issues including Growth and the Autumn Statement, the work programme for the coming year and business rates retention, as well as receiving updates on housing finance, adult social care and public health funding.
2. It was a positive first meeting and members agreed that their work over the coming months would be focussed on:
 - 2.1. Continuing the LGA's work on the **future funding of councils**, including further developing our understanding of the revenue and spending outlook and the cost pressures councils face, with an eye to influencing future government spending plans;
 - 2.2. Monitoring the implementation of the new localised **business rate system**, including keeping an eye on the increased risks councils face and how they manage them;
 - 2.3. Seeking to influence the government's **welfare reform** policies, including in particular Universal Credit, localisation of council tax support, and localisation of the social fund, developing an understanding of their impact on local communities, tenants and councils, and supporting councils in managing the changes and the risks they create and
 - 2.4. Working with other boards, campaigning for councils to have greater freedom to finance future investment **in infrastructure and housing** and contribute to growth.

Business Rates Retention Consultation

3. Following a discussion at the last Executive meeting the Finance Panel office holders submitted the LGA's response to the Business Rates Consultation on 24 September. The LGA has always campaigned for greater financial autonomy for local government and we support mechanisms which increase local decision making and accountability. We therefore agree that the business rate should come under local control, under arrangements that provide clear rewards for authorities that grow business rates income.
4. However there are four key areas that need to be dealt with in order to make this reform a success, these are:
 - 4.1. **The 'set-aside'** – local government must have access to the full real terms growth in business rates in 2013-14 and 2014-15 and the cuts imposed in the Spending Review 2010 must not be allowed to become even more severe than originally expected because of the impact of higher than forecast inflation;

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- 4.2. **Fairness** – the principles of stability and a continuing powerful commitment to resource equalisation must be maintained, and the arrangements to deliver them independently overseen;
 - 4.3. **Risk management** – more detailed consultation is needed to ensure that the risk transferred by central government can be managed by councils at acceptable cost. Overall risks from inaccurate revaluation should remain with the government;
 - 4.4. **Incentives** – the new scheme should be fully tested against alternative designs in which the growth incentive for local authorities can be presented in clearer and simpler terms.
5. We will continue to lobby the Government on the reforms.

Local Government Finance Bill

6. The Local Government Finance Bill went to the Lords' Report Stage on 10 October, where amendments on Business Rate Retention and Council Tax Benefit were tabled by LGA Vice Presidents. The LGA is arguing for councils to retain a greater share of Business Rates than the Bill's prescription of 50%, and for flexibility on council tax discount, with our aim to gain flexibility on Single Person Discount from 25% to 20% for non-pensioners at the discretion of individual local authorities.

Council Tax Support Localisation

7. Along with our work on the Local Government Finance Bill, the LGA has been lobbying civil servants in the Department for Communities and Local Government (DCLG) and other Government departments about how the prediction for forecast council tax benefit expenditure in 2013-14 is made, as this will affect the total size of the grant. We are concerned that the current government forecasts underestimate the pressures that authorities will face. We have also, along with advisers, been working on costing the sums for new burdens which the Government will pay to councils.

Universal Credit

8. The Universal Credit Local Authority-led pilots had their launch event on 17 September. Of the 15 authorities recommended by the LGA eight were accepted as pilot authorities (Melton, Bath and North East Somerset, Lewisham, Rushcliffe, West Lindsey, Birmingham, Oxford, North Dorset). A further 2 (Oldham and Wigan) were recommended as going forward as part of the Greater Manchester Pathfinder project. The LGA is now working with the eight to get them mobilised and is aiming to run a programme of regional roadshows in early 2013 to showcase learning from the pilots and other authorities who have made significant progress in their response to Universal Credit.

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Councillors' Forum

18 October 2012

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