Councillors' Forum
12 September 2013

Item 3j

Finance Panel – report from Cllr Sharon Taylor OBE (Chair)

1. It has been a busy few months since my last report to the Forum, with the Government launching three key consultation documents at the end of July with deadlines from mid-September through to early October.

Local Government Financial Settlement Consultation

2. Further details of the allocation of the local government finance settlement for 2014/15 and 2015/16 were released for consultation and have added some alarming details to the figures announced in the Spending Round.

3. The main headline is the allocation of around £1 billion in funding from the main settlement in 2015/16 is for a variety of purposes, including paying for the new burden of Dilnot reform implementation and contingencies to pay for safety nets and New Homes Bonus. This means that the real terms reduction in Settlement Funding Assessment for most local authorities will be more like 15% rather than the 10% figure implied by the Spending Round. The LGA's consultation response will include concerns that the scale of the reductions implied for most local authority services was not clear from the original Spending Round announcement.

New Homes Bonus Consultation

4. The announcement of the Local Growth Fund on the day after the Spending Round brought the news that £400 million worth of the £2 billion fund was intended to be top-sliced from New Homes Bonus in 2015/16. Under the Government's proposal, the New Homes Bonus will continue to be paid to authorities in accordance with the current scheme, but recipients will be required to pass on a proportion to their Local Enterprise Partnership (LEP) who will have responsibility for spend this funding in accordance with the local growth plan. We have expressed serious concerns with the proposals, not least because Government had originally indicated that authorities would be able to use this money for their own priorities, but also because it reduces the incentive for authorities to build and convert new homes as well as that it disrupts authorities' medium term planning.

Consulting on use of capital receipts to invest in reforming services

5. The Government is also consulting on the proposal to enable local authorities to use the proceeds from asset sales to pay for the one-off costs of service reform or transformation. The Department for Communities and Local Government (DCLG) has told us that this is an opportunity for local authorities to put forward proposals for how this scheme should work. Capital receipts can currently only be used to invest in new capital assets or to pay off borrowing. This seems unnecessarily restrictive at a time when many services are being reformed in a way that makes less use of buildings and more use of technology and shared facilities. The proposals would provide a useful flexibility for local authorities, albeit one that needs to be used prudently.

Welfare Reform Developments

6. I was pleased to launch the LGA's and the Centre for Economic and Social Inclusion's (CESI) latest research in August on the cumulative impact of the Government's welfare reforms, not because the research reveals a pleasant picture, far from it, but because it is an important contribution to the on-going debate.

7. The research found that less than a quarter of welfare recipients will be in a position to mitigate reductions in benefit payments by finding work or moving to cheaper accommodation. In many areas welfare reform is not encouraging people into work because the jobs simply don't exist, while the opportunities for people to downsize their homes to cope with reductions in benefits are severely limited by a lack of affordable accommodation.

8. We in local government can help generate the necessary jobs and new homes but the Government has to give councils more influence over employment schemes and more freedom to borrow to build new houses, which is the case will be making to Government on the back of this report. Details of the study may be found here: [http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/4097215/NEWS-TEMPLATE.](http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/4097215/NEWS-TEMPLATE)

Universal Credit funding announcement

9. This month the Department for Work and Pensions (DWP) made the important announcement of guaranteeing the level of funding required to manage the full administration of Housing Benefit in 2014 to 2015. This is good news for the sector as it recognises the impact of the phased rollout of Universal Credit (UC) and enables councils to start planning for the future whilst being able to maintain current service levels.

10. As announced in July, a further 6 Jobcentres will start to accept new UC claims from single claimants from October 2013. The DWP will also publish an updated version of the Local Support Services Framework (LSSF) in October 2013, which will share learning and thinking so far. However, definitive baselines which will enable local authorities to carry out detailed service planning will not be available until the Autumn 2014 version of the LSSF is published.

Tax Collection Rates

11. We already know that local government is the most efficient part of the public sector, so it was no surprise that new LGA analysis shows that that the public purse would be more than £20 billion per year better off if Government was able to match the tax collection rates achieved by councils. Government's own figures show it is missing out on 6.75 per cent of the tax it should be collecting every year. By comparison, local authorities last year collected 97.5 per cent of the council tax and business rates they were due to receive in–year, with the majority of the remainder to be recouped in following years.

12. We have therefore called for Government to give a commitment to at least halving the uncollected tax deficit by the end of this Parliament. Our analysis shows that if Government was able to increase tax collection rates to the level local authorities have achieved (97.5 per cent), the Exchequer would bring in an extra £20.145 billion per year.

Council Tax Referendum and Levying Bodies

13. Work to oppose Government's changes to legislation on Council Tax referenda is continuing. The LGA opposes Council tax referenda in principle because they interfere with the established local electoral process, but we also oppose DCLG's tinkering with the rules around levying bodies and the threat of retrospection imposed in the Local Audit & Accountability Bill.

14. We opposed the clause at committee and report stages in the Lords and worked with sympathetic peers to provide constructive amendments to the proposal (removing the retrospective element of the clause/introducing a sunset clause). So far the Government has "dug in" and opposed any changes to the clause but we will continue to oppose the clause as the Bill continues its journey through Parliament. It is due to receive its second reading in the House of Commons in October after party conference season.

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