

Finance Panel

Agenda

Friday 23 November 2012
11.30am

Millbank Room (8th Floor)
Local Government house
Smith Square
London
SW1P 3HZ

To: Members of the Finance Panel
cc: Named officers for briefing purposes

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Finance Panel

23 November 2012

There will be a meeting of the Finance Panel at:

11.30am on Friday 23 November 2012 in the Millbank Room (8th floor), Local Government House, Smith Square, London, SW1P 3HZ.

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Labour: Aicha Less: 020 7664 3263 email: aicha.less@local.gov.uk
Conservative: Luke Taylor: 020 7664 3264 email: luke.taylor@local.gov.uk
Liberal Democrat: Group Office: 020 7664 3235 email: libdem@local.gov.uk
Independent: Group Office: 020 7664 3224 email: independent.group@local.gov.uk

Location

A map showing the location of Local Government House is printed on the back cover.

LGA Contact

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Finance Panel

Date: 07.08.12

Finance Panel 2012/2013

Councillor	Authority
Conservative (4)	
Melvyn Caplan [Vice-Chairman]	City of Westminster
David Finch	Essex CC
David Westley	West Lancashire BC
Nigel Ashton	North Somerset Council
Substitutes	
Stephen Baines MBE	Calderdale MBC
John Fuller	South Norfolk DC
Alan Jarrett	Medway Council
Labour (3)	
Sharon Taylor [Chair]	Stevenage BC
Catherine West	Islington LB
Steve Houghton CBE	Barnsley MBC
Substitute	
Mike Connolly	Bury MBC
Liberal Democrat (1)	
Paul Tilsley MBE [Deputy-Chair]	Birmingham City
Substitute	
Sam Crabb	Somerset CC
Independent (1)	
Councilman Matthew Richardson [Deputy-Chair]	City of London Corporation
Substitute	
Marianne Overton	North Kesteven DC and Lincolnshire CC

Agenda

Finance Panel

23 November 2012

11.30am

Local Government House, Smith Square, London SW1P 3HZ

	Item	Page	Time
	For discussion		
1.	Autumn Statement (to follow)		11.30am
2.	Future Funding	3	12.00pm
3.	Localisation of council tax benefit	13	12.25pm
4.	Welfare reform: update and the council role in universal credit	19	12.45pm
5.	Pension fund investment in infrastructure	33	13.05pm
6.	2013-14 Business Plan	41	13.20pm
	For information		
7.	The LGA's response to the Heseltine review 'No stone unturned in pursuit of growth'	47	
8.	Update on Business Rates	61	
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11.	Note of the last meeting – 14 September 2012	77	

Date of the next meeting: 11.30am, Friday 25 January 2013, Local Government House

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Future Funding

Purpose of report

For discussion and direction.

Summary

This report provides an update on major developments in local government finance affecting the future funding of the sector. It is intended that it will be accompanied at the meeting by a short presentation showing how these developments impact on the Funding Outlook figures that were published at the LGA Conference in June.

Recommendations

Members are invited to provide direction on how they would like the LGA's work on future funding to be developed in detail, in the light of the key issues now emerging on future local government income.

Action

Director of Finance and Resources

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Future Funding

Background

1. At the LGA Conference in June, we published our preliminary analysis of the funding outlook for councils. This showed that, based on reasonable assumptions about trends in councils' future income and costs, we could see a very large gap opening up between the costs of the services local government now provides, and the income that would be available to pay for them. The size of the gap was estimated at £16.5bn by 2019-20.
2. Since we published this report, there have been a large number of developments in local government finance policy, and updated data about the latest available costs and income figures in local authorities has been published. We have been using this information to update our modelling.
3. It is proposed that, at the Panel's meeting, officers will give a short presentation to demonstrate the potential impact of these developments, both overall and by the principal groupings of local authorities. In the light of this, it would be useful to have direction from members of the Panel about how this work might be further developed and used to support the LGA's lobbying in this area.
4. The LGA Executive and Leadership Board have asked for a summary update on the main developments on local government funding. A copy of the report that has been prepared for the Executive is included in **Appendix A**. This sets out the principal areas in which large-scale changes have required our modelling to be updated, and summarises officers' current view of the impact of the changes.

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Report to LGA Executive - Local Government Finance

Background

1. The Executive had a comprehensive discussion of issues around the Business Rates Retention scheme at its September meeting. Members approved a strategic approach that pursued improvement of the government's proposals for business rates retention whilst recognising their significance as a step towards desirable reform.
2. In particular, Members authorised a focus on immediate improvements to:
 - 2.1. give local government full access to all real terms business rates growth without compensating cuts in other funding;
 - 2.2. obtain assurance that local authorities' funding would not, because of wider economic events outside their control, fall below the amounts announced in the Spending Review;
 - 2.3. remove the entirely unjustified £345 million holdback proposed in the July consultation; and
 - 2.4. provide a greater degree of assurance and stability over the future funding of local government.
3. These points have been taken forward in the LGA response to the government's consultation, and discussions on them are continuing through both official and political channels.
4. In the meantime, there have been a number of further significant developments affecting the overall outlook for local government's funding. These are summarised below.

Academies Funding

5. The government consulted in the summer on new arrangements for funding the costs of central education functions as schools convert to Academy status. The proposals, based on data relating to 2011-12 budgets, would have the effect of taking out £1.26 billion from local authorities' 2013-14 and then returning amounts pro-rata, for pupils in Local Authority maintained schools, and at a reduced rate of £8 - £15 per head, for pupils in Academy schools.

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6. Many authorities considered that the proposed funding takeaway was excessive, and the proposed hand-back per Academy pupil inadequate in the light of the scale of residual responsibilities retained by the local authority. We therefore made detailed representations to that effect in our consultation response, which was approved by the Children & Young People's Board.
7. After the consultation closed, the government published further detailed information about local authorities' 2012-13 budgets. LGA officers have analysed this information, with the assistance of a number of specialists in member authorities, and have had discussions about it with officials from the Department for Education. The further analysis reinforced the points expressed in our original consultation response and we have submitted a supplementary response. This suggests in the light of the new evidence that the proposed funding takeaway is excessive by around £200 million, and that the proposed per pupil hand-back for Academy pupils should be increased to around £30 per pupil.
8. It is expected that decisions on this consultation will be made clear at the time the 2013-14 Local Government Finance Settlement is published.

Local Government Finance Settlement

9. Many authorities have expressed great concern about the likely late date of the Local Government Finance Settlement. DCLG have confirmed in a Parliamentary Written Answer that the Settlement will be announced in 'late December', as a consequence of the late timing of the Chancellor's Autumn Statement.
10. The LGA has echoed these concerns to DCLG and asked that, to the maximum extent possible, clarity on specific local government finance issues is provided in advance of the Settlement.
11. The LGA will aim to provide a clear briefing on the Local Government Finance Settlement on the day it is announced, and follow up key issues with DCLG as rapidly as possible, in order to support member authorities.

Council tax

12. On 8 October the Chancellor announced proposals for a council tax freeze scheme for 2013-14. Councils that freeze or reduce council tax will get a grant worth 1 per cent of their council tax in each of 2013-14 and 2014-15. This will cost the government up to £450 million in total, depending on take-up of the scheme. At the same time the government is proposing to lower the threshold for local referendums on council tax from the present 3.5 per cent allowable increase limit to a new limit of 2 per cent.

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13. Commenting on these proposals at the time, the Chairman said that, "Reducing the current referendum trigger from 3.5 per cent to 2 per cent represents less flexibility for councils and even less localism with Whitehall decreeing what constitutes excessive." On the freeze grant, he added that, "Any help for councils is a good thing, but we have to be clear that this is a short-term offer. It doesn't address the huge long term pressures councils are facing including bigger cuts than any other part of the public sector and an immediate and growing crisis in funding care for the elderly. Councils could now have to budget for a further future shortfall."

Localised council tax support

14. The Local Government Finance Bill, which provides the underlying statutory backing for both Business Rates retention and for the new localised council tax support, became law on 31 October 2012.
15. In the final Parliamentary stages of the Bill, there was considerable debate over the council tax support provisions. The LGA sponsored amendments that would have allowed greater flexibility over the single person discount, but these were not carried. An amendment requiring an independent review of council tax reduction schemes within three years, and consideration of whether such schemes should be brought within Universal Credit, was passed. The LGA put on record, in a letter signed by the Chairman and Group Leaders, that we do not support this amendment.
16. LGA officers have, supported by a number of specialists in member authorities, continued dialogue with DCLG and DWP officials about a wide range of issues related to the introduction of the new localised support schemes. There are a large number of practical issues that raise real challenges for member authorities in fully understanding what needs to be done to implement the legislation, and supporting Regulations on a wide range of detailed issues are, we understand, planned to emerge over the next 3 months.
17. The funding for the new scheme will be settled on the basis of a revised forecast that the Office of Budget Responsibility will review, as part of the Autumn Statement, setting out what the cost of council tax benefit would have been in 2013-14, less the 10 per cent funding cut. LGA officers have, aided by some very helpful information from a number of member authorities, compared the DWP methodology for the forecast with local experience. This work is due to be discussed with government officials shortly and it is hoped that it will enhance the accuracy of the forecast. Many authorities have expressed concerns that the initial funding allocations, based on an earlier forecast, are too low in the light of current CTB claims experience.
18. Finally, the government made a surprise announcement on 15 October that funding of up to £100 million in total would be made available by way of a transition grant to support those authorities introducing council tax support schemes that, broadly

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speaking, ensure that those currently on full council tax benefit retain support for all but a maximum of 8.5 per cent of council tax liability, and that benefit tapers are not too steep. The potential funding allocations that each authority might receive under this scheme have now been published. In response, the LGA made clear that we did not consider this to be the most effective way to help councils; that the government's package substantially underfunds the 8.5 per cent cap; that, even with the grant in prospect, a substantial number of councils will need to make cuts in other areas in order to afford an 8.5 per cent limit on benefit claimants' losses; and that the funding does not address the key issue that localisation of council tax support has to be accompanied by greater flexibility over council tax reliefs. In short, the LGA's clear message has been that the most effective way to reconcile reduced funding and constant, if not mounting, demand is to give councils more levers to manage the system in a sustainable way.

Early Intervention Grant

19. Reflecting the view of many member authorities, the LGA has continued to express its concern at the unexpected announcement in the summer that the Department for Education now intended to hold back £150 million of Early Intervention Grant in each of 2013-14 and 2014-15. A number of member authorities are also potentially significantly affected by the Department's plan to transfer £534 million of Early Intervention Grant into ring-fenced Dedicated Schools Grant for 2013-14. This money, ostensibly to fund the cost of new responsibilities for education of disadvantaged two year old children, is in some places insufficient to cover the costs of the new local authority responsibilities.

Overall impact

20. The combined effect of all these changes, and the uncertainty still surrounding the detailed implementation of many of them, is extremely significant. Many authorities have contacted us about the scale of difficulty that the combination of further cuts, delay in the settlement and uncertainty over detail produces.
21. In Spending Review 2010, the impression originally given was that 2013-14 would be a year where the overall level of funding from government might be expected to be reasonably stable. The original level of cut was only 0.8 per cent of 2012-13 core funding, considerably lower than that in either of the previous two years or in 2014-15. What we are now seeing is the prospect of potential funding reductions that, with the retrospective change to Spending Review decisions to claw back for the Treasury the benefit of pay restraint, amount to a total funding reduction of up to a further £1 billion or more. In some authorities it appears possible that the new cuts could amount to more than 10 per cent of core funding from government.

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22. In the light of the work that the LGA published in the early summer, showing that councils faced a potential gap of £16.5 billion by 2019-20, the further changes and uncertainties reinforce the conclusion we have already expressed – that without money and reform, there is no solution.

What next?

23. The LGA is here to be the voice of local government, nationally. These are, therefore, issues that should be articulated clearly on behalf of the sector as a whole.
24. It is suggested that effort should be redoubled around getting across a number of key messages. These include:
- 24.1. **Upholding local government's excellent track record.** Managing the cuts has involved not just cutting out waste and making service delivery more efficient. It has also involved very difficult decisions on what front line services councils provide, and how they are provided. Councils have been resolute in taking the necessary decisions.
- 24.2. **Making clear that the government has made some very big cuts over and beyond what we saw in the Spending Review.** What we have seen since are a number of further proposals from the government that, together, could take away up to a further £1 billion from councils in 2013-14.
- 24.3. **Being realistic about the wider fiscal position but clear that this is not the right way to do business.** We acknowledge that the Treasury has to take its own difficult decisions to ensure that the deficit reduces as we would all want. But the proposals for further cuts to local government are ill-judged. They seem to us to be based on an unreasonable view that the local government should bear all the risk, and the Treasury little or no risk, around the major changes from the new Business Rates retention arrangements. Some of them appear to be based on an inaccurate assessment of local authorities' current spending. Some also envisage taking away flexibility for local decision making over spending that was promised at the time of the 2010 Spending Review.
- 24.4. **Offering some positive solutions.** For now, what we want is for the consequences of the £1 billion additional shortfall to be reduced. We think there are some obvious ways in which this could be done without damaging the overall public finance numbers. For example the holdbacks and centralisation of grant funding affect council budgets but don't really affect the overall public finance numbers, and part of the reason the academies funding takeaway is excessive is that out of date data has been used to calculate it.
25. If Members are attracted to this kind of approach, officers will develop appropriate communications and other strategies to ensure that these messages are clearly heard ahead of the Autumn Statement and Local Government Finance Settlement.

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26. Alongside this, it is recommended that further work to update our longer term financial modelling continues, so that we can articulate clearly the overall impact of the many detailed changes to funding that are in the pipeline.

Recommendation

27. The Executive is recommended to approve the development of further focused lobbying along the lines set out in **paragraphs 24-26** above.

Financial implications

28. This is core work for the LGA which is funded from existing budgets.

Localisation of council tax benefit

Purpose of report

For discussion and direction.

Summary

This report updates members on the key developments leading to the replacement of council tax benefit by council tax support on 1 April 2013. Among the key issues are:

1. The passage of the Local Government Finance Bill through Parliament;
2. Discussions with the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG) on the total quantum for the council tax support grant;
3. The additional £100 million support announced by DCLG on 16 October;
4. Progress on local council tax support schemes.

Recommendation

Officers continue to monitor the situation and report back to the Panel at regular intervals

Action

LGA Officers to proceed as directed.

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Localisation of council tax benefit

Background

1. Council tax benefit will end on 1 April 2013 when it is replaced by local council tax support schemes. The Government will cut its support by 10 per cent when compared with predicted council tax benefit expenditure in 2013-14.
2. The abolition of council tax benefit is provided for in the Welfare Reform Act 2011. The legislative basis for local council tax support is the Local Government Finance Act 2012.
3. This report summarises the debate on the Bill in Parliament. It also reports on the key issues which LGA officers and advisers on finance and benefits from member councils have been discussing with DCLG

The debate in Parliament

4. The LGA supplied extensive briefing on the Bill whilst it was in both houses of Parliament. Our lobbying efforts concentrated on additional flexibilities to enable councils to have more of a choice as they decide how best to fill the 10 per cent gap in support. This is a decision which the Government has passed to councils as one of the decisions in the 2010 Spending Review.
5. All group leaders at the LGA supported an amendment moved by Lord Tope at the third reading in the House of Lords which would have given billing authorities discretion to vary the single person discount (which of course accounts for around 90 per cent of discounts) to 20 per cent for non-pensioners. We provided evidence, using data from the Institute of Fiscal Studies, that it would give councils additional resources which, in all but a handful of councils, would enable the funding gap to be closed without penalising the very poorest working age council tax payers. However in the event the amendment fell as it commanded the support of neither the Government nor the opposition Front Benches.
6. One opposition amendment was passed in the House of Lords, which the Government subsequently opted not to reverse in the Commons. This commits the Government to put in place an independent review of local council tax support schemes within three years, including making recommendations as to whether they should be brought within Universal Credit (UC).
7. The LGA put out a press release indicating that we do not support this. The key argument is that the logic of putting council tax support in Universal Credit would mean that all resources for council tax support would eventually be part of the single payment to households which Universal Credit represents. Therefore councils would have to collect the whole of council tax from UC recipients, not just the percentages being talked about now. LGA officers understand from DCLG officials that the Government

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accepted the amendment on the basis that an independent review would not commit it in any way.

Grant support

8. Most grant support will be included within the business rates retention funding baseline. This is expected to be distributed broadly on the basis of the current predicted council tax benefit expenditure less 10 per cent. The Government has said that it will base funding on the 2013-14 forecast council tax benefit expenditure. The figures that will be used are expected to be published at the time of the Autumn Statement on 5 December.
9. However the figures published at the time of the funding consultation in May 2012 suggested a further cut of 3 per cent due to DWP forecasts of falling numbers of council tax benefit claimants. The data which the LGA has received from authorities does not suggest that they expect the number of benefit claimants to fall. LGA officers and advisers from authorities are in discussions with Government departments and with the Office for Budget Responsibility to examine the forecasts. Any developments will be reported orally to your meeting.

Transitional Grant Scheme

10. On 16 October, DCLG announced that a Transitional Grant of £100 million would be paid for 2013-14 only to those councils (both billing authorities and major preceptors such as counties) who develop local council tax support schemes which conform to a number of conditions intended to limit the effect on working age benefit recipients. The most important of these is that those who would be on 100 per cent support under current council tax benefit arrangements pay between zero and no more than 8.5 per cent of their council tax liability in any new local council tax support scheme.
11. The LGA responded that although we welcomed any additional help, the lack of flexibility for councils in implementing the benefit reduction puts them in a very difficult position. Under the proposed scheme, even with the additional money, most councils will have no choice but to ask people on lower incomes, including the working poor, to pay more council tax than they currently do. Collection rates overall are very high. But there is clear evidence that, for a range of reasons including financial difficulties, the poorer people are the less likely they are to pay council tax. These changes are a significant concern. We also did analysis which suggested that for the gap to be closed entirely around £200 million of funding was required, so that the £100 million only went half way.

Local Council Tax Support schemes

12. Before the announcement of the additional £100 support, the LGA looked at the proposals set out by 200 councils on the design of their new local council tax support schemes. The results of our review are as follows:

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<i>Options considered</i>	<i>Number of councils</i>
Minimum payment for working age	178
Minimum payment at 20 per cent or above	104
Minimum payment at 10 to 20 per cent	45
Removing Second Adult Rebate	136
Capping support at higher bands	23
Lowering the savings limit	25
Maintenance or tax credits as income	8

13. What our analysis shows is that almost 90 per cent of councils propose to introduce a minimum payment for working age claimants, generally as a fixed percentage of council tax. 50 per cent of councils propose to set the minimum payment at 20 per cent or more; about another quarter propose to set it between 10 and 20 per cent. To illustrate the impact of a minimum payment, claimants in the lowest bands may have to pay on average between £3.69 and £4.96 a week towards their council tax starting this April.
14. 80 per cent of councils considering a minimum payment are also seeking to maximise the savings available from at least one of the above elements in order to be able to set the minimum payment as low as possible, including:
- 14.1. Removing the “Second Adult Rebate”, a benefit for people who do not qualify for Single Person Discount if the other adult living in their property is on a low income.
- 14.2. Capping the level of support offered to people living in higher band properties.
- 14.3. Lowering amount of savings a person can have and still qualify for support.
- 14.4. Counting maintenance or tax credits as income.

Conclusion and next steps

15. LGA officers will continue to monitor the situation, including those authorities who decide to opt for schemes which are eligible for a share of the additional £100 million funding as they fulfil the conditions for such funding; for example those who would be on 100 per cent support under current council tax benefit arrangements paying between zero and no more than 8.5 per cent of their council tax liability

Financial Implications

16. This work will be contained within existing programme budgets.

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Welfare reform: update and the council role in universal credit

Purpose of report

For discussion and direction.

Summary

This paper provides an update on the Government's welfare reform plans and the LGA's programme of work.

Recommendation

Members are asked to:

1. confirm that they are happy for the work described here on the future council role in Universal Credit to proceed as described;
2. offer views on the kind of proposition they would hope to see emerge from that work;
3. agree to offer comment on the draft document at **Appendix A**;
4. give any further guidance on the wider programme of LGA work on welfare reform.

Action

LGA Officers to proceed as directed.

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Item 4

Welfare reform: update and the council role in universal credit

Background

1. Now that the Local Government Finance Bill has been passed by Parliament, the main lines of the Government's welfare reforms for working age people have been fixed. The central elements of the reformed system are these:
 - 1.1. for most working-age claimants, most existing benefits and tax credits will be replaced by a single monthly payment, made to households and not individuals, called Universal Credit and intended to cover all living costs including housing;
 - 1.2. Disability Living Allowance will be superseded by a new Personal Independence Payment.
2. Alongside and as part of this simplification of the benefits paid by central Government, two significant responsibilities will be passed to councils:
 - 2.1. support for less well-off council tax payers will now be set by councils and treated as local discounts to Council Tax, funded by a grant worth 10 per cent less than this year's spending;
 - 2.2. emergency welfare support – the former Discretionary Social Fund – will be the responsibility of social services authorities.
3. There will also be a number of changes that are intended to reduce welfare spending without significantly changing the structure of the system:
 - 3.1. total benefit entitlement for those not in work will be capped at £500 per week for couples and lone parent households and £350 per week for single person households, and enforced by a reduction in housing benefit;
 - 3.2. a limit will be imposed on the number of bedrooms in each household which housing benefit will fund;
 - 3.3. councils will be allowed to discharge their housing duty in the private rented sector;
 - 3.4. child benefit will be limited for higher-rate taxpayers.
4. Formally, much of this change is due to take place with a big bang next April. But it will in fact take a long time to put the whole new system into place. Different elements will be developed and rolled out at different paces, too. The overall timetable, as we understand it, currently looks like this:

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April 2013	Local council tax support schemes introduced Local social fund arrangements in place Benefit cap applies Bedroom cap applies Universal Credit “pathfinder” begins in Greater Manchester PIP Introduced
October 2013	Universal Credit extended to more clients
April 2014	Universal Credit extended to more areas
2014 - 2017	Existing clients transferred from legacy benefits to Universal Credit.

5. All of these measures will affect councils. They affect councils for at least the following reasons:
 - 5.1. whatever affects local residents affects councils; in particular, whatever makes it likely that residents will seek help from councils with their housing, financial, and family problems, demands a response from councils;
 - 5.2. changes to housing benefit are putting burdens on benefits departments to implement the direct changes, and on benefits and housing departments to manage the consequences as tenants and landlords change their behaviour in response to reduced income;
 - 5.3. the localised welfare support arrangements will not only require social services authorities to implement new arrangements, and create financial risks for those councils, but also demand new ways of working between counties and districts in two-tier areas;
 - 5.4. the introduction of localised council tax reliefs creates large and novel political and financial risks for councils, and redefines council tax relief as no longer a part of the benefit system;
 - 5.5. the eventual migration of all council benefit claimants to Universal Credit fundamentally redefines the relationship of councils to the welfare system and to the parts of central Government that administer it; potentially, it eliminates that relationship and ends the council role in benefits altogether.

What LGA is doing on welfare reform

6. Members will be aware of much of the work we are doing on this broad canvas of welfare reform. Progress so far has been reported to the Executive and to the Finance Task and Finish Group, in particular at the Executive’s meetings of May 2012 and June 2012. Main points include:
 - 6.1. we have made a very intense and sustained effort to shape and challenge the Government’s approach to localising council tax support; in the event, while we made some progress with flexibilities within the new system, we were unable to persuade national politicians to accept the main changes we wished to see to the Local Government Finance Bill; we are now engaged in tough negotiations with

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DWP about the amount of funding that needs to be transferred to pay for the new system: the Government's forecast that CTB caseloads are falling is demonstrably wrong and we are challenging it; this issue needs to be resolved in the next couple of weeks before the Autumn Statement and Settlement;

- 6.2. we have surveyed councils to monitor the current and anticipated impact of housing benefit changes on citizens, council finances, and the housing market, although in advance of the main changes coming into effect, and with the workings of the housing market affected by the overall economic situation, it is hard at this stage to make a robust assessment of the impact;
 - 6.3. we have worked to spread awareness of the changes among councils, and to share experience and learning; the welfare reform section of the Knowledge Hub currently has 237 users;
 - 6.4. we have also produced a document aimed at elected members with some prompts for scrutinising their council's response. A draft of this document is attached at **Appendix A**;
 - 6.5. we have played a formal role in the governance structure of the Universal Credit programme; we have persuaded DWP to run pilots of the potential council role in supporting Universal Credit clients for the future; and we are engaged in discussion with DWP in which we are challenging the department's interpretation of the TUPE position of local authority staff with regard to the future UC delivery structure.
7. We have supported this work with regular ministerial and official contacts across central Government on welfare reform issues. Within the LGA, welfare reform has been treated as an issue concerning a range of teams including Finance, Housing, Community Wellbeing, and Improvement.

The council role in Universal Credit

8. For most of this agenda, we know what the Government's reform policies are, and what councils' formal role is in implementing it and/or helping citizens respond to the changes as they affect them. Large uncertainties remain about exactly how effects will play out, and what councils' costs and funding position will be.
9. The range of uncertainty about Universal Credit is much greater because as things stand we simply do not know whether councils have a formal role and if so what it is going to be. Almost without exception, councils have told us at both political and officer level that they believe they should and will have a role in serving Universal Credit claimants. This reflects a range of opinions, from an enthusiastic ambition to provide the full Universal Credit offer, to a more reluctant recognition that many claimants with financial or housing problems which cannot be resolved by DWP will inevitably look to their council for help.
10. There is a more widely held view, too, that adequate support to claimants from councils is one of a number of factors without which Universal Credit is unlikely to succeed.

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Although Universal Credit is intended to be a digital service by default, as many as half of current housing benefit claimants require face-to-face support and would be unable as things stand to make online claims. Because of the structure of Universal Credit – monthly single payments, to households and not individuals, covering housing costs as well as general living expenses and with direct payments to landlords an exception rather than the rule – it is not going to be possible to introduce it without at the very least significant support to claimants in making the transition, and most likely with an ongoing need for face-to-face contact for a significant minority of claimants.

11. LGA elected members have taken the view that it is our job to try and achieve clarity about what the council role in Universal Credit will be so that councils can plan for the future.
12. As members will be aware, we have made a degree of progress in taking this mandate forward. In particular, we persuaded DWP to run a set of council-led pilots which are exploring ways of providing joined-up face-to-face support to claimants, and helping migrate claimants to on-line claiming. Details of the pilots are in the announcement set out at **Appendix B**. DWP have committed to take the learning from the pilots into account in developing their service design for Universal Credit. As part of the pilots announcement, Lord Freud – the Minister for Welfare Reform – has made it clear that he believes councils have a future role in the delivery of Universal Credit.
13. Over recent weeks, officers have held further discussions with DWP as a result of which the department has agreed to develop an explicit account of the possible future role of councils, and open up a process of debate and co-design with the sector during the early part of next year. We have established a joint “task force” which brings together officers from LGA, WLGA, CoSLA and DWP and is charged with recommending to Ministers a proposition on the DWP’s future relationship with local government in Universal Credit delivery. Once agreed by Ministers, that proposition would be made public early next year, and further developed in the light of the sector’s response and learning from the pilots areas and the Greater Manchester UC Pathfinder. The “task force” will be supported by a reference group of council chief executives and revenue and benefits experts.
14. Officers will set out at the Panel meeting more detail of the potential content of this work.

Recommendation

15. We would be grateful if members would:
 - 15.1. confirm that they are happy for the work described here on the future council role in Universal Credit to proceed as described;
 - 15.2. offer views on the kind of proposition they would hope to see emerge from that work;
 - 15.3. agree to offer comment on the draft document at **Appendix A**;
 - 15.4. give any further guidance on the wider programme of LGA work on welfare reform.

A quick guide to Welfare Reform and questions councillors might want to consider asking

Introduction

The government has introduced major changes to the welfare environment mainly through the Welfare Reform Act 2012. These measures are complex and will in the main be introduced from April 2013. They will have a significant impact on councils.

This handy guide aims to provide a simple summary of the measures that will have the greatest impact on councils and to suggest some questions that councillors might like to explore when considering their own council's readiness for the changes ahead. It doesn't pretend to cover the full scope of the reforms, the detailed regulations for which are still in the main being formulated.

The majority of the questions are aimed at portfolio holders and members of scrutiny committees.

Portfolio Holders and Scrutiny Committee members

Localised support for council tax

What is this?

The Welfare Reform Act made provision for the abolition of Council Tax Benefit and the Local Government Finance Act makes provision for its replacement by local support schemes from April 2013.

Each billing authority is required either to have in place by 31 January 2013 an agreed plan for delivering local support, or to adopt the DCLG default scheme, which fundamentally works to the same criteria as council tax benefit. Support schemes will be funded by government grants to the major precepting authorities as a proportion of their overall council tax take. Grants will be the equivalent of forecast council tax benefit expenditure less 10%. Because the default scheme won't deliver a 10% saving, councils that haven't approved a local plan for delivering support by 31 January 2013 will have to find the saving from elsewhere within their budgets. In developing schemes councils are obliged to continue providing full support for pensioners and to bear in mind their statutory responsibilities towards the vulnerable. They are also exhorted to remember that work should always pay. While councils may be able to make up some of the 10% saving by adjusting council tax discounts for such things as empty and second homes, in most areas the working poor will end up paying more council tax than under the current council tax benefit system.

In October 2012, the government made available an additional £100m for one year to those councils, which adopt schemes that comply with criteria set by the government. A key requirement is that those who would be entitled to 100% support under current rules will pay between zero and no more than 8.5% of their current net council tax liability. Applications for the grant have to be made between 31 January and 15 February 2013.

<http://www.communities.gov.uk/documents/localgovernment/pdf/2239262.pdf>

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Appendix A

Questions:

- Have we consulted with and received the agreement of other precepting authorities on our plans for localised support for council tax? (Billing authorities)
- Have we been consulted by our billing authority on plans for localised support for council tax? (Major precepting authorities)
- Have we conducted a full public consultation on our localised support plans? (Billing authorities)
- Is our billing authority intending to develop a localised plan? If it isn't what is the financial impact on the council of having to go with the DCLG default scheme? (major precepting authorities)
- Will we have the IT in place to be able to administer our localised plan? If we won't what is our fallback plan? (Billing authorities)
- What will be the impact on unprotected groups, in particular working households and working single people, from the localised plans?
- What plans have we got to ensure that we continue to meet our council's tax collection targets?
- What is the likely financial impact on the council?
- Are we planning to apply for funding under the government's transitional grants scheme and if we are what impact will it have on our plans?

Localised welfare support (upper tier councils)

What is this?

From April 2013, elements of the discretionary Social Fund budget - Community Care Grants and Crisis Loans, which provide finance for emergency expenditures and transition into the community, will be devolved to upper tier local authorities, which will then be free to determine how it is spent. This new legislation places no new duties on councils.

The DWP website has data showing expenditure and patterns of activity in each upper tier council area over the previous few years. (<http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/>) Indicative budgetary allocations have been announced by the government.

Questions:

- What are our plans for the delivery of welfare support?
- Are we intending to provide support in cash, in kind or a mixture of the two?

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- Will we be issuing loans? If we are what arrangements will we have for recovering them?
- Which department will be responsible for administering this support?
- Is there any scope for developing a shared service with a neighbouring authority?
- How will we assess claimants; against what sort of eligibility criteria and with what target response time?
- How will we deal with disputes?
- How will we respond to a large scale emergency eg riots, floods?
- Bearing in mind current patterns of activity and expenditure and our indicative grant allocation what impact do we assess our plans will have generally, and more specifically on particularly vulnerable groups of people (eg victims of domestic violence)
- Do we have a feel for the likely key drivers of demand and if so what can we do to try and stem demand?
- Do we need to allocate the entire grant to the provision of welfare support or could we use part of it more effectively elsewhere?
- What do we estimate will be the cost of setting up and delivering the scheme?
- How will we assess the effectiveness of the use of the grant?

Universal credit and the introduction of the benefit cap

What is this?

Universal Credit (UC) replaces a number of individual tax credits and benefits including housing benefit. It will be digital by default, with a target of at least 80% of transactions on line, and be paid monthly in arrears directly to claimants. It will be rolled out between October 2013 and 2017. UC will not apply to pensioners, instead housing benefit will be migrated into a modified pension credit between October 2014 and 2017. At present councils have no formal role on the delivery of UC, though it is likely they will be invited to participate in face to face delivery for those people unable or unwilling to transact on line. DWP intend to run a series of face to face delivery pilots next year with a further set in 2015.

The benefit cap will be introduced from April 2013 and is designed to ensure that no household or individual in receipt of benefits receives more than average earnings after tax and national insurance. As such it is being set at £500/week for a couple and single parent households and £350/week for single adult households. Pending the roll out of UC the cap will be delivered by councils through housing benefit. DWP will advise councils of the maximum housing benefit a household can be awarded

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without exceeding the cap. Every household will be entitled to a minimum weekly payment of 50p in order to enable access to Discretionary Housing Payments (DHP), if this is justified. Pensioners, households in work and entitled to working tax credit and a number of other groups such as people in receipt of Disability Living Allowance (to be replaced by Personal Independence Payments) are exempt from the cap. There will be a grace period whereby the benefit cap will not be applied for 39 weeks to those who have been in work for the previous 12 months

Questions:

- How many households and single people within the council boundaries will be affected by the introduction of the benefit cap?
- Will the introduction of the benefit cap have any impact on our troubled families programme?
- Will we have the necessary arrangements in place to be able to administer the cap, once it is introduced in April 2013?
- What are we doing to help prepare households and individuals, who may be affected by the cap, for its introduction?
- What is the likely impact of the introduction of universal credit on the council:
 - a. If councils have a role in the delivery of face to face services?
 - b. If councils have no role in the delivery of universal credit?
- What provision are we making to cover potential redundancy and pension strain costs if there is to be no TUPE of staff to DWP to deliver UC?
- What is the overall impact on the council likely to be if the introduction of UC leads to a dramatic reduction in the size of our Revenues and Benefits department?
- What arrangements are we putting in place to provide advice and help to benefit claimants with managing household budgets following the introduction of the direct payment of benefits one month in arrears?
- What are we doing to discourage loan sharks and to persuade vulnerable people not to take advantage of high interest pay day lenders, both legal and illegal?
- What arrangements are we putting in place to cover the risk of increasing levels of rent arrears arising from the application of the benefit cap and direct payments?

Introduction of social housing size criteria and other housing reforms

What is this?

From April 2013 size criteria guidelines for social rented housing will be based on those for the private rented sector. That is one bedroom for each of the following:

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- A couple
- A person who is not a child (age 16 and over)
- Two children of the same sex
- Two children who are under 10
- Any other child
- A non-resident overnight carer

For those deemed to be under occupying there will be a reduction in housing benefit of 14% for under occupation by one bedroom and 25% for under occupation by two or more bedrooms.

The under occupation measure doesn't apply to pensioners, exempt supported accommodation and temporary accommodation. It does however apply to foster carers, who will be able to claim DHPs to cover the cost of the additional room(s) they need for their foster children.

The Local Housing Allowance (LHA) paid to people living in the privately rented sector is already capped at the 30th percentile of rents in the locality. From April 2013 increases in LHA will be restricted to no more than CPI.

Questions:

- How many of our tenants are going to be affected by the introduction of the social housing size criteria?
- What are we doing to help those likely to be affected to prepare for the introduction of the size criteria?
- Do we have sufficient data on properties and occupancy to implement the size criteria regulations?
- Is there a need to update our allocations policy to work alongside the new size criteria regulations?
- Do we have sufficient properties of the right size available to enable tenants to move to avoid facing reductions in housing benefit due to under occupancy? If we don't what are we going to do about it? Are we talking to our housing providers to develop a strategy?
- When it is appropriate, what can we do to incentivise people under occupying to move? For example could we offer practical support such as help to declutter or help with removal costs?
- What impact are the already implemented LHA reforms having? Are we seeing increases in homelessness and use of temporary accommodation?
- What role might the new flexibility to discharge our homelessness duty in the private sector play?
- If we are seeing an increase, what is the financial impact on the council?

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- Are landlords responding to the restrictions in LHA by reducing rents or at least not increasing rents?

Introduction of Single Fraud Investigation Service (SFIS)

What is this?

The SFIS will bring together the investigative services of DWP, councils and HM Treasury into one service operating under a single policy and operational procedure for investigating all benefit and tax credit fraud and to conduct a single investigation covering the totality of the fraud. Council staff transferring into the SFIS will remain employees of the council. SFIS will only be tasked to investigate tax credit and benefit fraud. Councils will need to make other arrangements to investigate other fraud such as that associated with tenancies or council tax. The SFIS will come into being at some point during 2013.

Questions:

- How many staff are we transferring into the SFIS?
- What will our arrangements be for investigated tenancy, council tax and other fraud once the SFIS is up and running?

General

Bearing in mind the increasing risk to councils of legal and other challenge, councillors might like to seek reassurance not only that a comprehensive assessment of the impact of locally devised schemes (welfare and council tax support) on vulnerable and disadvantaged groups in the locality has been conducted, but also that there is a clear audit trail available for public scrutiny of the consultation and decision making processes.

Ward members

Ward councillors might particularly want to know:

- a. How many households/single people are liable to be impacted by the benefit cap in my ward
- b. How many households are going to be affected by the social housing size criteria in my ward?
- c. To whom do I send constituents, who come to me needing some kind of emergency financial support?

Department for Work and Pensions Press notice 20 July 2012: Lord Freud names local authority pilot long-list for Universal Credit

The Department for Work and Pensions and the Local Government Association have today named fifteen local authorities in England recommended as potential pilot sites for Universal Credit.

The pilots will focus on delivering the face to face support some people may need to make claims for Universal Credit, including online support, help with budgeting and job searches, reducing fraud and error, and reducing homelessness. From these recommendations, DWP will now make a final selection of those that will go ahead in the Autumn.

The Minister for Welfare Reform Lord Freud said:

"Local authority led pilots will provide a unique opportunity for councils to shape the development of Universal Credit.

"All the recommended local authorities offer very exciting ideas on how they might help people with their claims for Universal Credit and progress into work. We are now working through the long-list with a view to announcing the final dozen or so successful authorities across Great Britain in the Summer."

Sir Merrick Cockell, Chairman of the LGA, said:

"It is vital that local people are fully supported when these benefit and tax credit changes come into place.

"Councils have a central role to play in providing face-to-face assistance and advice in the new welfare system, as they have a strong understanding of local job markets and the needs of their residents.

"These councils have put forward some positive proposals for taking the pilots forward, and they will play an important role in working towards a smoother rollout later next year."

The announcement follows close discussion with Lord Freud and the LGA, which resulted in the LGA recommending the 15 local authorities out of 38 proposals. A separate selection process is underway for local authorities in Wales and Scotland.

The 15 authorities in England recommended are:

Barnet
Bath and North East Somerset
Birmingham
Hammersmith and Fulham (in consortium with Kensington and Chelsea, Wandsworth and Westminster)
Leeds
Lewisham
Melton

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Newcastle under Lyme
North Dorset
Oldham
Oxford
Rushcliffe
A consortium of North Yorkshire authorities led by Scarborough
West Lindsey; and
Wigan

Notes to Editors:

1. Universal Credit will be rolled out from October 2013 with approximately 12 to 13 million tax credit and benefit claims transformed into eight million Universal Credit payments.
2. The local authority led pilots will complement work already underway as part of the preparation for Universal Credit, including Pathfinder and the direct payment demonstration project.
3. A Prospectus: 'Preparing for Universal Credit Prospectus for 2013 focus local authority led pilots' was published in April 2012 and is available here:
http://www.local.gov.uk/web/guest/local-government-finance/-/journal_content/56/10161/3618873/ARTICLE-TEMPLATE

Item 5

Pension fund investment in infrastructure

Purpose of report

For discussion.

Summary

This report provides an update on recent developments with respect to pension fund investment in UK infrastructure and the LGA's work programme.

Recommendation

Members are asked to

1. note the update;
2. comment on the proposed work plan.

Action

Officers to progress work in light of Members' comments.

Contact officer: Piali DasGupta
Position: Senior Adviser
Phone no: 020 7664 3041
E-mail: piali.dasgupta@local.gov.uk

Item 5

Pension fund investment in infrastructure

Background

1. At its meeting on 24 July, the Finance Task Group which laid the groundwork for the Panel agreed that the LGA should play an active role in exploring the potential for greater pension fund investment in infrastructure as part of our work on new ways of mobilising capital finance.
2. Since the July meeting, there have been several developments that have put a spotlight on pension funds as a source of investment in infrastructure and the LGA's role in this area has received considerable attention. The LGA Chairman appeared on the Today Programme on 25 October, to discuss the potential to use pension funds to drive local economic growth in response to a report from the Future Homes Commission. The report calls for the LGA to play a lead role in encouraging local authority pension schemes to pool funds to invest in new housing. Sir Merrick observed that the LGA has been in discussions with pension funds and other parties with an interest in this area about the potential for unlocking investment by addressing the obstacles to this type of investment that exist at present.
3. On 31 October, the LGA and the British Property Federation launched a joint report, [Unlocking Growth through Partnership](#), that recognises the role that pension funds could play in boosting investment for infrastructure. Our report calls for pension funds, developers and local authorities to work together to explore opportunities for investment in infrastructure and barriers that need to be addressed.
4. The Government has recently responded to our call for potential legislative barriers to greater investment to be examined. On 6 November, the Department for Communities and Local Government (DCLG) launched a consultation on two options for amending the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to provide Funds greater flexibility to invest in infrastructure:
 - 4.1. increase the limit on investments in partnerships from 15 per cent of a local authority pension fund to 30 per cent; or
 - 4.2. create a new investment class for investment in infrastructure (including via limited liability partnerships), with a limit of 15 per cent of an overall fund
5. The LGA's Local Government Pensions Committee will be responding to the consultation, which closes on 2 December. We have previously said that we would support a move to include a new infrastructure asset class with its own limit rather than extending an existing limit on a more general class. The level of the limit does not appear to be an issue for the majority of schemes, with only about 25 per cent close to hitting the limit. We will be considering whether the establishment of a new investment class could be more useful because a tight definition of a new class might help to address concerns about conflict of interest and self-investment.

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6. Recently, a couple of local authority pension funds have made public their plans to invest in infrastructure. In September, the Greater Manchester Pension Fund announced that it had entered into a partnership with Manchester City Council and the Homes and Communities Agency (HCA). Development land will be provided by the city council and the HCA, while the Fund will finance the building of 240 new homes. Last month, the West Midlands Pension Fund announced that it will be one of the founding investors of the National Association of Pension Fund's £2 billion Pension Investment Platform, a new pooled investment vehicle.

Programme of work

7. We are convening a working group of all of the parties with an interest in this area to establish whether there is a business case for greater pension fund investment in infrastructure and how it might be strengthened, as well as the vehicles that could make infrastructure a more attractive option for investment. The Chartered Institute of Public Finance and Accountancy (CIPFA) have offered to jointly badge the working group in order to provide extra reassurance to fund managers and unions of the group's attentiveness to fiduciary responsibilities. A list of invited working group members is attached in **Appendix A**. Members' view on others who should be invited are welcome.
8. We are organising a series of 3 roundtables to be held between December and March with a view to publishing a comprehensive report to resolve the key issues. Members are invited to comment on the issues we propose to cover in the report:
 - 8.1. a comparison of the current position of private and public pension funds in the UK, and UK funds as a whole against other jurisdictions, with respect to the weighting of their investments in infrastructure;
 - 8.2. a cost-benefit analysis of diverting funds from current investments;
 - 8.3. ways to structure infrastructure projects to be more attractive to pension funds and private investors more generally;
 - 8.4. options for developing new investment vehicles that could deal with issues of scale, risk and cost in investing in infrastructure;
 - 8.5. an assessment of the relevant geography for local authority infrastructure funds to achieve the scale of investment desired by pension funds;
 - 8.6. the classes of infrastructure that match the rate of return and risk profile that pension funds have to seek;
 - 8.7. ways to address governance, reputational and legal risks, particularly related to conflict of interest and self-investment.

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Timetable

9. We are aiming for this report to be launched in the lead up to the next Budget, which would normally be expected to happen in the latter half of March 2013. This would also align with the timing of the launch of the National Association of Pension Funds' Pension Investment Platform. In order to be able to finish the work within this tight timescale, the following timetable is recommended:
 - 9.1. first roundtable to take stock and establish research/analysis needs – 29 November 2012;
 - 9.2. commission research – w/c 17 December 2013;
 - 9.3. second roundtable to review interim findings – w/c 4 February 2013;
 - 9.4. third roundtable to review final report – w/c 4 March 2013;
 - 9.5. launch of report – w/c 11 March 2013.

Member involvement

10. It is recommended that the Panel nominate one or two members to sit on the working group. We would also propose to circulate interim findings to all Panel members for comment.

Conclusion and next steps

11. You are asked to:
 - 11.1 agree the process as outlined in **paragraph 9**;
 - 11.2 nominate Panel members to sit on the working group.
12. The LGA is also calling for the establish a national pensions board for the Local Government Pension Scheme (LGPS), whose remit would be to extend best practice, increase transparency, and co ordinate technical and standards issues and liaise with The Pensions Regulator. The Board could provide a vehicle to commission and disseminate quality analysis and impartial advice on investments to LGPS funds so we will ensure that we coordinate the two pieces of work quite closely.

Financial Implications

13. This is core work for the LGA and is budgeted for within the 2012-13 LGA budget.

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List of invitees
LA pension funds

Peter Morris	Executive Director	Greater Manchester Pension Fund
Mike Taylor	Chief Executive	London Pension Fund Authority
Nicola Mark	Head	Norfolk Pension Fund
Bob Claxton	Head of Pensions	Wandsworth Council

Union

Brian Strutton	National Secretary for Public Services	GMB
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Pensions/finance experts

Joanne Segars	Chief Executive	National Association of Pension Funds
Michael Quicke	Chief Executive	CCLA
Graeme Muir	Partner	Barnet Waddingham

Council officers

Jonathan Hunt	Tri-borough Director for Treasury & Pensions	Westminster Council Association of Local Authority Treasurers Societies
Nathan Elvery	President	Milton Keynes Council
Tim Hannam	Corporate Director of Resources	Manchester City Council
Richard Paver	City Treasurer	

Elected members

Cllr Sharon Taylor (or other nominated member of Panel)	Chair, LGA Finance Panel Executive Member, Local Authority Pension Fund Forum	Stevenage Borough Council
Cllr Toby Simon	LGA Local Government Pensions Committee	LB Enfield
Cllr James Jamieson		Central Bedfordshire Council

Government departments

Brian Town	Workforce, Pay and Pensions Division Head of LGFPS2 Branch - Local Government and Firefighters' Pensions	Department for Communities & Local Government
Bob Holloway	Head of Infrastructure Finance	Department for Communities & Local Government
Doug Segars		Infrastructure UK

Business

Jim Bligh	Head of Labour Market and Pensions Policy	Confederation of British Industry
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Other

John Banham	Future Homes Commission	Future Homes Commission
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Paul Hackett	Director
Neil McInroy	Chief Executive
Alan MacDougall	Managing Director Head of UK Public Sector Pensions Group
Gary Delderfield	Vice President
Amelia Henning	

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Smith Institute
Centre for Local Economic
Strategies
Pension Investment Research
Consultants

Evershed and Nabarro LLP
Royal Bank of Canada

Item 6

2013-14 Business Plan

Purpose of report

For discussion and direction.

Summary

The LGA's current initial proposition for the 2013-14 Business Plan is attached at **Appendix A**. The Leadership Board is keen that all Boards and Panels should contribute to developing next year's eventual Business Plan, and the Panel is invited to discuss the initial proposition and feed back.

Members will of course recognise that the Business Plan should drive resource allocation within the organisation. At a time of significant transition within the team working on finance, members may wish to consider how best to ensure that the resourcing of finance work is taken into account in the business planning process, and that resources generally are focussed on genuine priority activity.

Recommendations

Finance Panel members will wish to:

- note that the initial proposition confirms local government funding one of the organisation's overarching priorities;
- note the vital and complex relationship between the priority we propose to give to funding and the other two priorities of economic growth and public service reform;
- check that the business plan and the Panel's proposed work focus align: from this perspective, members may wish as part of their feedback to highlight the absence from the current draft of the proposition of any mention of welfare reform.

Action

LGA Officers to proceed as directed.

Contact officer: Paul Raynes
Position: Head of Programme
Phone no: 020 7664 3037
E-mail: paul.raynes@local.gov.uk

2013/14 Business Plan - initial proposition

The LGA's is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

The LGA will fight local government's corner, supporting councils through challenging times and focusing our efforts where we can have real impact.

Our top priorities for local government are:

- **Economic growth, jobs and prosperity** – councils are recognised as central to economic growth
- **Funding for local government** – reform of the public sector finance system so councils raise more funds locally, have confidence their financing is sustainable and fair, and greater ability to co-ordinate local public services
- **Public service reform** – councils are at the centre, and seen to be at the centre, of public service reform and delivering more effective services for local people

At the heart of all this work, are our core services to councils which are driven by our belief in **sector-led improvement**. Supporting local government as the most efficient and accountable part of the public sector, the LGA will play a leading role in improvement and innovation so that councils can continue to make a difference in their local areas and to the lives of their residents.

We are working with councils to achieve our shared vision for local government:

CHANGING LIVES - local government has the potential to lead local communities, now more than ever before, and play a central role in economic growth. In the current economic climate, it is down to local government and its leaders, to rise to the challenge. Local government leaders are demonstrating they are up to the task and driving councils forward to ensure they achieve this role.

EFFICIENT - local government remains the most efficient part of the public sector. Councils are not afraid to cut costs and be innovative about ways of improving services, as well as being prepared to consider radical solutions where this helps delivery on the ground. To achieve this, councillors are having to make difficult and at times unpopular decisions, while delivering value for money.

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Appendix A

ACCOUNTABLE - local government really can make a tangible, lasting difference to people. Key to this is localism which means central government letting go, putting more faith in local people, and being confident about local democracy. Councils are often the single most important source of practical advice to local communities, actively involving people in the design and delivery of their local services.

RELIABLE - councils are relied on, day in day out, to deliver excellent services whatever the circumstances. They are a safety net, picking up where other services fail, handling issues that are important to people's everyday lives. Councillors are an important resource for the local communities they represent. Councils provide the glue for local communities, ensuring social cohesion and supporting the most vulnerable people in society.

Our top priorities are as important now as they were a year ago when we first signed up to them. We will ensure all our work, including that of each of the LGA's policy boards, focuses on them and that as a result of our collective efforts, councils have the right system of funding and the right powers to get the UK economy back into economic growth and to support local services

Economic growth, jobs and prosperity – councils have a key role to play in driving economic growth and promoting consumer and business confidence. Over the last year we have been focusing on this agenda, through our local growth campaign, including our work on housing and planning, and infrastructure funding. We have demonstrated that councils have a key role to play in targeting investment and economic development activity to boost local economies and create jobs. It is also clear that councils are ambitious to do more but lack the economic levers and control over funding necessary to lead growth locally. Our work so far has involved lobbying for devolution of powers and funding streams on issues such as skills, transport, investment in housing and broadband. We are working with councils on green growth and the visitor economy. We have also been pressing for the powers devolved through city deals to be rolled out to a greater number of places. We are about to enter a phase of lobbying to fight proposed reforms that threaten to undermine local decision making on planning. Moving forward, there is a need to develop a strong and convincing case for local economic leadership, to influence spending decisions and manifestos in the lead up to the general election. With that in mind, we have commissioned research designed to set out new options for the future as to how councils can support economic growth, new jobs and wealth creation.

Funding for local government - councils were cut earlier and harder than the rest of the public sector as the government began to implement its deficit reduction policy and this is already having a profound impact on people's lives. Last year we developed a model for the next decade which shows all future sources of council revenue against future service spending demand. Our model shows a likely funding gap of £16.5 million a year by 2019/20 or a 29 per cent shortfall between revenue and spending pressures. Assuming that social care and waste are fully funded, other services face cash cuts of over 66 per cent. If capital financing and concessionary fares are also funded in full, the cash cut for remaining services rises to over 90 per cent. Local government has a track record of being the most efficient part of the public sector. But our model shows that efficiency is not going to be enough. Future sustainability starts with reform of adult social care

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funding. The financial future of local government is driven by care spending which will continue to grow strongly while councils' revenues will fall and then stagnate. The situation is even more challenging for councils with ageing populations. In this context it is important that councils are allowed to have a proper dialogue with residents about how much tax they want to pay and what services they want to receive in return. There is also the need for an effective conversation with local people about simply cutting out services that can no longer be afforded. These are therefore the issues we will be working on with councils over the coming year. Above all else, residents and local businesses need councils to have a fair and simple funding system that gives greater financial autonomy, supports local services and encourages economic growth.

Public service reform – the scale of the public spending cuts mean that a fundamental and ambitious rethink is needed to the way local services are funded and organised. The costliest and most intractable public service issues are almost without exception shared among a number of local agencies. Many councils are already working with other public sector organisations on this and the Whole-Place Community Budget pilots in particular will provide the evidence for radical change. From these experiences we are developing a picture of the council of the future and local public services more generally. We are focusing on new solutions such as demand management and behaviour change, with services increasingly designed round the needs of individuals. We will also provide support with generating new income streams and new approaches to commissioning, building on the work we have been doing with councils in the main areas of spend - children, adults and families - and also procurement and capital and assets. We are lobbying to ensure that other reforms such as the transfer of public health to local government, and changes to the planning system, make the most of councils' local leadership role across all public services in the interests of citizens. In the area of workforce reform we will negotiate to deliver national agreements that are seen as fit for purpose by councils along with a reformed pension scheme, without further serious industrial disruption or significant opt out rates. Alongside this, we will continue to work with councils to develop practical advice on the workforce challenges they face.

We will continue to deliver these priorities through the core services that we provide to councils.

We have come a long way since we published "Taking the Lead" in 2011. The government welcomed our proposals and there is now a real momentum around **sector-led improvement**. Councils are using the support we have offered and new approaches to improvement are being delivered in children's services and adult social care. Through this work councils are demonstrating collective responsibility for the performance of local government as a whole by sharing best practice and providing peer support.

This includes

- at no cost, a corporate **peer challenge** to every council, including a core component looking at issues of leadership, corporate capacity and financial resilience

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- **leadership programmes** which have already provided opportunities for hundreds of politicians, equipping them to deal with the challenges being faced by their councils
 - support to help councils with capturing and **sharing innovative practice** through our Knowledge Hub, a free web-based service providing a single window to improvement in local government
 - access to transparent and **comparable performance information** through LG Inform
 - **sector-led improvement programmes in children's and adults services** developed and delivered through the Children's Improvement Board and the Towards Excellence in Adult Social Care Board
 - **direct support** where councils are facing significant underperformance challenges
 - practical support to help councils improve **efficiency and productivity**..
-

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The LGA's response to the Heseltine review 'No stone unturned in pursuit of growth'

Purpose of report

For information.

Summary

This paper provides an update on the publication of Sir Michael Heseltine's growth review.

Recommendation

Members are asked to comment on and note the updates in the paper.

Action

LGA Officers to proceed as directed.

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The LGA's response to the Heseltine review 'No stone unturned in pursuit of growth'

Heseltine Review – "No Stone unturned in pursuit of Growth"

Summary

1. On 31 October Lord Heseltine published a series of radical proposals for economic growth which calls on Government to pool £50 billion of Whitehall money into a single pot so that it can be bid for by "city states" and regions. In the report he advocates a network of local enterprise partnerships becoming the engines of local planning and growth.

The Report

2. The report makes 89 recommendations, including an overall theme of localism, and decentralisation from Whitehall. The report also promotes the idea of bringing money from different Whitehall departments into a single pot to fund skills, transport and support for small and medium sized enterprises (SMEs). **Appendix A** sets out the LGA's response to the recommendations regarding local government interests.

Blueprint for the future.

3. In the report Lord Heseltine sets out a number of significant innovations aimed at providing a stable yet flexible architecture for the future, these are:
 - 3.1. A Prime Minister-led National Growth Council ensuring all parts of Government play their part to support growth and with an independent secretariat to ensure its conclusions are fully and expeditiously implemented.
 - 3.2. A very significant devolution of funding from central Government to Local Economic Partnerships so that Government investment in economic development is tailored directly to the individual challenge and opportunities of our communities and can be augmented by private sector investment.
 - 3.3. A clear statement by Government of its priorities to guide Local Economic Partnerships in preparation of strategic plans for their local economies.
 - 3.4. And for central Government, a clear policy for each sector of the economy conceived in conjunction with industry and academia.

LGA key messages

4. Lord Heseltine supports the LGA view that we need a more place based approach to growth and states that too many decisions are taken in Whitehall.

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5. He says that *“local leaders are best placed to understand the opportunities and obstacles to growth in their communities. Policies that are devised locally holistically and locally, and which are tailored to local circumstances, are much more likely to increase the economy’s capacity for growth”*.
6. Lord Heseltine suggests that the Government should encourage two-tier areas to move towards unitary status. The Coalition has ruled out top-down structural reform of local government and the LGA supports that position, so the issue is a moot point.
7. The urgent priority for councils is helping local businesses to drive growth and create jobs, and the report proposes a number of helpful measures.
8. We welcome the proposal to bring the budgets that promote local growth into a single, un-ringfenced pot. We disagree however that this pot can be allocated effectively through a competitive process – Government departments lack the local knowledge to judge competing local bids.
9. We welcome recommendations devolving to local partnerships control of the budgets for vocational skills, apprenticeships and for re-engaging young people. The LGA has made the case that the mismatches between training provision and employers’ skills needs mean that we need more local decision-making over vocational skills budgets. Our Hidden Talents work has promoted a single pooled budget to tackle the problem of young people not in employment, education or training (NEETs) – the current system is fragmented.
10. There is, however, criticism of the complexity of local government, labelling it as “inefficient” and claiming that the boundaries of English local authorities bear no relation to “functional economic areas”. Local government is the most efficient part of the public sector, and there are numerous examples of cross boundary working furthering economic growth.
11. The Government should lift restrictions on local authority borrowing for housing, freeing councils to build new affordable homes and kick-start job-creating infrastructure projects.

Proposed ongoing work

12. Growth:
 - 12.1. LGA’s growth campaign is continuing this year with a series of town hall summits at which we hope to demonstrate solutions on areas such as skills, innovation, SMEs and transport.
 - 12.2. Work with Wave 2 City Deal Cities and offer them support in preparing and negotiating their bids. Continue to argue for a mainstreaming programme of measures from Wave 1 deals, that just “make sense”, to be available to all councils.

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- 12.3. Invite a member from the Heseltine team to an Economy and Transport Board meeting.
 - 12.4. Continue to lobby on the decentralisation agenda including the point that any single un-ringfenced pot should be allocated at the locality not via a competitive process.
13. Skills:
- 13.1. Up to now recent Hidden Talents work has successfully demonstrated the weaknesses of a fragmented, centralised model in helping young people with the most complex barriers to work and learning. Looking ahead, it will develop a more detailed and well-evidenced set of proposals for devolved approaches to re-engaging young people, and matching skills and work-based training to local labour market demand.
 - 13.2. The activity will be supported by further research, a political engagement strategy and a number of events, and will build on local activity, including Whole Place pilots, Raising the Participation Age strategies and City Deals, and other local models that are having impact.
 - 13.3. Recent statistics re-affirm the need for new integrated approaches to help the hardest to reach reengage. Despite some fluctuations in overall youth engagement, the number of young people out of work for over a year has doubled to 260,000 since 2008, those out for more than two years has increased by 168 per cent, to 100,000 over the same period.

Heseltine Review –“No Stone unturned in pursuit of Growth”

The recommendations and our responses are as follows:

Chapter 2: Localism – building on our strengths

- (1) Central Government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without internal ring fences.

LGA response: we support the devolution of the budgets that support growth to local areas and local decision-making about how they are used.

- (2) Local partnerships should bid for the funds from central Government on a competitive basis. Bids should be for a minimum of five years starting from 2015/16

LGA response: formula allocation of funds to places will be faster and more effective than competitive bidding. Whitehall lacks the local knowledge to compare competing bids from different places.

- (3) Government should streamline its management of EU Common Strategic Framework funds in England, strip out the bureaucracy of multiple programmes and align local allocations from the four funds with the single funding pot.

LGA response: We welcome the emphasis on integrating and locally allocating EU funds. We have consistently called for greater integration of EU funds, so for instance people are trained by ESF to take jobs created by ERDF, and with existing budgets seeking similar objectives. Local partnerships can do more - they should have the levers to commission, shape and monitor spending according to the local investment plans, and to manage joint local programmes.

- (4) Taking full account of the Government’s national growth strategy, all LEPs, in collaboration with local stakeholders, should lead the development of a long term strategy and business plan for their area that will be used to bid for economic growth funds from central Government.

LGA response: local partners should determine the best way to develop the long-term economic strategy for a place.

- (5) The Government should allocate LEPs up to £250,000 of new public funding, resourced through departmental efficiency savings and underspends, in each of the years 2013/14 and 2014/15 specifically to devise their local economic strategies, and create the foundations for their implementation.

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LGA response: Government recently agreed in September core funding for LEPs of £25 million. It is not clear if Lord Heseltine took this into account in making his recommendation, but the extra funding is welcome.

- (6) The Government should invite LEPs to review their boundaries within a three month period to ensure they have a good match with their functional economic market area and that they do not overlap.

LGA response: defining functional economic geographies is not an exact science. Some councils on the boundaries of local enterprise partnerships with strong economic links to more than one area, chose to be in more than one LEP area. If this arrangement works locally, we see no reason to review it. Local Authorities are best placed to determine what works locally.

- (7) In the light of the new role and vision for LEPs, each LEP should ensure that their board has the necessary skills and expertise to deliver their expanded functions and pay particular attention to the representation of employees from both the private and public sector.

LGA response: we support strong LEP governance.

- (8) At the earliest opportunity civil servants based across the country should be brigaded into Local Growth Teams, structured around clusters of LEPs, primarily tasked with joining up Government and local partners in the areas of their responsibilities to facilitate, identify and realise economic opportunities.

LGA response: we support a joined up conversation between places and Government on economic issues. Any new arrangements must recognise and support local governance of economic decisions, and all Government departments and agencies should be signed up to the growth agenda.

- (9) Ministers and permanent secretaries should be associated with individual LEPs, not to advocate individual plans but to add an understanding of place to the existing culture of function.

LGA response: we support the general thrust of the recommendation to build stronger links between Whitehall and places.

- (10) Local authorities should have an overarching legal duty to have regard to economic development in the exercise of all their activities and functions. Where local authorities share a functional economic market area they should be required to collaborate on economic development.

LGA response: a new duty is unnecessary. Local authorities already prioritise growth and work across boundaries to do so.

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- (11) All two-tier English local authorities outside London should pursue a path towards unitary status. The Government should encourage this and work with authorities to clarify the process and enable it to happen.

LGA response: The Coalition has ruled out top-down structural reform of local government, so the issue is a moot point. The more urgent priority for councils is helping local businesses to drive growth and create jobs, and the report proposes a number of helpful measures.

- (12) Proposals for formal collaboration between local authorities that reinforce the standing of the LEP and enhance the partnership with the private sector across a functional economic market area, should be encouraged and prioritised for Government approval. All proposals to move to unitary or combined authority models should be scrutinised by the Prime Minister's Growth Council.

LGA response: The way in which authorities come together should be a matter for local decision and it is possible that there could be good reasons to depart from LEP boundaries.

- (13) The Government should remove all legislative barriers that are preventing local authorities from collaborating with functional economic market areas, including moving to unitary status.

LGA response: see response to (11)

- (14) Local authority council members should be elected using the same electoral cycle across England where the whole council is elected at the same time every four years.

LGA response: Local government elections should be about local issues and not distorted into a national pattern to create some artificial English echo of American mid-term elections. Under the Local Government and Public Involvement in Health Act 2007, district councils already have the power to change to a four-yearly, whole-council election should they choose to do so. It would not be right for central Government to compel councils to adopt one model over another, where local people have not expressed a view.

- (15) Legislation should be passed to enable combined local authorities and other combinations of authorities that wish to elect a conurbation mayor to do so.

LGA response: Local authorities should indeed be free to determine their own governance arrangements driven by local democracy, without central Government interference. If the changes councils wish to make require legislation, Parliament should certainly not refuse to pass it.

Chapter 4 - Government and Growth

- (41) The Department for Business, Innovation and Skills and the Technology Strategy Board must set out a clear statement explaining how they and other Government agencies will

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work with LEPs and the devolved administrations to better connect national strategy with local initiative.

LGA response: The LGA are meeting with the TSB in the next couple of weeks and will include this as part of our discussions.

(45- 52) Focus on regulation:

LGA response: Local regulatory services in councils recognise their important role in creating a nurturing environment for well-run businesses to thrive whilst protecting vulnerable people and have long been at the forefront of risk based, intelligence led and proportionate regulation. However, it is right that we continue to examine what more can be done to create a flexible and cost effective system that focuses regulation on those that fail to comply with the law and therefore will be examining the Heseltine recommendations in detail.

LGA overall view on planning - it is not the barrier to growth and Government should to focus on measures to stimulate demand and tackle affordability which are the key barriers to bringing forward much needed housing. The planning reforms put in place over the last 18 months are significant and need time to bed in and make a difference. Further reform to planning will add uncertainty for councils, communities and business.

(55) The planning inspectorate should be given powers to investigate planning decisions proactively. The Government should also consider on a rolling basis all the possible options to inject urgency and purpose into the planning system.

LGA response:

- Local authorities are saying 'yes' to development and the number of acceptances have hit a ten year high.
- Of those decisions referred to the planning inspector in two thirds of cases the inspector agrees with the original decision made by the council. A measure to extend the role of the inspectorate to proactively override local decision making is not only centralising but disproportionate.

(56) The Government should consider the effectiveness of local Development orders and extend their use after consultation with affected parties to establish best practice.

LGA response:

- Councils tell us that the tools that they have to restrict or relax permitted development (Article 4 directions and Local Development Orders) are often difficult to use, costly and time consuming.
- A national approach to permitted development and changes of use will inevitably lead to unintended consequences and adverse impacts in different locality. Encouraging investment of a particular type by relaxing permitted development rights or encouraging change of use may be right for one area and not for another. The current system allows central Government to set out permitted development rights and provides local authorities

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limited tools to amend this. However these tools are cumbersome and expensive and as a result are not well used. The LGA will be seeking flexibilities through the Growth and Infrastructure Bill to provide local authorities with powers to set out permitted development rights locally – subject of course to consultation and a local impact assessment^[1].

- (57) The Government should consider using Special Development orders to speed up specific planning decisions of strategic significance.

LGA response:

- Planning decisions of larger than local significance are one of the most important decisions a local authority must make and work collaboratively with partners on through the duty to cooperate. Applications of national importance are also dealt with nationally through the National Infrastructure Regime.
- It is not clear whether this recommendation is seeking to remove decisions about key strategic issues such as the provision of housing and waste facilities from the local level through the increased use of special development orders. This would remove the ability for local decision making as decisions would now be taken by the Secretary of State. Viewed against the measures in the Growth and Infrastructure bill to increase the scope of the definition of nationally significant infrastructure and removing decision making on planning decisions from some local authorities this recommendation contributes to the significant shift towards centralism taking place across planning.

- (58) The Government Property unit should work with local authorities to identify and publish details of all surplus and derelict public land on the PMS database so that LEPS and local authorities can collaborate to bring this land back into reuse in support of the local economic strategy.

LGA response:

- Seventy-five per cent of respondents to a recent LGA survey said that their council released its own land for housing development over the last five years and almost ninety per cent said that their council planned to release its own land for housing development over the next five years
- Local authorities are proactively using their land and assets to bring forward development; this measure proposes a national data base which is unnecessary and costly given that land release and joint working is already taking place.
- We would like to see Government departments and agencies working proactively with councils on land and asset release programmes to ensure most effective use of the public sector estate.

Chapter 5- Private Sector – broadening the capacity for excellence

- (65) Local authorities should publish the list of all businesses paying non-domestic business rates so that chambers and other business representative bodies can identify businesses in their area more reliably, and seek to draw them into the local

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business support infrastructure. There should be exceptions for businesses where the identification of business premises could give rise to security concerns.

LGA response: Councils could publish non domestic business rate information if they felt it would as part of their growth strategy help to deliver greater business involvement in local decision making. BIS have been looking at models in France and Germany where chambers of commerce have very large membership and thus their role in decision making is greater because of the number of businesses they are representing. It is felt by opening up details of businesses in the local area this will help business organisations to increase membership and impact on local decision making.

However there are a number of issues specifically around the current data set that will need to be addressed for this to happen and the case for doing this will need to be articulated given the potential costs to councils for setting up and maintaining information for public use.

- (70) The development of leadership and management skills should be integrated where appropriate into the education and skills system at every level from schools through to higher education and vocational skills training. We need to see individuals having opportunities to develop their leadership and management capabilities earlier on in their working lives alongside the development of technical or academic competencies.

LGA response: We are starting a programme of work with Universities UK to explore how graduates can be better prepared for the world of work.

Chapter 6 - Education and Skills – the foundation for growth and prosperity

Education:

74. All failing schools should be subject to the intervention process forthwith. There should be a clear timetable within which an improvement strategy for each school is agreed, with the education authorities using their powers to intervene if the head teacher and governors fail to act. If local authorities delay, central Government should intervene.

75. The regional directors being appointed to lead Ofsted's new regional structure should be given formal powers to act swiftly where they identify problems in local schools.

76. Business engagement should be incorporated far deeper into the school curriculum in order to develop young people's understanding of business, increase their employability, and further their understanding of career and future training options and where they might lead. LEPs should consider how they engage with local schools and work with chambers to facilitate this.

77. The bureaucracy and paper work around work experience and work placements must be streamlined. DfE must be clear about what is absolutely necessary. Government must then

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ensure the removal of all regulations and requirements that place unnecessary burdens on employers, schools and colleges.

78. All boards of governors in secondary schools should include two influential local employers, at least one of whom should have good connections with the wider business community. This could be coordinated by the local chambers of commerce.

79. Local authorities should publish the Destination Measures for all secondary schools in their areas alongside academic attainment so that parents can make better informed choices, and to incentivise schools to give a higher priority to developing the employability of their leavers.

LGA response: Councils have an absolutely central role in meeting the challenges of improving education and training to support growth. They have a statutory duty to promote educational excellence in their areas and a central role in challenging and supporting schools that are underperforming, as well as related to admissions, sufficiency of school places, raising the participation age. As well as these wide-ranging formal statutory powers councils also have a democratic mandate to promote and protect the interests of local children, young people and their families. As directly elected representatives of their local communities, councillors will always have an interest in improving the outcomes for local families. So making sure that the children and young people in their areas have fair access to a good local school is always going to be near the top of every council's agenda.

The LGA is calling on the Government to give the responsibility for decisions on funding, improvement and intervention back to councils once an area has reached a point where more than half its secondary schools are academies. It is concerned that without local intervention poor performance will not be spotted early enough and educational standards may slip. At the moment, when a school becomes an academy, responsibility for performance transfers to the Department for Education. There are currently 2,373 academies, which are funded and overseen by central Government. In 86 local authority areas, 50 per cent or more of the secondary schools are, or are in the process of becoming, academies. Council leaders are concerned that, as the number of academies grows, it will become impossible for the performance of such a large number of schools to be monitored from the centre. They fear that without local oversight, standards in schools may fall. The LGA believes that the existence of the Education Funding Agency (EFA), (a centralised body) which is responsible for the funding of academies, duplicates work already being carried out by councils for the schools they maintain, creating a needless cost to the taxpayer. The LGA is calling for the functions of the EFA to be devolved to councils in areas where more than half of secondary schools are academies.

(80-83) Lord Heseltine recommends local control over skills and NEETs.

LGA response: We welcome recommendations devolving to local partnerships greater leverage over skills, apprenticeships and for reengaging young people. The centralised funding formula for skills and apprenticeship provision has presented an enduring barrier to local growth efforts.

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(80) The existing budget lines for adult careers advice should be included in the single funding pot. Each LEP as part of its local economic plan, should consider how careers advice is best provided in its areas to meet the needs of both the adult population and the requirement under the Education Act 2011 for careers advice in schools.

LGA response: We would support the devolution of budget, alongside some aspects of adult careers advice that can be provided online. For children, councils have supported schools to take on their new duty to provide careers guidance to all their pupils, and it will be important in ensuring all young people are supported at pivotal stages to make decisions on future learning routes. The recommendation is welcome. The current national careers model has in itself become complex – new duty on schools, new National Careers Service etc.

(81) The Budget for vocational training for learners aged 19 and over and all funding currently set aside for apprenticeships for those aged 16 and over should be devolved to local areas through the single funding pot described in chapter 2. This therefore calls into question the continuation of the Skills Funding Agency. Each LEP should incorporate skills need within their local economic plans driven by the needs of local employers and the practical experience of FE colleges.

LGA response: We agree that post 19 and all vocational training should be devolved to local partnerships in line with the needs of employers in labour markets. Councils have a legal responsibility for Raising of the Participation Age, so we welcome proposals for 16 – 18 year old further education providers to have to agree provision locally, but for this to be effective they need to have real levers over commissioning, and monitoring provider performance against these priorities will be important.

(83) Action to address NEETS is best taken at the local level. Resources to tackle the problem should therefore be available from the single pot. Youth unemployment will not be a problem or a priority for action in every areas, but where it is, LEPs working with local authorities, employers and other local partners should develop proposal for reducing NEET numbers as for of their local economic plans.

LGA response: We welcome acknowledgement that NEETs are best supported at local level, and that the single pot should support this. NEETs, particularly those furthest from work and learning, tend to have a complex array of personal circumstances driving disengagement and it is right that all programmes seeking to reengage them are devolved to local partnerships, which can tailor provision to improve the outcomes of national provision, such as the Work Programme. The Youth Contract and other reintegration support for young disengaged 16 and 17 year olds would be far more effective and responsive if locally commissioned, in line with the recommendations, rather than nationally commissioned by the Education Funding Agency.

Update on business rates

Purpose of report

For information.

Summary

This report updates members on key developments on the implementation of business rates retention and revaluation. These are:

1. The passage of the Local Government Finance Bill through Parliament.
2. The key issues raised by the LGA in its response to the business rates technical consultation.
3. The decision by the Government to postpone the 2015 revaluation of business rates to 2017.

Recommendation

That members continue to receive updates on the situation.

Action

The LGA will issue a full briefing after the Local Government Finance settlement comes out in December.

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Update on Business Rates

Background

1. The 2012 Local Government Finance Act became law on 31 October 2012. It provides for the implementation of a system of business rates retention from 1 April 2013, based on a locally retained share of 50 per cent.
2. In July 2012 the Government issued a detailed technical consultation document on how the business rates retention scheme will work. This closed on 24 September 2012.
3. In brief, the Local Government Finance Settlement will set out start-up funding allocations for all authorities; this is basically the current formula grant plus various transfers in and out. The most important of the transfers in, relate to support for local council tax and to early intervention and the most important transfer out relates to central education functions.
4. This will in turn determine the 'top-ups' and 'tariffs' which are the difference between 50 per cent of predicted business rates to be collected in 2013-14 and that part of the start up funding allocation which is funded through the local share. These two sums will be identical at a national level but at a local level the top-ups and tariffs will operate to ensure that councils get their start up funding allocation given the very different amounts collected through business rates. The remainder of the start up funding allocation will be funded through the central share, through Revenue Support Grant.
5. Once the scheme is underway councils will retain 50 per cent of business rates growth above a baseline. However this is subject to a system of levies and safety nets. Where a council's increase in revenue outstrips the increase in its funding level this will be clawed back through a levy. Equally there will be a system of safety nets which will protect the local share from falls of 7.5 per cent to 10 per cent. (The Government has not yet determined the precise level). One of the issues of contention is that the Government wants to fund the difference between levies and safety nets through a further top-slice.

The Act and Regulations

6. The LGA supplied extensive briefing on the Bill whilst it was in both houses of Parliament. Our lobbying efforts concentrated on an amendment to raise the local share of business rates from 50 per cent by 5 per cent every two years, by a so-called escalator clause. This was moved by Lord Jenkin at Report Stage in the House of Lords. He withdrew the amendment after Lady Hanham for the Government said that the Government hoped to increase the local share once economic conditions improved.
7. Much of the Act will be implemented in regulations, of which drafts have been published. They cover matters such as payments of the local share from billing authorities to preceptors, of the central share from councils to Government and defining

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the cases where councils will in any case retain business rates income outside the retention scheme (for example enterprise zones and renewable energy projects).

Business rates technical consultation

8. The LGA's response to the business rates technical consultation, which was cleared by lead members, made the points that the Act does not deliver full business rates localisation, and this enables the Treasury to squeeze total local government funding over the period to 2020. In addition, the proposals outlined in the technical consultation, if confirmed in the local government finance settlement, will take away even more money from local government than envisaged in the Spending Review 2010 totals. The specific holdbacks we mentioned are:
 - 8.1. the proposal to top-slice £345 million to fund the safety net and capitalisation;
 - 8.2. the top-slice of £150 million out of the Early Intervention Grant, so that, when the transfer of funding for two year olds to the ringfenced Dedicated Schools Grant is also taken into account, the non-ringfenced sum shows a fall of 27 per cent compared with the grant in 2012-13;
 - 8.3. the transfer out of funding for central education functions which will be funded through a separate non-ringfenced grants paid to councils and academies; we say that the amount councils retain should be increased in order to meet councils' legitimate expectations under the New Burdens Doctrine.
9. In addition we expressed our concern at a number of other issues. These include:
 - 9.1. the possibility that large numbers of authorities will suffer a loss due to the fact that the Department for Communities and Local Government (DCLG) propose to use a five year average to divide the predicted forecast total income for 2013-14 between authorities;
 - 9.2. the possibility that some councils will suffer a loss due to business rates appeals;
 - 9.3. the fact that the start up funding baselines will not take into the transitional grant received in 2012-13. This could potentially expose a small group of 12 shire districts to significant loss.
10. LGA officers have been talking to DCLG officials about these and officials from other departments such as the Department for Education on the academies funding transfer. We are hopeful of progress on a number of fronts, but this will not be confirmed until the Local Government Finance Settlement in mid/late December. Any progress will be reported in oral updates to your meeting.

Postponement of the 2015 business rates revaluation

11. In the Growth and Infrastructure Bill there is provision for the next business rates revaluation, due in 2015, to be postponed to 2017. The Government stated that the reason for this was to avoid unexpected rises in business rates. The Written Ministerial

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Statement confirming this stated that this is a one-off; the next revaluation will follow in 2022.

12. One implication of this is that the reset of the business rates retention system, when the data underlying top-ups and tariffs, which is intended to be in 2020, will now no longer coincide with business rates revaluation. The LGA understands that DCLG officials consider this manageable. It should be noted, by the way, that revaluations do not in themselves affect the business rates retention scheme, as top-ups and tariffs will be automatically recalculated so the effect is neutral. However there could be an effect on business rates income, which normally falls towards the end of a valuation period due to appeals.
13. In our on the day briefing on the Bill we said that we are aware that businesses are having a tough time and postponing the revaluation will give businesses in areas where underlying rents are rising more certainty. However we believe that the data underlying business rates should be kept up to date and would not want to see the revaluation postponed beyond 2017.

Conclusion and next steps

14. The LGA will issue a full briefing at the time of the local government finance settlement when the Government will announce its decision on the key matters within the business rates technical consultation highlighted in this report.

Financial Implications

15. This work will be contained within existing programme budgets.

Item 9

Update on Adult Social Care Funding

Purpose of report

For information.

Summary

This report is to update members on the LGA's work on social care.

Recommendation

Members are asked to note the update.

Action

Officers to continue to provide updates to members.

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Item 9

Update on Adult Social Care funding

Introduction

1. This paper updates members on key actions carried out by the Local Government Association (LGA) on adult social care since the last Panel meeting in September.

Ripe for Reform

2. The LGA set out its expectations for social care reform in '[Ripe for Reform – the sector agrees, now the public expects: a guide to the Care and Support White Paper](#)', published in March. This proposed three tests against which the sector could judge the adequacy of the White Paper using a series of scorecards. More than 80 council leaders, charity directors, directors of adult services, chief executives and social care experts responded. The survey showed that:
 - 2.1. more than four in five experts (83 per cent) believe Government plans have failed to move towards a system that provides sufficient funding;
 - 2.2. nearly nine in 10 (88 per cent) say the proposals don't address the funding needed to meet the demographic pressures facing the country;
 - 2.3. the timetable for reform is also called into question, with almost two in three people (62 per cent) saying the proposed timetable doesn't recognise the urgency of the problem or commit to immediate action.

Draft Care and Support Bill

3. On 19 October the LGA and the Society of Local Authority Chief Executives (SOLACE) submitted a joint response to the Government's consultation on the Draft Care and Support Bill, which was launched over the summer. Our response underlines our overall support for the Bill and its core principles; however, we also highlight several important areas of concern regarding its overall approach, including resources and funding, issues of scope and matters of detail.
4. Most critically, we are concerned that the Bill detaches policy direction and decisions from financial considerations. We have said that without a clear commitment from Government on funding for social care reform, the aspirations of the Bill will not be realised. This concern is a key driver behind the LGA's new 'Show Us You Care Campaign', supported by SOLACE and the Association of Directors of Adult Social Services (ADASS). With the consultation now closed and the Bill team at the Department of Health developing its response to the submissions, the campaign will help us to keep pressing the case for the full suite of reforms that are needed to the system of care and support. More information the campaign is set out in paragraph 6.

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House of Commons Health Committee on Public Expenditure

5. On 23 October the House of Commons Health Committee held its first oral evidence session on public expenditure during which it heard from representatives from the LGA, ADASS and the NHS Confederation. The key headline messages included:
 - 5.1. social care funding must be seen in the wider context of funding for local government as a whole;
 - 5.2. there is a need for urgent reconsideration of the level of resourcing for adult social care;
 - 5.3. councils have a strong track record when it comes to delivering on efficiency. However, as councils continue to make efficiencies the options become more limited as to where these are secured. Councils have sought to protect frontline services where possible and, with this in mind, it is becoming likely that discretionary spend on prevention and early intervention may be the only place left to look for further efficiencies;
 - 5.4. a successful integrated approach will push costs 'down the system' – away from the NHS and onto council early intervention and preventative services and support. Whilst this creates a more cost effective and joined up approach, it is critical that NHS funding is simultaneously transferred to councils at the same time.

Show Us You Care Campaign

6. The LGA has launched its 'Show Us You Care Campaign' through which the sector is uniting to call on the Government to address the funding crisis facing adult social care now, rather than postponing until the Comprehensive Spending Review (which could be as late as 2016). As part of the campaign launch, SOLACE, the LGA and ADASS have jointly published ['The reform of adult social care and support: A guide for council Leaders and Chief Executives'](#). Alongside the guide, the LGA has published a template letter for authorities to send to their MPs and a draft press release, which together form the campaign pack.

National Children and Adult Services Conference (24-26 October 2012)

7. Cllr David Rogers OBE, Chair of the LGA's Community Wellbeing Board, set out a clear message at the National Children and Adult Services Conference (NCAS) in late October that although the white paper provided a good platform for a reformed care and support system, the Government's proposals would mean little unless they were backed with sufficient resources – both for the immediate system and for the longer term. There were mixed messages from ministers on the issue of funding reform. The new Secretary of State for Health, Jeremy Hunt, indicated his commitment to implementing the Dilnot proposals "as public finances allow"; however, the new Care Services Minister Norman Lamb MP recognised that the debate "has been in the long grass for too long" and signaled that he was committed to making sure it was resolved

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to ensure the future provision of quality services, with indications that key Dilnot proposals could be implemented within a two-year timeframe.

8. The urgent need for better integration between health and social care has long been another pillar of the LGA's campaign for reform of the system, so it was encouraging that integration was very much the watchword at the conference. In particular, the Secretary of State echoed the LGA's own position by emphasising that he saw integration as the key component to building a better system, with health and wellbeing boards as catalysts for integration that goes beyond health and social care to include housing, planning and transport, among other mainstream services.

Key areas for future focus

9. The LGA will continue to work closely with SOLACE and ADASS to develop our case for reform of the care and support system. Potential strands of future work that we are discussing include:
 - 9.1. the development of a robust evidence base to support engagement with Government about the future funding of adult social care in the lead up to Autumn Statement and next Spending Review;
 - 9.2. exploration of the potential benefit of a staged process to implementing Dilnot, although this may no longer be necessary in light of Normal Lamb's signals about implementing key Dilnot proposals at the NCAS conference.
10. There are also a number of areas highlighted in the White Paper which do not feature in the draft Bill, such as introducing free social care at the end of life, care and support in prisons and proposals for veterans. These implications of these proposals need to be better understood and there may be benefit in further exploration during pre-legislative scrutiny.

Financial Implications

11. This is core work for the LGA and is budgeted for within the 2012-13 LGA budget.

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Update on Public Health Funding

Purpose of report

For information.

Summary

This report is to update members on the LGA's work on public health funding.

Recommendation

Members are asked to note the update.

Action

Officers to continue to provide updates to members.

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Update on Public Health Funding

Introduction

1. This paper updates members on key actions carried out by the LGA on public health funding since the last Panel meeting in September. At that meeting, members considered a report setting out three key issues:
 - 1.1. Further debate is needed about the overall amount of resources being provided to councils for their new public health responsibilities
 - 1.2. More work is needed to establish the correct baseline levels of funding
 - 1.3. The current proposals for the funding formula need to be revised so that resources can be targeted more effectively

Actions

2. On the issue of the overall pot of funding, we have been collecting the evidence to show that increasing the quantum of resources to local public health services through the grant to local authorities is the most cost effective use of health resources:
 - 2.1. For example, analysis by the Association of Directors of Public Health shows that an additional £1.2 billion investment in public health programmes in 13/14, increasing to £1.5 billion in 15/16, would ensure delivery of the Government's aspiration to improve health.
 - 2.2. This amount, whilst being significant for public health would have a marginal effect on the overall comprehensive health service budget - a 1% shift in the comprehensive health service budget to Public Health equates to £1 billion.
 - 2.3. Additional resources would also allow local communities to embrace the public health agenda unfettered by inequity resulting from historical under-investment by the NHS in preventative services, whilst not reducing the allocation for those who have invested more in effective public health programmes
3. In terms of baseline funding, we have heard from a number of authorities that have expressed concerns that mistakes have been made and various costs overlooked in arriving at their indicative baseline funding levels. We have been working with them to ensure that all their concerns have been addressed by the Department for Health (DH). In all cases we are aware of, this has been done but we have urged authorities to contact the DH if they still have concerns. We are discussing with DH official how shortfalls in funding due to inadequate recognition of cost will be addressed if they come to light mid-year. It will be difficult for local authorities to have their own contingency fund and we propose that DH or Public Health England could hold a

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contingency to ensure that local authorities are not financially disadvantaged and their services put at risk because of inaccuracies in identifying the true costs of public health

4. We have also continued to have discussions with DH officials about the distribution formula for the public health grant proposed by the Advisory Committee on Resource Allocation.
5. The Chairman of the LGA and Cllr David Rogers OBE, Chair of the Community Wellbeing Board, have had meetings with the new Ministerial team for Health and public health has been high on the agenda. Sir Merrick Cockell met the new Secretary of State of Health, Jeremy Hunt, in late October at the National Children and Adult Services Conference. The Chairman and Cllr David Rogers met Public Health Minister, Anna Soubry, on 13 November and again raised public health funding to local government as a major concern.

Financial Implications

6. This is core work for the LGA and is budgeted for within the 2012-13 LGA budget.

Note of decisions taken and actions required

Title:	Finance Panel
Date and time:	11.30am, 14 September 2012
Venue:	Millbank Room, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

Position	Councillor	Council
Vice chair	Melvyn Caplan	City of Westminster
Deputy chair	Paul Tilsley MBE	Birmingham City
Deputy chair	Councilman Matthew Richardson	City of London Corporation
Members	David Finch	Essex CC
	David Westley	West Lancashire BC
	Nigel Ashton	North Somerset Council
	Catherine West	Islington LB
	Stephen Houghton CBE	Barnsley MBC
Substitutes	John Fuller	South Norfolk DC
	Alan Jarrett	Medway Council
Apologies	Sharon Taylor	Stevenage BC

Officers: Stephen Jones, Paul Raynes, Caroline Green, Piali Das Gupta, Phillip Mind, Lucy Ellender

Item	Decisions and actions	Action by
	<p>Members agreed to change the start time of the meeting to 11.30 from 11.00 permanently.</p>	
1	<p>Membership and Terms of Reference</p> <p>Members discussed their membership and terms of reference and they agreed an amendment to their Terms of reference.</p> <p><i>Decision</i></p> <p><i>Members noted their Membership and Terms of reference.</i></p> <p>Actions</p> <p>Officers to update terms of reference in line with Member's comments to read:</p> <p>The LGA Finance Panel will shape and develop the Association's policies and programmes on local government finance and will report to the LGA Executive.</p> <ul style="list-style-type: none"> • to consider issues relating to the financing of local government expenditure; • to establish positions <i>and make recommendations</i> on those issues for the LGA; • to oversee the LGA's representational, media and Parliamentary campaigning. 	Lucy Ellender
2	<p>Growth and the Autumn Statement</p> <p>Phillip Mind, Senior Adviser, told members that the LGA had been involved in conversations with the Government about how local government is promoting growth; looking at measures we could introduce as well as areas where councils' already have their own levers to effect change within their areas.</p> <p>Members examined the measures that the LGA had been investigating which included:</p> <ul style="list-style-type: none"> • Bringing together available Investment funds under local government; • Removing the borrowing cap under the Housing Revenue Account; • Using the Department for Transport underspend to repair potholes; • Local government taking over some functions of the Highways 	

- Agency;
- Working to accelerate investment in broadband;
- Working with the Government on the use reserves to encourage the financial sector to lend money;
- Reforming the skills system;
- Further examination of energy suppliers and energy efficiency.

There were several other avenues that members felt could be explored further including the role of the Public Works and Loans Board in lending and whether there was further work to be done on encouraging them to give the sector greater flexibilities.

Members discussed how local government could increase economic growth within their areas through investment in construction of housing and infrastructure. Members agreed that planning was not a significant barrier to construction, however there were concerns about the length of time developers could hold planning permission without starting construction.

Members discussed the strength of the local government balance sheet and the importance of creating a diversity of lending sources at reasonable rates in order to aid economic growth in local areas. Local Government had a strong narrative and members felt it was important that Government were aware of this.

Decision

Members noted the report.

Action

Officers to bring a paper on the Autumn Statement to the next Finance Panel meeting.

Paul
Raynes/Phillip
Mind

Officers to prepare a position on the Autumn Statement and share with members via email prior to the next meeting.

3 Work programme

Members agreed that the work programme of the Finance Panel should be focussed on a small number of high level priorities.

Decision

Members agreed the priorities of the Finance Panel as:

- *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;

- *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;*
- *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;*
- *working with other boards, campaigning for councils to have greater freedom to finance future investment **in infrastructure and housing** and contribute to growth.*

Members agreed to keeping a watching brief on a number of other issues that are covered by other Boards, providing input on financial issues when required. These issues were:

- *Public health funding;*
- *Social care reform;*
- *Housing finance.*

Action

LGA Officers to proceed as directed.

Paul Raynes

4 Update on housing finance

Caroline Green, Senior Adviser, updated the Panel on a number of announcements that had been made over the Summer that were causing uncertainty in housing finance. It was noted that the Environment and Housing Board would be discussing these issues at their first meeting.

Members raised concerns about the impact of welfare reform on social housing. In particular members were concerned about the change towards monthly payments made directly to claimants rather than the current system. Members felt there was potential for this to have an adverse effect on council services as well as claimants.

Decision

Members noted the work of the Environment and Housing Board on this area and agreed to receive further reports on the technical financial aspects of housing finance if required by the Board.

Caroline Green

5 Update on adult social care

Piali Das Gupta, Senior Adviser, told members that this was one of the LGA's top priorities for the coming year. It was noted that the white paper on the future of adult social care and support was published during the summer.

Members discussed the issue of funding social care into the future and the impact that this would have on the provision of other local government services and on the viability of councils into the future. Members considered different models for getting people to invest in funding social care costs.

Members agreed this was an issue that would have a long term impact on communities and it was important to get it right. Members discussed the potential impact of community budgets on this work and how personal budgets were having an effect on adult social care. Members were keen for officers to identify the obstacles to joint working and the creation of community budgeting approaches across council areas and public bodies.

Decision

Members asked officers to examine the technical obstacles to joint working.

Action

Officers to proceed as directed.

Piali Das Gupta

6 Business rates retention – detailed issues in LGA response to consultation

Stephen Jones introduced this report outlining the main issues contained within the Government proposals to localise business rates. In particular there were concerns around the proposals for a significant amount to be held back by Government for funding a safety net and capitalisation requests, the Treasury forecasts around business rates, the transparency around how business rates would be returned to local government, funding baselines and the split between

the county and district share.

Members were keen to ascertain the potential affects on the viability of some councils especially in the transitional stages. Members were keen for the LGA to undertake further work to look at the real impact of the reforms and ensure that local government was fully prepared for any unintended consequences. In particular members were concerned about the effects of the transitional arrangements and the capitalisation of the scheme. They agreed that this was an issue about the longer term funding of council services.

Decision

Members authorised clearance of the LGA consultation response to the Business rates retention consultation by the Chairman and lead members on the basis that the response:

- *Strongly argues for withdrawal of the proposed £345 million hold-back from 2013-14 budgets;*
- *Seeks assurances from Government over the reliability and transparency of the business rates forecast, and protection for local government from the consequences of incorrect forecasting assumptions or other matters outside local authorities' control;*
- *Demands transparency over the arrangements to ensure that AME included in the DCLG Spending Review settlement for 2013-14 and 2014-15 continues to benefit local authorities in the amounts originally envisaged, and an assurance that late adjustments to business rates yield for 2012-13 and earlier will continue to be fully funded by the Government;*
- *Considers the possibility of representations on the business rates proportionate shares calculation and on the impact on the funding baselines of authorities previously in receipt of Transition Grant;*
- *Together with the separate response on the new local authority central education functions funding consultation, fully rehearses member authorities' significant concerns about the level of funding removed for Academy central functions spending.*
- *Considers, in the light of members' direction, the approach to be taken on the 80-20 District-County split and on the level of the Safety Net.*

Members also agreed that officers should undertake a further piece of work around the longer term funding of services.

Action

Stephen Jones

Officers to proceed as directed.

7 Update on public health funding

Stephen Jones told members that the LGA had now put in a response to the Department of Health consultation on public health funding. It was noted that it was unlikely that funding allocations would fall in real terms below the 2012/13 estimated expenditure.

Decision

Members noted the report.

Action

LGA Officers to continue to provide updated to the Panel.

Stephen Jones

8 Minutes of the last meeting

Decision

The minutes of the last meeting held on 24 July 2012 were agreed.

Action

No further action.

LGA location map

Local Government Association

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Bus routes – Millbank


- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at www.tfl.gov.uk

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

Public transport

Local Government House is well served by public transport. The nearest mainline stations are:  Victoria and Waterloo: the local underground stations are

St James's Park (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Car parks

- Abingdon Street Car Park (off Great College Street)
- Horseferry Road Car Park
- Horseferry Road/Arneway Street. Visit the website at www.westminster.gov.uk/parking

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For further details, please call 0845 900 1234 or visit the website at www.cclondon.com

