

Note of decisions taken and actions required

Title: Finance Panel
Date and time: 11.30am, 23 November 2012
Venue: Millbank Room, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

Position	Councillor	Council
Chair	Sharon Taylor OBE	Stevenage BC
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
	Catherine West	Islington LB
	Stephen Houghton CBE	Barnsley MBC
Substitutes and Observers		
	John Fuller	South Norfolk DC
	Alan Jarrett	Medway Council
Apologies	Nigel Ashton	North Somerset Council

Officers: Stephen Jones, Paul Raynes, Piali Das Gupta, Mike Heiser, Lucy Ellender

Item Decisions and actions

Action by

1 Autumn Statement

Paul Raynes, Head of Programmes, introduced the paper setting out the country's current circumstances, the policy decisions of the Government and how these factors were impacting on reducing the deficit. The paper outlined some key messages for the Panel to consider around the LGA's response to the Autumn Statement.

Members agreed the importance of creating a strong narrative for the LGA's response to the Autumn Statement based around the role of local government in economic growth. Members agreed that putting councils at the heart of growth was a key message for our response and felt that the messages should refer more strongly to councils' growth work as well as looking at the role of local enterprise partnerships in relation to local government.

Community budgeting approaches and the importance of working in partnership were also discussed. Members agreed the importance of joining up work across the public sector. They also discussed the possibility of this being linked to other areas of work – especially around adult social care. This was also identified as a key concern of councils for the future, and there was a need for the LGA to keep pushing this message. Members discussed the ring-fencing within the health budget and how this could link to further community budgeting work.

Members also agreed there was a need to have a clear idea of what the barriers were to growth in their local areas and what councils needed from Government to break these down. There was also a need for further exploration of the context around capital and borrowing. Members felt that it was worth disaggregating the constituents of the proposed message about locally funded capital and borrowing.

Members agreed that it was not appropriate to include the part of the draft message on low value initiatives.

Decision

In the light of this analysis, Members of the Finance Panel Members agreed that it was appropriate to use the following messages to shape our overall approach to the Autumn Statement:

- 1. councils' track record as the most efficient part of the public sector is a reason why they are coping better with the existing plan to impose greater cuts on them than on other frontline public services; but it is not a reason why they can cope with yet further cuts; the emerging evidence shows that the limits of what*

is possible have already been passed in some places;

2. *the crisis in adult social care requires extra funding, now; in the medium term, the evidence from the four community budgets pilots shows that the potential of this approach to reduce the cost of services locally cannot be ignored;*
3. *ringfenced protection on some central Government budgets is no longer looking justifiable;*
4. *artificial constraints on the local taxbase compound the nation's overall fiscal problem and must be lifted;*
5. *councils have a key role in boosting economic growth: the Heseltine Review and City Deals have identified ways to do this by using existing budgets better under devolved control; these must be taken seriously and implemented;*
6. *locally-funded capital expenditure is about the most effective short-term demand stimulus there is, so more capital funding should be devolved;*
7. *councils have shown they can borrow under the prudential code in a responsible way; and moreover tend to have strongly positive balance sheets: the Government should therefore free up council borrowing by removing the cap on HRA borrowing so councils can invest in social housing;*
8. *there is also a case for taking council borrowing out of the Treasury's PSBR measures altogether.*

Actions

Officers to circulate the BPF and LGA report.

Officers to ensure future agendas include items on:

1. Community Budgets.
2. Social Impact Bonds.
3. Local Enterprise Partnership funding.

Lucy
Ellender

2 Future Funding

Stephen Jones, Director of Finance and Resources, informed members on the LGA's financial modelling, which had been refreshed and updated in line with the changes that the Government had announced or proposed since June. It was noted that there were wide variations between authorities, with London and Metropolitan borough being particularly badly hit, although districts would also face uncertainty.

Members discussed the level of reserves held by local authorities, and how these reflected the level of risk they were facing. Members were concerned about how the sector's reserves were perceived within Parliament, saying that often reserves were earmarked for particular projects and that reserves were not simply "free money" which could be spent arbitrarily. Members discussed the possibility of sector-led support for any council facing difficulties with their reserves.

Decision

Members agreed the importance of communicating the sector's concerns to MPs, especially around the maintenance of reserves.

Action

Members agreed:

Finance
Team

1. That the updated model should be further publicised.
2. The model should be used to give the sector an evidence based response to both the Autumn Statement and the local government finance settlement.
3. A briefing for MPs based on the model should be created for councils to give to their local MPs.
4. The narrative around the development of reserves needed further work.

3 Localisation of council tax benefit

Mike Heiser, Senior Adviser on Finance, outlined the developments in the localisation of council tax benefit and the progress of the Bill through Parliament since the last meeting. It was noted that on 16 October, the Department for Communities and Local Government (DCLG) had 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 LGA welcomed any additional help however this will still mean that councils will need to ask people on lower incomes, including the working poor, to pay more council tax than they currently do. The LGA had also identified that there would still be a significant shortfall in the necessary funding of the scheme.

Members raised concerns about the Government's assumptions regarding who receives council tax benefit, saying that it was often

given to people in work, not only those who were unemployed, who were received council tax benefit. Members discussed the levels of shortfall likely for councils.

Members also discussed the possible difficulties in collecting council tax from those who do not currently pay, and the associated costs with this.

Decision

Members agreed to continue monitoring the situation.

Action

LGA Officers to continue to provide updates to the Panel.

Mike Heiser

4 Welfare reform: update and the council role in universal credit

Paul Raynes outlined the work the LGA had been engaged in with the Department for Work and Pensions (DWP) around the introduction of Universal Credit.

Members discussed the proposals around administration of crisis loans, and the risks posed by increasing the complexity of applying for a crisis loan. Members agreed that setting appropriate criteria was key to introducing a suitable new system for approving crisis loans. Members also raised concerns about the increasing complexity of the forms members of the public would need to fill out.

Members were concerned that they would face greater cuts through the change to Universal Credit. However it was important that councils had the correct tools to implement the change as well as the right level of funding. There was a risk that councils would be blamed for any cuts to benefits if the level of funding was not maintained.

Decision

Members:

- 1. confirmed that they were happy for the work described in the report on the future council role in Universal Credit to proceed as described;*
- 2. agreed the importance of identifying any potential risks in this work;*
- 3. agreed to publish the document contained in Appendix A entitled "A quick guide to Welfare Reform and questions councillors might want to consider asking".*

Action

Officers to proceed as directed.

Paul
Raynes

5 Pension fund investment in infrastructure

Piali Das Gupta, Senior Adviser, updated members on the recent developments in pension fund investment in UK infrastructure and the LGA's work in this area. The LGA and the Chartered Institute of Public Finance and Accountancy will be holding a roundtable on 11 December as the first of a series of roundtables intended to support the release of a report in March. The LGA will also shortly be responding to the Department for Communities and Local Government's 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. The LGA response will support the creation of a new investment class for investment in infrastructure (including via limited liability partnerships), as it is felt that this would be the best way to manage probity issues.

Members agreed that several other parties also need to be brought into the discussion, including:

- The Department for Education;
- Pensions Regulator;
- Actuaries.

Decision

Members agreed Cllr David Westley and Cllr John Fuller would be the Panel's representatives in the roundtable working group.

Members agreed the current workplan.

Action

LGA Officers to proceed as directed.

Piali Das
Gupta

6 2013-14 Business Plan

Paul Raynes introduced this item, saying that this was an early chance for Members to comment on the initial proposition for the business plan. It would be signed off by the Executive in March.

Decision

Members:

- *noted that the initial proposition confirms local government funding one of the organisation's overarching priorities.*
- *noted 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.*

Action

LGA Officers to proceed with the business planning process.

Helen Platts

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

Decision

Members noted the report and the response to the Heseltine Review.

Action

No further action.

8 Update on Business Rates

Mike Heiser introduced this item saying that the Government had made some key decisions around how the scheme would work. It was noted that the Government had now made a number of changes to the scheme which would have a benefit for local government and would make it more of a growth incentive than the previously proposals would have made it.

Members welcomed the changes but agreed the LGA should keep lobbying on this issue to ensure that the changes would be a real incentive for growth.

Decision

Members agreed to have future reports any further developments.

Action

LGA Officers to proceed as directed.

Mike Heiser

9 Update on Adult Social Care Funding

Decision

Members noted the report.

Action

Officers to continue to provide updates.

Matt
Hibberd

10 Update on Public Health Funding

Decision

Members noted the report.

Action

Officers to continue to provide updates.

Alyson
Morley

11 Minutes of the last meeting

Decision

The minutes of the last meeting held on 14 September 2012 were agreed.

Action

No further action.