

Note of decisions taken and actions required

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| Title: | Finance Panel |
| Date and time: | 11.30am, 25 January 2013 |
| 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 |
| | Nigel Ashton | North Somerset Council |
| Observers | John Fuller | South Norfolk DC |
| | Alan Jarrett | Medway Council |
| Apologies | No apologies | |

Officers: Nicola Morton, Carolyn Downs, Daniel Goodwin, Paul Raynes, Phillip Mind, Mike Heiser, Kamal Panchal, Alyson Morley, Lucy Ellender

| Item | Decisions and actions | Action by |
|----------|---|-----------|
| | <p>Members noted their thanks to Stephen Jones for his hard work on the Finance Panel and wished him well for the future.</p> | |
| 1 | <p>Local Government Finance Settlement</p> <p>Mike Heiser, Senior Adviser for Finance, introduced this item and outlined the main points of the LGA's response as:</p> <ul style="list-style-type: none"> • The settlement was late and incomplete – and this is a source of concern for all authorities. • Although we acknowledge that there were no further cuts for 13-14 in the Autumn Statement, the 2% reduction for 2014-15, on top of the already announced cuts is 'unsustainable'. • The growth in the business rates local share for 2014-15 has been used to cut Revenue Support Grant in that year. • Business rates retention has considerable risks for councils. The volatility caused by appeals in particular exposes many authorities to an unacceptable level of risk. • We welcome the clarification now provided by the Department for Communities and Local Government (DCLG) on council tax support funding in the 2014-15 settlement – but note that this implies that funding for other services has been cut by more than 8.5%. • Although we welcome the announcement that authorities will be able to fund capitalisation for equal pay purposes through asset sales, we are concerned that non-equal pay capitalisation will be top-sliced. • The academies central services funding transfer will cause considerable problems for some authorities, although we welcome the reduction in the total top-slice by the use of later data. • We are concerned about the cuts in general funding at the same time as an increase in ring-fencing. In particular, we are concerned at the cuts to early intervention funding which seem bound to affect local authority provision. • We welcome the government's decision to provide additional grant funding to the worst affected of the shire districts that received transitional grant funding in 2012-13, but ask the government for this to be provided without strings. • Council tax decisions are for local people to take. <p>Members raised concerns about the high cost and number of business rates appeals which councils were now dealing with. The Chair told members that the LGA had informed Government of the extra pressures caused by this issue, and would continue to make this point strongly. Members agreed that it was important for the LGA to further clarify the meaning around the "unsustainable" nature of the cuts made to local government.</p> | |

Members discussed the mechanism for triggering a council tax referendum and for receiving the council tax freeze grant.

Members agreed for the LGA to continue working for greater local flexibility as well as further consistency in funding, to enable councils to focus on local priorities according to local decision making.

Cllr Taylor thanked Finance Panel Office holders for clearing the LGA's response to the consultation local government finance settlement.

Decision

Members agreed that the LGA should continue to press for greater local flexibility in funding.

Action

LGA Officers to bring the revised funding model updating the funding outlook projections to a future meeting.

2 Spending Review Discussion

Cllr Taylor outlined the context of the Spending Review submission, saying that local government had met its targets, unlike other parts of the public sector. Phillip Mind, Senior Adviser, then outlined the proposed key pillars of the LGA's response spending review as:

- A factual account of our track record.
- the cost pressures on local government.
- The impact of policy that has changed the local government financial framework introducing additional risk, uncertainty or cost.
- Growth.
- Community budgets.
- the mitigating measures we would like to see government announce that are service specific.
- Other measures that would enable local government to cope more effectively with the impact of continuing on a Spending Review 2010 trajectory.

Members discussed creating a strong and coherent narrative throughout the spending review submission. They agreed the importance of incorporating the current context within the proposal; they also felt that the submission also needed to be facilitative to Government, detailing the offer of local government on issues including growth, social impact bonds and community budgets backed up with further figures. However, it was noted that the sector would need further freedoms to enable it to achieve its aims around growth. Members also observed that initiatives such as community budgets required upfront investment and savings were only realised after a number of years.

Members agreed that the submission would need to strike the right tone balancing challenge to the spending review trajectory for local government with a positive offer. They also identified a number of issues not included in the paper: the treatment of local government borrowing in the PSBR, pensions and the future of economic development funds such as the Regional Growth Fund.

Members suggested key risks facing local government as welfare reform and Community Infrastructure Levy.

Decision

Members agreed to submit an early response in March and asked for further work to be shared with the Panel via email as well as at a future meeting.

Action

LGA officers to proceed with the submission based on members comments.

3 Community Budgets

Paul Raynes, Head of Programmes, informed members of the findings of the Ernst and Young report aggregating the financial impact of the whole place community budgets to a national level. Members noted that the savings from community budgets were not immediate, and that in order to realise those savings initial investment was required. Discussions were ongoing with the Government around the implementation of the pre-conditions and asks of the community budgets pilots. There had also been discussions around the capacity of the sector and support for councils that were thinking of taking this approach.

Members identified data sharing as key to effective community budget working, ensuring the data was available across the public sector and was collected in a consistent manner would make a significant difference.

Decision

Members agreed that this should form a part of the LGA's work on the Spending Review.

Action

LGA Officers to include community budgets within the Spending Review submission.

4 Manifesto for Local Government (verbal update)

Daniel Goodwin, Executive Director for Policy and Finance, informed members that the aim of the manifesto was to help political parties in the run up to the next Election to understand the future contribution and role of local government to the delivery of public services and growth. It would set out a future model for local government. It was noted that the Manifesto would be based around 5 or 6 themes including:

- Independent local government.
- Adult and children's social care.
- Growth.
- Funding.
- Welfare reform.

Members felt that having two separate themes on the issue of social care could be useful.

Decision

Members asked to discuss this issue at a further informal meeting of the Finance Panel.

Action

Officers to proceed as directed.

5 Autumn Statement 2012

Decision

Members noted the paper.

Action

No further action.

6 Funding for Local Enterprise Partnerships

Kamal Panchal, Senior Adviser, outlined the levels of funding open to local enterprise partnerships (LEPs). Members discussed the relationship between LEPs and councils noting that it was often local authorities who provide and fund the salaries of the personnel who run, and are involved in the LEP secretariat. The Economy and Transport Board would be taking forward further work with LEPs in the future.

Decision

Members noted the report.

Action

No further action.

7 Social Impact Bonds

Phillip Mind introduced this item to members. It was noted that the LGA would continue working on this area and would hold a half day session on this issue in the future, bringing together both councils and funders.

Decision

Members asked for further information to be circulated to the group on the Peterborough social impact bond scheme.

Members agreed that officers should develop this work further – with an event which could offer the potential to matching up projects and funders in the future.

Councillor David Finch and Councilman Matthew Richardson agreed to act as contacts for this work in the future.

Action

LGA Officers to proceed as directed.

Phillip Mind

8 Reserves Survey

Nicola Morton, Head of Finance, told members that the aim of the survey had been to identify: how much of authorities' revenue reserves are earmarked for growth purposes; how much of earmarked reserves could be reallocated to other purposes – and what the effect would be; what authorities predict their reserves will be at the end of the financial years 2012-13 and 2013-14; information on any usable capital reserves.

The survey had been sent out to local authority finance directors on 14 January, with the deadline of 23 January. It was noted that the results were still being analysed however initial finding suggested that in 2012/13:

- 31% of authorities are increasing reserves in 2013/14 due to the uncertainty created by business rates retention, 28% because of council tax support and 23% due to welfare reform.
- 73% of authorities reported they planned to use some reserves in 2013/14.

Members welcomed the research and were pleased with the decision to exclude school reserves from the survey.

Decision

Members asked for the further information once it was available.

Action

LGA Officers to circulate results once available.

9 Update on pension fund investment in infrastructure

Members thanked Cllr John Fuller for chairing the pension fund roundtable and Cllr David Westley for his continuing involvement.

Members commented that the LGA needed to be clear on what was meant by “infrastructure” and how this would be linked to income for councils.

Decision

Members noted the report.

Action

Officers to continue to provide updates.

LGA Officers

10 Update on Adult Social Care Funding

Decision

Members noted the report.

Action

Officers to continue to provide updates.

Matt Hibberd

11 Update on Public Health Finance Settlement 2013/14 and 2014/15

Alyson Morley, Senior Adviser, updated members on the public health finance settlement for 2013/14 and 2014/15. It was noted that for all but two councils the public health settlement represented an increase. Members welcomed the move by the Department of Health and noted the successful lobbying of the LGA.

Decision

Members noted the report.

Action

Officers to continue to provide updates.

Alyson Morley

12 Minutes of the last meeting

Decision

The minutes of the last meeting held on 23 November 2012 were agreed subject to amendments to the attendance.

Action

LGA Officers to proceed as directed.

Lucy Ellender