

LGA Executive

Agenda

Thursday 10 November 2011
2.15pm

The Westminster Suite (8th floor)
Local Government House
Smith Square
London
SW1P 3HZ

To: Members of the LGA Executive
cc: Named officers for briefing purposes

Guidance notes for visitors

Local Government House, Smith Square, London SW1P 3HZ

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LGA Executive

10 November 2011

There will be a meeting of the LGA Executive at:

2.15pm on Thursday 10 November 2011 in the Westminster Suite, Local Government House, Smith Square, London, SW1P 3HZ

Attendance Sheet

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Apologies

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting, so that a substitute can be arranged and catering numbers adjusted, if necessary.

Labour: Aicha Less: 020 7664 3263 email: aicha.less@local.gov.uk
Conservative: Angela Page: 020 7664 3264 email: angela.page@local.gov.uk
Liberal Democrat: Evelyn Mark: 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:

Lucy Ellender Tel: 020 7664 3173; Fax: 020 7664 3232;
e-mail: lucy.ellender@local.gov.uk

Carers' Allowance: As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £6.08 per hour is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

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http://www.parkplaza.com/hotels/gbriver?s_cid=se.bmm2175

<http://www.novotel.com/gb/hotel-1785-novotel-london-waterloo/index/shtml>

LGA Executive

Updated: 6.10.11

LGA Executive - Membership 2011/2012

Councillor	Authority	Position/ Role
Conservative		
Sir Merrick Cockell	RB Kensington & Chelsea	Chairman
Gary Porter	South Holland DC	Vice-chairman/Group Leader
Robert Light	Kirklees Council	Deputy-chairman
Andrew Lewer	Derbyshire CC	Deputy-chairman
Robert Gordon DL	Hertfordshire CC	Deputy-chairman
David Simmonds	Hillingdon LB	Chairman, CYP PB
David Parsons CBE	Leicestershire CC	Chairman, Env & Housing PB
Paul Bettison	Bracknell Forest Council	Chairman, LGR
Peter Fleming	Sevenoaks DC	Chairman, Improvement PB
Labour		
David Sparks OBE	Dudley MBC	Vice-chairman/Group Leader
Sharon Taylor	Stevenage BC	Deputy-chairman
Steve Reed	Lambeth LB	Deputy-chairman
Mayor Sir Steve Bullock	Lewisham LB	Chair, Workforce PB
Peter Box CBE	Wakefield Council	Chair, E&T PB
Mehboob Khan	Kirklees Council	Chair, SSC PB
Dave Wilcox OBE	Derbyshire CC	Chair, E & I PB
Liberal Democrat		
Gerald Vernon-Jackson	Portsmouth City	Vice-chairman/Group Leader
Mayor Dorothy Thornhill MBE	Watford BC	Deputy-chairman
David Rogers OBE	East Sussex CC	Chair, CWB PB
Chris White	Hertfordshire CC	Chair, CTS PB
Jill Shortland OBE	Somerset CC	Member
Independent		
Marianne Overton	Lincolnshire CC	Vice-chairman/Group Leader
Regional Representatives (10)		
Peter Martin (Cons)	Essex CC	East of Eng. LGA
Paul Carter (Cons)	Kent CC	SE Eng Councils
Angus Campbell (Cons)	Dorset CC	SW Leaders
Philip Atkins (Cons)	Staffordshire CC	WM Councils

Martin Hill OBE	(Cons)	Lincolnshire CC	EM Councils
Mayor Jules Pipe	(Lab)	Hackney LB	London Councils
Paul Watson	(Lab)	Sunderland City Council	NE Councils
Ian Greenwood	(Lab)	Bradford MDC	LG Yorks & Humber
Sir Richard Leese CBE	(Lab)	Manchester City	North West Regional Leaders' Board
Robert Dutton OBE	(Ind)	Wrexham County Borough	Welsh LGA
Named substitutes			
Simon Henig		Durham County Council	NE Councils
Gordon Keymer CBE		Tandridge DC	SE Eng Councils
Paul Watkins		Dover DC	SE Eng Councils

Non-voting Members of LGA Executive

Cllr/Local Authority	Political Group	Representing
Lord Peter Smith	Labour	LG Leadership
Stephen Castle (Essex CC)	Cons	Resources Panel
Neil Clarke (Rushcliffe)	Cons	District Councils Network
Stephen Houghton CBE	Labour	SIGOMA
Roger Phillips (Herefordshire CC)	Cons	County Councils Network
Edward Lord OBE JP	Liberal Democrat	Local Partnerships

Agenda

LGA Executive

Thursday 10 November 2011

2.15pm

The Westminster Suite, 8th Floor, Local Government House

	Item	Page	Time
1.	Transport and Localism	3	2.15pm
2.	Community Budgets	7	2.50pm
3.	Local Growth Campaign – supporting councils’ ambition for local economic growth	13	3.20pm
4.	Icelandic Banks Update	21	3.50pm
5.	Note of LGA Leadership Board		4.10pm
6.	Note of last LGA Executive meeting	29	

Date of Next Meeting: Thursday 8 December - 2.15pm, Local Government House

Transport and localism

Purpose of report

For discussion.

Summary

In recent years, the LGA, and the Special Interest Group of ITA (Integrated Transport Authorities) have worked together to make the case for adequate funding for transport and for greater devolution and localisation of decision making on transport, ensuring that bus, road and rail services are developed on the basis of local priorities.

The Chair of the LGA Economy and Transport Programme Board, Cllr Peter Box CBE, and the Chair of the ITA SIG, Cllr Mark Dowd OBE, will make a short presentation to the Executive to discuss their proposed work on transport policy and how greater localisation of decision making in transport could help contribute to national economic growth.

Recommendation

That members comment in the LGA's proposed work on transport policy.

Action

LGA officers to action.

Contact officer: Ian Hughes
Position: Head of Programmes
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Transport and Localism

Local Government work on transport policy

1. The LGA's work on transport is led by the Economy and Transport Programme Board. The focus of its work has been to ensure that the delivery of transport services is localised and able to contribute to local economic growth strategies.
2. Within the local transport family, the LGA has a number of "special interest groups" (SIGs). The principal one is the Integrated Transport Authority Special Interest Group which brings together and promotes the interests of the five Integrated Transport Authorities and the Transport for Greater Manchester Committee. Between them the ITA SIG serves eleven million in the six largest conurbations outside London. The ITAs provide the political authority for the Passenger Transport Executives (PTEs). The PTEs come together as **pteg** which has a support unit based in Leeds. The **pteg** Support Unit also provides the secretariat for the ITA SIG. All six members of the ITA SIG are in membership of the LGA.

Key issues for consideration by the Executive

3. Work with the Department of Transport (DfT) on localism has been generally positive in recent months with the proposed devolution of the "major schemes" programme, further work on the possible localisation of bus subsidies (BSOG) and a positive direction of travel on local rail franchising. However, there is concern that the devolution debate in DfT is slow, with a focus on small initiatives being devolved rather than developing a fully formed strategy. There is also concern that work on the contribution of transport to economic growth is not being articulated strongly enough. Most importantly, any devolution – particularly on rail – would need to be accompanied by a fair deal on funding and risk transfer
4. At the LGA Executive meeting, Cllr Peter Box CBE, Chair of the LGA's Economy and Transport Programme Board, and Cllr Mark Dowd OBE, Chair of the ITA SIG will make a short presentation on how the LGA and ITA SIG could take this work forward. Members will be asked to comment on the following issues:
 - 4.1. The current debate on localism within national transport policy.
 - 4.2. How a localist approach to transport policy could contribute more to national economic growth.
 - 4.3. How the sector could develop its own "offer" on localism and transport.

Community Budgets

Purpose of report

To update the Executive on developments on Community Budgets and confirm our approach.

Summary

The community budget initiative has been the sector's and the Government's response to what was learned through Total Place and demanded in the LGA's place-based budgeting campaign before the general election. The Government has now developed its approach, by beginning a process of piloting "whole place" community budgets and neighbourhood budgets in two areas, but also by subsuming the existing community budgets for troubled families within the work of the Government's new Tackling Troubled Families unit. However these initiatives are now branded and led in Whitehall, our aim should be to maintain the momentum towards breaking down local service silos and pooling budgets and effort across organisations.

Recommendation(s)

Members are invited to confirm that our strategic objectives remain

1. to support councils which wish to break down local service silos and pool budgets and effort across organisations;
2. to help councils improve the lives of families with complex needs.

Action

Officers to develop appropriate working arrangements to support councils and work with the Government across all the main strands of work emerging from the community budgets initiative, as well as supporting councils which are pursuing the community budgets model out with the frameworks endorsed by the Government.

Contact officer: Paul Raynes
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Community Budgets

Background

1. Before the General Election, the LGA Executive launched a campaign for what members then described as “place-based budgeting”. Building on what had been learned and developed through Total Place, the LGA argued that better, more targeted local public services, with a greater emphasis on investment in prevention and much lower administrative and transactional cost, could be achieved by commissioning through local pooled budgets subject to local democratic accountability. Community budgets is the Government’s preferred language to describe what has been done in response to that campaign.

A compromise...

2. After much behind-the-scenes discussion in the run-up to the 2010 Spending Review, the Government announced that it would be inviting 16 places to set up the first community budgets, with a focus on helping families with complex needs. This initiative simultaneously responded to local government’s call for place-based budgeting, and to the Prime Minister’s wish to take action to help the 120,000 most troubled families. The intention was that, if the concept were proved in the 16 places, it would be rolled out to include all areas by 2014. That partially reflected the LGA’s call for place-based budgeting to be available to all councils over the Parliament.
3. The 16 places have made concrete progress and Ministers confirmed at the LGA Annual Conference that the initiative would indeed be extended to all councils. More than 70 other areas have now begun to prepare to implement community budgets for troubled families, taking the total of councils involved to about 100. There is real and continuing enthusiasm among councils for what community budgets are trying to achieve.
4. At the same time, progress to date has not lived up to the sector’s highest hopes. The national-level governance and project management of the initiative has been confused. There has been a very limited mandate to other Government agencies in the places to commit to community budgets work. Pooled budgets have not yet materialised. The Government’s approach has been beset by an ambiguity about whether its main priority was the target of helping 120,000 families, or the public service reform the initiative represents. Many council leaders have expressed frustration with the scale and pace of progress; the current Secretary of State has acknowledges this, saying in Parliament that the Government has allowed the initiative to be driven by “the Minister of good intentions”.

Item 2

...has become the backbone of a key Government priority...

5. In the wake of the summer's public disorder, the Prime Minister has reiterated his commitment to tackle the problems of the country's 120,000 most troubled families. This has put into the spotlight the 100-odd councils already committed to operating community budgets on that issue. The Government has set up a new cross-government unit located within CLG and reporting to the Secretary of State, which is tasked with driving greater progress on helping troubled families. The Chairman of the LGA has invited the Government to harness the momentum of the community budgets initiative in addressing this issue and Ministers accepted that offer.

...but reform will be a by-product

6. The establishment of the Troubled Families Unit within Government does, however, resolve any ambiguity about whether Ministers are more interested in using community budgets to hit the target of helping 120,000 families target, or to drive public service reform. The new impetus given to work with families provides a tremendous opportunity to demonstrate that the place-based budgeting approach works: but the Government's focus will be on delivering on the Prime Minister's commitment. Any boost to service reform will be a welcome but subsidiary benefit. And – although the new Government Unit will certainly want to work through and with councils - there is a risk that the focus may shift from local to national accountability for delivery.

Major reform is nevertheless back on the menu...

7. At the same time that they announced the extension of community budgets for troubled families, Ministers also announced that they would be asking two areas to work up so-called "whole-place" community budgets, and two places to do the same with neighbourhood-based community budgets. This was expressed as a second phase of the Local Government Resource Review. A prospectus was published in October and councils have been asked to submit expressions of interest by 10 November. The pilot places are due to be identified by the end of the year.
8. These "whole place" community budget pilots return the debate to the LGA Executive's original place-based budgeting vision, opening up the possibility of a dramatic reshaping of the effectiveness, focus and governance of the totality of public expenditure in a place. The places chosen will have the opportunity to develop a genuine operational plan for a pooled budget across local agencies, identifying what rules will need to be changed to make it possible, and how it will be run and held to account. Each pilot will be supported by a team including senior secondees from central Government.

Item 2

...but where, and when?

9. The LGA has consistently argued that the degree of demand among councils to pilot “whole place” community budgets would be of a different order of magnitude to the two pilots on offer (and that two pilots were not, therefore, enough). In the event, some 90 councils have attended meetings to discuss the prospectus, which suggests that there will be many more applications than pilots. There is likely to be considerable interest in following what the pilot places do, and replicating it elsewhere.
10. The pilot process raises an expectation that the pilots’ proposals will be accepted by the Government and any necessary changes to the way central Government and its agencies work will be implemented. It will also raise expectations that what is acceptable in two places will be acceptable in others. Councils will ask how the Government will take on board what is learned through the pilots, and extend that throughout the system; they will also ask whether the pilot timetable makes it possible for wider system change to take place within this Parliament or Spending Review period.

Conclusion and next steps: supporting councils

11. Thus far, the LGA has supported the development of community budgets in three ways:
 - 11.1. by engaging directly with the Government to influence policy and participating in a number of governance bodies that have so far overseen the initiative;
 - 11.2. by bringing together places participating in the initiative and organising events and conversations that have helped councils share knowledge and experience;
 - 11.3. by providing and facilitating support to community budget places through a number of routes, including the Children’s Improvement Board, directly part-funding support to places, and through hosting resources on our website.
12. As the initiative now develops along the two paths set out in this paper, it will be necessary to consider how we will continue to support councils in this environment, although too few of the pieces are in place to settle this in detail now. The organisation of the new Troubled Families Unit and of the proposed teams to work with the “whole place” pilots are still being developed. There is also an opportunity to review the funded support offer to community budget places from the LGA, the Children’s Improvement Board and Government departments, with a view to ensuring it is coherent and genuinely demand-led.

Item 2

13. We suggest that the Executive mandate officers to ensure that the LGA's future support to councils on community budgets should follow three principles:
 - 13.1. LGA members and officers should continue to participate in policy and governance discussions with the Government in order to drive the initiative in the direction the sector is demanding;
 - 13.2. we should continue to offer direct support to councils participating in community budgets for troubled families and to the councils piloting "whole place" and neighbourhood community budgets; and
 - 13.3. we should support councils not yet participating by facilitating information exchange, and in particular help to ensure that what the small number of "whole place" pilots learn is available to as many other interested councils as possible.

Local Growth Campaign - supporting councils' ambition for local economic growth

Purpose of the report

For comment.

Summary

This report updates the Executive on the plans of the Economy and Transport Programme Board to promote councils' ambition for local economic growth. A series of town hall debates have been organised to develop new thinking on local economic development and to produce our own Green Paper on growth.

Recommendation

The Executive is asked to comment on the paper.

Action

Economy and Transport Programme Board to consider members' comments.

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Local Growth Campaign - supporting councils' ambition for local economic growth

Introduction

1. Local government has a long and honourable tradition of driving economic growth. Its work in this area can be traced back to the founding fathers of modern local government at the end of the 19th century, with the development of public works in large cities to deal with sanitation and infrastructure. In more recent times, during the recession of the 1980s, local government broke new ground in delivering economic development programmes which delivered, for example, local employment projects to deal with the decline of manufacturing and high levels of unemployment.
2. In the immediate past, our work in this area was often in partnership with regional development agencies, as they provided funding for many of the infrastructure and employment programmes that were driven by local government.
3. Our record and history in this area is vast. However, the sector's offer needs to be refocused to reflect a new era defined by:
 - 3.1 new institutions, such as Local Enterprise Partnerships (LEPs);
 - 3.2 much less public finance, but new financial mechanisms available to councils;
 - 3.3 a stronger emphasis on improving people's skills to compete in a global economy (rather than a concentration on physical regeneration programmes).

Delivering local economic growth in the 2010s

4. One year on from the Government announcement of the first LEPs, there is an opportunity to create a new, focused, national debate about the ambition of councils for local economic growth.
5. Local government has lobbied for the devolution of economic budgets and powers. Some budgets have been localised (for example, local councils are broadband delivery partners). New powers are in the pipeline, for example tax increment financing, allowing councils to secure the fiscal benefits of growth. However, many central controls remain which need to be challenged. Compared to the economic powers enjoyed by local leaders in other developed nations, our own local powers are limited.
6. At present, much debate on local economic development is centred on the development of LEPs. There are risks to this focus as our work could be

Item 3

hampered by institutional debates. Rather we should develop an agenda about what could be done, that stretches our ambition for localism and which recognises the economic challenges facing different places – for example, the different challenges facing urban, rural and mixed economies.

7. In summary, we need to create a debate on the key economic issues facing local economies and the role that local leaders can and could play in delivering economic recovery. From this debate, we will create our own Green Paper on growth.

Helping to renew the local government ambition for local economic development and growth

8. In order to pursue the above objectives, the Board has developed a programme which will include:
 - 8.1. A **series of “town hall” meetings** across England (see **Appendix 1**) with councils and local partners at which we will consider:
 - 8.1.1. The ambition that councils already have: For example, at the December discussion hosted by the West Midlands LGA, we will be examining the key role that local political leadership played in securing new investment from Land Rover Jaguar.
 - 8.1.2. The ambition that councils could have: For the London event in early 2011, we are working with the New Zealand LGA to compare local powers and activities in economic development and investment as a challenge to our own activities. In our Leeds meeting in December, we will be examining the local transport powers in the Netherlands and how these provide better support for local economic development.
 - 8.1.3. Challenges from partners: For example, LEP Chairs have been given the opportunity to address the events under the title “If I were leader of the council for one day”.
 - 8.2. **Publishing new thinking**: We have invited council leaders, business leaders, think tanks and community leaders to write essays on their views on the new boundaries for local economic development in England. These will be published by the LGA (online) and used to influence our own Green Paper.
 - 8.3. An **online debate**, linked to our town hall debates will provide the opportunity to input new ideas on economic development.

Item 3

- 8.4. A **competition for new ideas from young economists**. We have agreed (in principle) to sponsor this work jointly with the London School of Economics.
- 8.5. A **challenge from young people**. We are planning a series of challenges to the early drafts of our ideas from young people to ensure that our Green Paper's ideas resonate with the ambitions of the younger population.
9. All this information is provided in detail on the website:
www.local.gov.uk/economy-and-transport
10. We have a related strand of work on the role of councils in building higher levels of youth engagement in work and learning. Lead members of the Children and Young People Programme Board and the Economy and Transport Programme Board set the direction for the work on 5 October, following discussions at both Boards. They asked officers to look at the barriers to youth engagement, for example in the quality of careers advice and mismatches between young people's training and skills needs, and to identify how councils could provide practical solutions. The work plan includes the involvement of councils, business, young people and other stakeholders. The next step will be to produce baseline statistical research on youth engagement, an interim report and hold a youth summit early in the New Year.

Launching the campaign and ensuring a clear outcome from our debates

11. This work will be launched on 23 November at a Smith Square debate with the Chairman, the Economy and Transport Programme Board Chair, the Rt.Hon. Hilary Benn MP and business representatives.
12. From the future town hall debates and discussions, we are seeking clear tangible outcomes. Each debate will have three guiding themes to ensure that we have tangible outcomes and an action plan that can be followed up by the Board:
 - 12.1. Development of new thinking;
 - 12.2. Promoting of new/best practice;
 - 12.3. Clarity on barriers to growth.
13. We have already involved key Government departments (such as BIS and CLG), business organisations (such as BCC) and think tanks in preparation of the events.
14. The campaign will be completed with the LGA's own Green Paper on growth.

TOWN HALL EVENTS

Themes	Host	Location	Date
Smith Square debate Launch of campaign. LEPs one year on	LGA	LGH, Smith Square London	Wednesday 23 November
Transport as a driver of economic development	Metro/PTEG	Leeds	Tues 6 December
People, employment and skills	West Midlands LGA Birmingham CC	WM Councils Partnership Centre, Birmingham	Thursday 15 December
Cities	Centre for Cities	London	Monday 23 January
Centre for Economic and Social Inclusion	LGA	LGH, Smith Square London	Tuesday 24 January
identifying opportunities for growth and strengthening regional links	LG Yorkshire and Humberside	Kingswood Suite, Wakefield Council	Wednesday 25 January
Innovation/Commercialising Innovation	East of England LGA Cambridge City	Smartlife low carbon centre (Nth Cambridge)	Thursday 16 February
Funding infrastructure and investment	ANEC	Newcastle	Tuesday 21 February
International dimension	EU Commission	EU London Office London	Tuesday 13 March

Icelandic Banks Update

Purpose of report

For discussion.

Summary

This paper summarises the work done by the LGA in assisting member authorities to recover money from the failed Icelandic banks. It explains the consequences of the recent victory in the Icelandic Supreme Court, and sets out the further work that will be needed in order to enable authorities to realise their full entitlements from the Icelandic insolvencies.

Recommendation

Members are asked to note the success of the work done so far and approve the continuing work programme.

Action

Director of Finance and Resources

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Position: Director of Finance and Resources
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Icelandic banks update

Background

1. In October 2008, some 145 local authorities, including councils, police and fire authorities, had just over £1 billion in total deposited with four Icelandic banks. These banks along with some other Icelandic banks collapsed on 6 and 7 October 2008, leaving authorities exposed to losses of uncertain amount. Local authorities' deposits were roughly broken down as follows:
 - 1.1 Heritable - £319 million;
 - 1.2 Kaupthing, Singer, Friedlander (KSF) - £86 million;
 - 1.3 Glitnir - £219 million;
 - 1.4 Landsbanki - £413 million.
2. Heritable and KSF are UK incorporated subsidiaries of Icelandic banks, so in these two cases the banks were put into administration under UK law, with insolvency partners from Ernst & Young appointed as Administrators of the banks. Glitnir and Landsbanki are incorporated in Iceland and consequently their operations in London are subject to Icelandic rather than UK insolvency procedures. In these cases the Icelandic government appointed Resolution Committees to manage the affairs of the failed banks. For various reasons the banks were not immediately placed into formal insolvency proceedings, but when they were, on 22 April 2009, Winding Up Boards (WUB) were appointed and these Winding Up Boards are responsible for the conduct of dealings with creditors and for the orderly payment of money recovered from the insolvencies in satisfaction of creditors' claims.
3. From the outset, the LGA has sought to provide maximum support to member authorities affected by the collapse of the Icelandic banks. Our support work has included:
 - 3.1 making representations to Government for assistance to assist authorities in managing the immediate consequences of the collapse of the banks;
 - 3.2 dealing on all authorities' behalf with the massive media interest in the Icelandic banks story;
 - 3.3 giving evidence to the Parliamentary and Audit Commission investigations that followed the collapse;
 - 3.4 leading work to ensure that potential losses could be calculated and reported consistently in local authorities' accounts; and
 - 3.5 maximising local authorities' recoveries through the bank insolvency processes here and in Iceland.
4. All of this support was rapidly set up following the October 2008 collapse. Within the first six weeks a huge amount of work had been done and, in particular, a legal team had been recruited consisting of Bevan Brittan solicitors

Item 4

in the UK and Logos Legal Services in Iceland. The LGA convened a meeting of all local authority creditors which took place in November 2008. This meeting endorsed the principle of collective action on behalf of all LGA member authorities. It agreed to establish a Steering Committee of officers from a number of authorities to manage the work. The Steering Committee has continued to meet periodically throughout the last three years, and has approved a number of decisions that have been critical in the overall process of maximisation of recoveries.

5. It is often the case in an insolvency that most creditors will look for a swift return of what cash is available, and will take the view that it better suits their interests to recover some money quickly than to seek to maximise recoveries over a longer time period. The view was taken at a very early stage that this was not the best strategy for local authority creditors to pursue. In general terms, capital is much less costly for a local authority than for a private business, and cash flow is much more secure, so a longer term view could be taken. Furthermore, given the very large amounts of money at stake and the decision to take action collectively, local authorities have been in a position to exercise significant influence over the conduct of the insolvencies. The strategy followed has therefore been to:
 - 5.1 maximise our collective power as creditors;
 - 5.2 look to maximise long term rather than short term value for local authorities; and
 - 5.3 obtain the highest quality professional advice in support of our work.
6. This strategy has delivered many benefits for local authorities. For example, we have been able to maximise our creditor power through being able to vote local authority representatives (Nick Vickers of Kent County Council, Kevin Bartle of Haringey Council and John Harrison of Peterborough City Council) onto the statutory creditor committees of the Heritable and KSF administrations. Our representatives continue to provide input to the Administrators and have encouraged the adoption of approaches to the management of the ongoing business that will maximise long term value. As a result, we have seen the estimated outturns from the administrations rise from 70p – 80p in the pound to 86p – 90p in the pound in the case of Heritable; and from a minimum 50p in the pound to a range of 78p – 86p in the pound in the case of KSF. Each administration has already paid out interim distributions of more than 60p in the pound, and further dividends are being declared at regular intervals.
7. In the Landsbanki and Glitnir administrations, Icelandic law does not provide for formal representation of creditors on the Winding Up Boards or Resolution Committees, but we have been deeply involved in proceedings of the informal creditor committees that have been established, and have joined with various other public sector creditor groups (in particular, the UK Financial Services Compensation Scheme, the Dutch Central Bank and Dutch local authorities) on matters where our interests have been aligned. This resulted in the negotiation

Item 4

of arrangements in the Landsbanki administration for a deal between the bank and its successor bank in Iceland that was far superior to what had originally been on offer. The deal, finalised at the end of 2009, means that Landsbanki creditors will have the benefit of a 10-year debt instrument from the new Landsbanki worth a minimum of ISK 260 billion (around £1.4 billion) and with the possibility of uplift by a further ISK 92 billion (around £0.5 billion). In very broad terms, the deal with the successor bank is worth around £100 million to local authority creditors in Landsbanki.

Local authorities' priority creditor status

8. After the collapse of the banks in Iceland, the Icelandic government had to pass emergency legislation to ensure that confidence in the country's banking system could be restored. The legislation included new provisions that gave priority creditor status to depositors in the case of bank insolvencies.
9. It is this legislation that allowed local authorities to claim priority creditor status in the Glitnir and Landsbanki administrations and that has been tested in the recent Supreme Court hearings in Iceland. Not surprisingly, our and other depositors' claims to priority creditor status were challenged by other creditors, because our success comes at their expense and reduces their returns from the two administrations. Other creditors' returns in Glitnir reduce by around one-eighth from what they would have been if we had not enjoyed priority, but in the case of Landsbanki the impact is much more severe, potentially destroying almost all of the value of other creditors' claims. Overall, we estimate that the difference in value for local authorities between winning and losing the depositor priority litigation could be as much as £470 million.
10. The cases were therefore fought with great intensity, and the final trials in the Supreme Court followed initial mediation proceedings in early 2010 and trials in the Reykjavik District Court earlier this year. Stephen Jones and Nick Vickers from Kent County Council attended all these proceedings and Stephen gave evidence at the Glitnir mediation proceedings which were conducted in English. The trials were of course conducted in Icelandic. There had been some uncertainty in Icelandic legal opinion about whether local authorities were entitled to depositor priority and so, whilst in Landsbanki we were seeking to ensure that an initial favourable decision on the status of our claims was upheld, in Glitnir it was necessary for us to appeal against an initial adverse decision by their Winding Up Board. Opposing both us and the Landsbanki Winding Up Board were no fewer than five distinct groups of other creditors representing international bondholders, international banks, local Icelandic bondholders, Landsbanki's subsidiary in Guernsey and Deutsche Bank Trust company of America. Cases involving the Financial Services Compensation Scheme, the Dutch Central Bank and Dutch local authorities were heard alongside our appeals. At the final hearings in the Supreme Court, the Court ordered that each trial would concentrate on different aspects of the argument. We therefore co-operated with other members of the wider depositor group to share legal

Item 4

expertise. For example, we had done a great deal of work to address challenges made by our opponents that the depositor priority law was either unconstitutional within the terms of the Icelandic Constitution, or was in breach of the European Convention on Human Rights. These issues were tried by the Supreme Court through one of the other hearings but we shared the benefits of our legal work in order to assist the FSCS and Dutch Central Bank. The UK local authority trials covered the basic issue of whether wholesale deposits are 'guaranteed deposits' enjoying priority under the new Icelandic legislation. There was also a subsidiary issue about whether, if a local authority's deposit had matured between the collapse of the banks in October 2008 and the commencement of winding up on 22 April 2009, the claim could include interest after the date of maturity and, if so, at what rate.

11. The trials in the Supreme Court took place in September, and the Court's decisions were announced on 28 October. The Court, which had sat with a panel of seven judges, decided by a 6-1 majority that:
 - 11.1 local authorities' claims are deposits that qualify in full for priority in the bank administrations;
 - 11.2 in the case of Landsbanki, no interest is added to claims that mature in the 'gap' period between maturity and 22 April 2009;
 - 11.3 in the case of Glitnir, where the WUB had allowed contractual interest on deposits maturing in the 'gap' period, the WUB's decision on interest will be allowed to stand;
 - 11.4 each party will bear their own legal costs associated with the appeals to the District Court and the Supreme Court.
12. These decisions are now final and there is no further right of appeal.
13. This result is a massive victory for local authorities and reflects great credit on our legal team, in particular Virginia Cooper of Bevan Brittan LLP, our UK counsel Matthew Collings QC and Jason Coppel and our Icelandic advocate Olafur Eiriksson hrl.

Next steps

14. Now that the Courts have determined that local authorities' deposits qualify for priority, we expect that the Winding Up Boards will apply the same decisions to cases other than the test cases selected for the litigation.
15. In the case of Glitnir, sufficient cash has already been realised in the Winding Up to allow for priority creditors' claims to be met immediately and in full. However, the Winding Up Board will need to take decision on the rates of exchange to be adopted in paying out distributions and the currency of payment. At present, Glitnir holds cash and government bonds denominated in a range of currencies including sterling, the US dollar and the Euro; but funds are also held in Icelandic kronur. The kronur cannot be converted into sterling

Item 4

or other international currencies without the permission of the Central Bank of Iceland, and it is likely that around 10 per cent of local authorities' entitlement will fall to be paid out in kronur. The Winding Up Board will therefore need to take decisions about the way in which priority creditors are paid out, and these decisions will either need to be accepted by other creditors or, if not accepted, referred to the Icelandic Courts for further rulings. Local authorities' approach to these issues has yet to be settled by the Steering Committee, but it is likely that we will wish to negotiate a way forward that is acceptable to the non-priority creditors as well as to authorities, so as to avoid the need for a further Court hearing.

16. The issues around conversion into sterling of the part of the recovery proceeds that is paid out in Icelandic kronur will need to be resolved by discussion with the Central Bank of Iceland. Whether and on what terms conversion might be allowed is not yet known.
17. It is proposed that these matters are taken forward by the LGA on behalf of local authority creditors that are currently in membership of the LGA, the WLGA or COSLA. This service will not be offered to authorities that are not currently in membership or to any authorities that leave membership before the matter is finally resolved.
18. The position in Landsbanki is similar in principle, but there are two important differences:
 - 18.1 cash held and available for distribution to priority creditors currently comprises only around one-third of the total assets: other assets held by the Winding Up Board are not readily convertible into cash and it will take a number of years for them to be realised; and
 - 18.2 around 5 per cent of the available cash is held in kronur.
19. Continuing involvement with the Landsbanki insolvency process will therefore be essential in order to maximise the total value of recoveries and ensure that sterling proceeds are made available to local authorities as quickly as possible. It is proposed that the LGA service in monitoring the insolvency and negotiating with the Winding Up Board and other creditors is restricted to authorities that are in membership of the LGA, the WLGA or COSLA.
20. The total costs of the litigation are expected to amount to around £3.7 million (£2 million for Landsbanki and £1.7 million for Glitnir). These costs, and other external costs related to input into the insolvency processes, are shared between the affected authorities. LGA officer time and input is not charged out.

Recommendation

21. Members are recommended to note the successful conclusion of the Icelandic litigation and to approve the provision of continuing support for authorities on the basis set out in this report.

Note of decisions taken and actions required

Title:	LGA Executive
Date and time:	Thursday 13 October 2011, 2.15pm
Venue:	The Westminster Suite, Local Government House

Attendance

An Attendance list is attached as **Appendix A** to this note.

Item	Decisions and actions	Action by
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1	Local Government Resource Review	
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Stephen Jones, Finance Director introduced this item, setting out the key issues for local government finance in the Government's funding proposals and an outline of the suggested LGA response to the Government's consultation.

Members raised a number of issues, including:

- Whilst some members had significant concerns, the current proposals had the potential to give councils greater control over their funding base and represented a major opportunity.
- A key objective of business rates localisation should be to incentivise growth for local communities.
- The extent of the "set-aside" arrangement, under which the Treasury would retain part of the income from business rates until 2014-15. Members felt this would be a barrier to local growth by limiting the incentive to grow business rates, and should be challenged.
- The need for fairness in the current proposals. It was suggested that equalisation and 'resets' at least as frequently as revaluations, enshrined in legislation, and indexed tariff and top-up amounts would be required to deliver appropriate safeguards for authorities with poor prospects for growth, to ensure any funding gap was addressed.
- The efficacy of business rates yield as a measure of growth.
- The timing of the changes was questioned by some members. The current proposals would be implemented in conjunction with the changes to the Welfare system, and it was queried whether

- there would be sufficient time to implement them effectively.
- Some members questioned whether further powers to raise additional local tax revenue might be considered in the future.

Members commended the work done by Stephen Jones and the finance team.

Decision

The Executive:

- ***Authorised*** the Leadership Board to approve the full consultation response in line with the views expressed by the Executive.

Action

Officers to action as directed by the Executive.

**Stephen
Jones**

2 Proposed new parliamentary constituencies – implications for local government

Joe Simpson, Principal Adviser, introduced this item, which summarised the key implications for local government from the Boundary Commission for England's proposed new Parliamentary constituency boundaries in England.

Decision

Following a short discussion, the Executive:

- ***Agreed*** that this work was not a priority for the LGA

Action

No further action

3/4 Localising council tax reliefs and the council role in universal credit

Paul Raynes, Head of Programmes (Finance and Localism), introduced these two items for discussion together. Paul outlined the Government's current proposals for council tax reform in his introduction:

- Localisation of council tax reliefs is in principle a good localising idea and could make for a better council tax;

- However, localisation of council tax benefit with a 10% budget cut and very tight limits on councils' discretion, as proposed by the Government now, creates an almost insoluble problem;
- One solution would be to localise the benefit system wholesale: there is a range of strong arguments in favour of this – from giving clients a better service than Job Centre Plus does, to better job matching, to better joining up of all the services welfare claimants use - that goes well beyond simply making it easier to adapt to the council tax benefit cut;
- So – recognising that the Government's plans for the wider benefit system involve a commitment to introducing Universal Credit - we propose to Government that it:
 - (i) considers very carefully what further flexibility it might give councils within the system of council tax relief, looking in particular beyond the means-tested reliefs to other reliefs that possibly benefit those more able to pay council tax;
 - (ii) within the overall Universal Credit framework, if that's a given, ensures that councils lead the delivery of a locally-tailored and joined-up offer of face-to-face contact and support for claimants that will enable us to take out bigger administration savings and increase the likelihood of people getting off welfare and into work.

During the discussion members made a number of comments including:

- The Government's current proposals did not sufficiently localise the system or give adequate flexibility to local authorities.
- A joined-up and locally-tailored offer to claimants of face-to-face contact and support would enable local government to offer an efficient and effective service both to Government and claimants.
- Concern that the proposed monthly payments could lead to increased levels of debt, with particular concern at the possible adverse impact of the proposal to merge housing benefit into Universal Credit on the most vulnerable people.
- Concern that the most vulnerable people, including the poorest and the young, will be disproportionately affected by the current proposals.

Members were clear that the LGA should adopt a robust position and thanked Paul for his presentation.

Decision

*The Executive **agreed** that the LGA should argue for:*

- 1. greater flexibility within the wider system of council tax relief,*

looking in particular beyond the means-tested reliefs to other reliefs that possibly benefit those more able to pay council tax

2. *a locally-commissioned face-to-face offer within the Universal Credit system.*

Actions

1. Officers to submit a consultation response in line with members' views on council tax reliefs
2. Members and officers to pursue opportunities to make the case for local delivery.

**Paul
Raynes**

5 Directly elected Police and Crime Commissioners

Cllr Mehboob Khan, Chair of the Safer and Stronger Communities Programme Board, introduced this item describing the work that had been undertaken by the Safer and Stronger Communities Programme Board to support the transition to police and crime commissioners. It was noted that the Board had achieved a stronger role for local government within the Police Reform and Social Responsibility Bill proposals. Councillor Khan added that the current proposals offered an opportunity to the LGA to provide direct support and advice to member councils on this issue.

Decision

The Executive:

- **Noted** *the programme of support for councils in preparing for the introduction of police and crime commissioners;*
- **Agreed** *that officers should continue to investigate the potential for the Group to host the national membership body for police and crime commissioners.*

Action

LGA officers to action.

**Helen
Murray**

6 LGA/LG Group – structure and name

John Ransford introduced this item, setting out the proposals to simplify governance arrangements and ensure a strong brand for the future. It was noted that the Governance review of member structures was ongoing.

Decision

The Executive:

- **Endorsed** the proposal to move to an integrated board structure with the LGA becoming the dominant front-facing brand for the LG Group and the LGID (IDeA) company becoming the trading/service delivery arm
- **Invited** the LGA Leadership Board to oversee the legal and operational changes associated with the integration.

Action

Officers to implement the changes

**Claire
Holloway**

7 Governance Review

Decision

The Executive:

- **Agreed** that the Councillors' Forum should be open to any councillor from an LGA member council to attend.

Action

LGA officers to action.

**Claire
Holloway**

8 Note of the LGA Leadership Board 12 October 2011

Members **agreed** the note of the last LGA Leadership Board meeting.

9 Note of last LGA Executive

Members **agreed** the note of the last LGA Executive meeting.

Appendix A

Attendance list

Position/ Role

Chairman
Vice-chairman
Vice-chairman
Vice-chairman
Vice-chairman
Deputy-chairman
Deputy-chairman
Deputy-chairman
Deputy-chairman

Councillor

Sir Merrick Cockell
Gary Porter
Marianne Overton
Gerald Vernon-Jackson
David Sparks OBE
Andrew Lewer
Robert Gordon DL
Sharon Taylor
Steve Reed

Authority

RB Kensington & Chelsea
South Holland DC
Lincolnshire CC
Portsmouth City
Dudley MBC
Derbyshire CC
Hertfordshire CC
Stevenage BC
Lambeth LB

Position/ Role

Members

Councillor

David Simmonds
David Parsons CBE
Paul Bettison
Peter Fleming
Mayor Sir Steve Bullock
Peter Box CBE
Mehboob Khan
Dave Wilcox OBE
David Rogers OBE
Chris White
Jill Shortland OBE
Peter Martin
Angus Campbell
Martin Hill OBE
Mayor Jules Pipe
Paul Watson
Robert Dutton OBE
Stephen Castle
Neil Clarke
Stephen Houghton CBE

Authority

Hillingdon LB
Leicestershire CC
Bracknell Forest Council
Sevenoaks DC
Lewisham LB
Wakefield Council
Kirklees Council
Derbyshire CC
East Sussex CC
Hertfordshire CC
Somerset CC
Essex CC
Dorset CC
Lincolnshire CC
Hackney LB
Sunderland City
Wrexham County Borough
Essex CC
Rushcliffe DC
Barnsley MBC

Position/ Role

Substitutes

Councillor

Paul Middlebrough
Sue Murphy
Gordon Keymer

Authority

Wychavon DC
Manchester City
Tandridge DC

Apologies

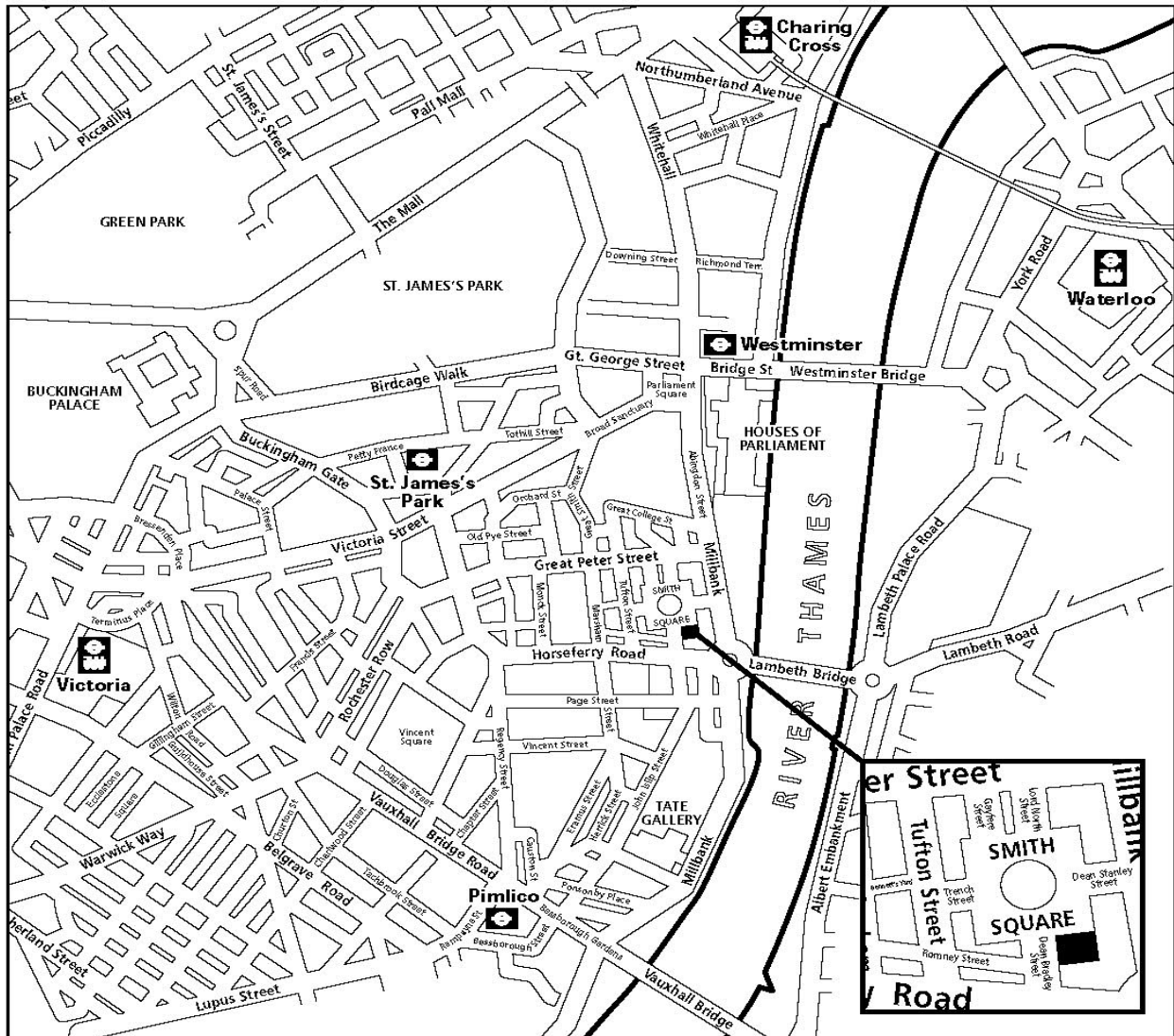
Robert Light
Mayor Dorothy Thornhill MBE

Kirklees Council
Watford BC

Philip Atkins
Roger Phillips
Paul Carter
Ian Greenwood
Sir Richard Leese CBE
Edward Lord OBE JP
Lord Peter Smith

Staffordshire CC
Herefordshire CC
Kent CC
Bradford MDC
Manchester City
Local Partnerships
LG Leadership

LGA Location Map



Local Government Association

Local Government House
Smith Square, London SW1P 3HZ
Tel: 020 7664 3131
Fax: 020 7664 3030
Email: info@local.gov.uk
Website: www.local.gov.uk

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** (District and Circle Lines); **Westminster** (District, Circle 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 goes close by at the end of **Dean Bradley Street**.

Bus routes - Millbank

87 Wandsworth - Aldwych **N87**
3 Crystal Palace - Brixton - Oxford Circus

Bus routes - Horseferry Road

507 Waterloo - Victoria
C10 Elephant and Castle - Pimlico - Victoria
88 Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Cycling Facilities

Cycle racks are available at Local Government House. Please telephone the LGA on 020 7664 3131.

Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone. For further details, please call 0845 900 1234 or visit the website at www.cclondon.com

Car Parks

Abingdon Street Car Park
Great College Street
Horseferry Road Car Park
Horseferry Road/Arneway Street