

City Regions Board

Agenda

Monday, 25 January 2016
2.00 pm

Westminster Suite, 8th Floor, Local
Government House, Smith Square, London,
SW1P 3HZ

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City Regions Board
25 January 2016

There will be a meeting of the City Regions Board at **2.00 pm on Monday, 25 January 2016**
Westminster Suite, 8th Floor, 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.

Conservative:	Group Office: 020 7664 3223	email: lgaconservatives@local.gov.uk
Labour:	Group Office: 020 7664 3334	email: Labour.GroupLGA@local.gov.uk
Independent:	Group Office: 020 7664 3224	email: independent.group@local.gov.uk
Liberal Democrat:	Group Office: 020 7664 3235	email: libdem@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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City Regions Board – Membership 2015/2016

Councillor	Authority
Conservative (5)	
Robert Light (Vice Chairman)	Kirklees Metropolitan Council
Sean Anstee	Trafford Metropolitan Borough Council
Robert Alden	Birmingham City Council
John Beesley	Bournemouth Borough Council
Donna Jones	Portsmouth City Council
Labour (14)	
Richard Leese (Chair)	Manchester City Council
Paul Watson (Vice-Chair)	Sunderland City Council
Peter Rankin	Preston City Council
Jules Pipe	Hackney London Borough Council
Helen Holland	Bristol City Council
Tudor Evans	Plymouth City Council
Joe Anderson	Liverpool City Council
Jon Collins	Nottingham City Council
Roger Lawrence	Wolverhampton City Council
Albert Bore	Birmingham City Council
Nick Forbes	Newcastle upon Tyne City Council
Ann Lucas	Coventry City Council
Simon Letts	Southampton City Council
Judith Blake	Leeds City Council
Substitutes	
Steve Bullock	Lewisham London Borough Council
Independent (1)	
George Ferguson (Deputy Chair)	Bristol City Council
Substitutes	
Adrian Naylor	Bradford Metropolitan District Council
David Wootton	City of London Corporation
Liberal Democrat (2)	
Abigail Bell (Deputy Chair)	Hull City Council
Iain Roberts	Stockport Metropolitan Borough Council
Substitutes	
Tim Bick	Cambridge City Council

Agenda

City Regions Board

Monday 25 January 2016

2.00 pm

Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ

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Date of Next Meeting: Monday, 21 March 2016, 1.00 pm, Westminster Suite,
8th Floor, Local Government House, Smith Square, London, SW1P 3HZ



RSA

Purpose

For decision.

Summary

The Royal Society of Arts (RSA) has approached the City Regions Board to consider sponsorship of an independent commission which will examine the next stage of devolution for cities. The commission will concentrate on how devolution can secure better outcomes in social policy and economic performance.

Recommendation

The report recommends that the Board becomes a sponsor of the new commission.

Action

Officers to take any actions as directed by the Board.

Contact officer: Ian Hughes
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RSA

Background

1. The RSA is developing a new independent commission which will examine the next chapter in English devolution from an urban perspective.
2. The new report will concentrate on new solutions to social and economic inclusion through devolution to cities. This is a gap in the devolution agenda that members of this Board have previously identified.
3. The new work will follow on from the RSA's City Growth Commission which was chaired by Jim O'Neill of Goldman Sachs. This report had great influence on the Government (and other parties') devolution policy. Jim O'Neill was ennobled after the election and is now a Treasury minister, with responsibility for city devolution.
4. A brief for the commission has been provided by the RSA, which is attached at **Annex A (confidential)**. Members will note that the commission is currently in a scoping phase and that members for the independent commission are currently being considered.
5. Charlotte Alldritt from the RSA will attend the Board meeting and set out the objectives and current thinking. The RSA would welcome members' views to help develop the detail.

Some issues of concern from recent Board debate

6. In recent Board meetings, members have raised a number of concerns regarding English devolution policy. These concerns resonate with the general objectives of the RSA work.
7. Firstly, whilst early deals have been rightly grounded in growth policy, there was some disappointment amongst councils that the public service reform agenda had not been pursued as strongly. Members have discussed the need to drive this agenda in the next phase of devolution deals. We need to enhance our evidence base in this area and consider the wider benefits of devolution in delivering social, as well as economic, policy outcomes.
8. Secondly, there has been concern that some specific Government departments have not embraced the devolution agenda as strongly as others. Councils have reported particular concerns with DWP and DfE. As these departments focus on the delivery of national solutions to social policy concerns, further evidence on the advantages of devolution would be welcome.
9. Thirdly, the first RSA report provided evidence to show that the "postcode lottery" has its origins in nationally driven policies which are not attuned to local circumstance. Within social policy debates, there are still debates to be held regarding the advantage of adapting national services to local social and economic conditions.
10. In all these areas of concern, the RSA work offers us the ability to enhance our evidence base through new research and support from independent experts. This would be of great benefit to member councils in developing future deals.

Sponsorship of the commission

11. The Commission was discussed with lead members and it is recommended that the Board sponsor the Commission at £50k. This is the same sum that the LGA provided to the first RSA report. This resource is available in the LGA's commissioning budget. Members will recall that in establishing this Board in 2014, an annual commissioning budget for new research was provided.
12. In sponsoring the commission, we need to recognise that the RSA is still scoping the Commission and we will be helping to shape the objectives and the early work. There are also discussions with other potential sponsors taking place.
13. Members are also invited to consider any recommended focus that would help pursue the Board's objectives. For example, in sponsoring the first RSA report, the LGA asked the Commission to look specifically at the needs of smaller and self-standing cities.
14. It is also recommended that there is an update on the RSA work at each Board meeting until the final report is published.

Document is Restricted



LGA support offer - devolution

Purpose

For discussion and direction.

Summary

This paper provides an update on recent activity to inform members' discussion of the next stages of the LGA's support offer on devolution.

Recommendation

That the Board provides a steer on how best to focus the devolution support offer provided to councils as set out in **paragraphs 3, 5, and 7.4**.

Action

Officers to take any actions as directed by the Board.

Contact officer: Rebecca Cox
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LGA support offer - devolution

Recent activity

1. Over recent months the LGA's devolution support offer, drawn up with direction from the City Regions Board, has seen very good take up, with officers receiving positive feedback from councils on the range of services that have been used. Andrew Campbell (LGA Associate Director, currently on secondment to the LGA from his position as a Director General in DCLG) has met with groups in every part of the country, and his connections have been particularly valuable in helping local areas gain insight into the thinking of Whitehall departments as they refine their pitches. Over the past weeks, he has been helping places at every stage of their devolution activity: preparing for their challenge sessions with Ministers, advising on the formulation of proposals, supporting negotiations and speaking at numerous events.
2. There was a strong demand from the sector for up to date and accessible knowledge sharing. The LGA has started to deliver this. Our [DevoNext hub](#) brings together the latest information from the sector and Government. Councils asked us to create a database of all bids and maintain a fast-moving analysis of the latest "baselines" for devolution – these are available on the hub and are kept to up to date as details emerge. The hub also allows us to help councils communicate about devolution with materials such as a short video to explain what combined authorities are (gaining over 900 views to date), and infographics on themes such as skills and employment and benefits to businesses. Lastly, it contains information to help councils prepare their own bid by making available the LGA's evidence base for devolution and sharing key documents produced by areas.
3. Future developments could include:
 - 3.1. More short videos explaining key elements of devolution, for example provisions of the Cities and Local Government Devolution Bill.
 - 3.2. Tools for councils to use to communicate locally about devolution, customisable to their area.
 - 3.3. Increasing the interactivity by using resources such as the Knowledge Hub.
 - 3.4. 'Vox pops' of leading members, officers, business leaders and others talking about why devolution is important to their area and sharing their journey so far.
4. ***Members' views are sought as to how these resources could be developed further.***
5. The LGA has also positioned itself as a leading organiser of sector-facing events on devolution, providing a forum for sharing knowledge and key messages as well as fostering peer learning. Recent successful events include:
 - 5.1. A national conference on communicating about devolution in Birmingham on 21 October. Discussions are now taking place with several areas interested in hosting smaller, locally-driven workshops on the same theme with our support.
 - 5.2. A joint national conference with SOLACE on governance in a new world on 27 November.

- 5.3. Two events for elected members to explore place-based leadership in the context of devolution as part of the LGA's Leading Edge and Leaders' Programme.
 - 5.4. The first meeting of the LGA's Officers' Devolution Network took place in December. The event was well received, with attending officers considering the key challenges they anticipated facing in coming months. They were signposted to work the LGA has completed or is developing that will assist with these. The LGA will facilitate two more meetings in 2016, as well as developing a programme of seminars on specific topics within the broader devolution agenda.
 - 5.5. A planned member-focused event for June.
6. Again, ***members' views are sought on future activity***, including the focus for the June event.

Future considerations and next steps

7. Those areas furthest ahead are now moving towards implementation and delivery of devolved services. There is need for the LGA to look forward, adapt its programme of support, and focus resources where it can add maximum value. This could include a bespoke offer for combined authorities. Whilst it is anticipated that a flexible approach may still be required, thought should now also be given to what elements of support can be standardised and 'packaged', in order to best meet the emerging needs of the sector and at the same time remain focused. There are a number of considerations in this area:
 - 7.1. **Established support mechanisms:** in considering the development of our devolution offer, it is helpful to consider the existing LGA improvement offer led by the Improvement and Innovation Board, including:
 - 7.1.1. Peer challenges - a small team of local government peers spending time at the council to provide challenge and share learning.
 - 7.1.2. The Leader's Programme and Leadership Academy help to support and develop councillors, ensuring local politicians are confident and capable.
 - 7.1.3. The Economic Growth Adviser programme is designed to build up the capacity of a local area to improve its economic future, offering direct, bespoke advice via a panel of advisers with a proven track record in their field.
 - 7.2. Each of these programmes, developed for single councils, has elements which could be built upon to provide more bespoke devolution offer for combined authorities. In addition, existing relationships with organisations such as the Centre for Public Scrutiny and Local Partnerships will be helpful in shaping an updated offer.
 - 7.3. **Sector led improvement:** supporting local authorities to help each other improve is central to LGA philosophy. In this context, the LGA will work with New Economy to develop new tools and guidance based on the experiences in Greater Manchester and areas across the country who are at different stages in the devolution process. This will capture learning that will better enable other areas to make robust, evidence-based cases for devolution in relation to tax and spend, as well making recommendations for how the deal-making process could work better in future.

- 7.4. **The move to implementation:** following successful negotiations in many areas, councils are increasingly concerned with the practicalities involved in delivering deals. ***Members may wish to consider how best the LGA could assist councils and combined authorities to implement devolved powers and responsibilities,*** taking into account the possible templates for support in paragraph 7.1. This could for example consist of offers such as:
- 7.4.1. Supporting place-based leadership, both for members and officers, including for example peer challenges for combined authorities.
 - 7.4.2. Expert support in designing effective governance systems.
 - 7.4.3. Expert support and advice in designing systems to deliver devolved services.
 - 7.4.4. Working with partners to improve community engagement.
 - 7.4.5. Bespoke support in local economic development.
 - 7.4.6. Support to drive forward urban regeneration.
 - 7.4.7. Evaluation and knowledge sharing.
8. The support offered will have clear resource implications for the LGA, both in officer time and in funding. This will be considered more fully once the support offer has been developed in more detail.



Devolution within England

Purpose

For discussion and direction.

Summary

This paper provides an update on recent policy developments to inform members' discussion of the next stages of the LGA's campaign for devolution.

Recommendations

The Board is asked to:

1. provide a steer on the devolution work currently being undertaken and the next stage of the LGA's campaign for devolution;
2. provide comment on the recommendations as set out in paragraph 12.3.

Action

Officers to take any actions as directed by the Board.

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Devolution within England

Cities and Local Government Devolution Bill

1. The Cities and Local Government Devolution Bill completed the Committee Stage in the Commons on 17 November. Members' steer has been to ensure that the Bill facilitates the most flexible, locally-led negotiations. Our numerous briefings to Parliamentarians has been based on this steer. One disappointment has been that the Government removed the "devolution test" that we had successfully pressed for in the Lords, which would have required Ministers to demonstrate that any new piece of legislation was consistent with the principles of devolution. However, we were pleased that the Government accepted the amendment related to transparency that was passed following our lobbying. This provision requires the Secretary of State to lay an annual report about devolution before Parliament.
2. Members expressed significant concerns with new amendments relating to "consent" to Combined Authorities tabled by the Government in early December. In our briefing to parliamentarians, we urged the Government to clarify the exceptional circumstances under which these powers could be used and provide assurances that there would be adequate safeguards to protect the viability of all affected authorities. We will continue to brief MPs on our concerns ahead of the 'ping pong' stage this month.
3. A new clause was added to allow groups of councils such as Transport for the North to set up statutory Sub-National Transport Bodies to advise transport ministers on investment priorities and strategic transport schemes in their own areas. The LGA supports this provision but we also emphasised that areas should be able to come forward with proposals for their own constitutional arrangements without central prescription.
4. Although the timetable for the Bill has been slightly delayed and Royal Assent was not achieved in December as planned, officials are confident that following 'ping pong' from 12 January, Royal Assent will be achieved as quickly as possible and should not delay councils' plans. We will continue to monitor this and press for the Bill to move as swiftly as possible, while still ensuring councils' views are represented. The LGA has also produced a briefing to clarify the new powers the Bill would provide the Secretary of State.¹

Devolution deals

5. Since September, five devolution deals have been announced:
 - 5.1 Sheffield City Region
 - 5.2 North East
 - 5.3 Tees Valley

¹ http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10180/7611125/ARTICLE#sthash.SsgilYOO.dpuf



5.4 West Midlands

5.5 Liverpool City Region

6. The Chancellor also announced further devolution of powers to Greater Manchester in the Spending Review. Summaries of the deal announcements are available on the LGA's [DevoNext hub](#).
7. Although each deal has bespoke elements, a consistent pattern or 'core offer' has emerged in the city region deals. In all these deals, the governance arrangement that has been agreed is a mayoral combined authority, with the first elections for directly-elected mayors set for May 2017. Broadly speaking, the common elements of a city region deal are set out below. This core offer gives the LGA a further platform to continue its negotiations at scale. One element of that work is set out in paragraphs 13 and 14.
 - 7.1 A single investment fund enabling pooling of central and local funding streams for economic growth, "seeded" with an annual allocation of central government funding for 30 years.
 - 7.2 Full devolution of the 19+ skills budget by 2018/19.
 - 7.3 Co-design with Department for Work and Pensions of future employment support for harder-to-help claimants.
 - 7.4 Intermediate Body (IB) status for the European Regional Development Fund and European Social Fund.
 - 7.5 Power to pursue bus franchising.
 - 7.6 Pooled and devolved local transport funding allocated as a multi-year settlement.
 - 7.7 Introduction of smart ticketing across local modes of transport.
 - 7.8 Devolved approaches to business support.
 - 7.9 Greater tailoring and engagement of city regions on UK Trade and Investment services.
8. Several of the elements above reflect the strength of the sector's collective lobbying through the LGA. For example, the LGA has long campaigned for localisation of EU funds, devolution of skills funding, powers over bus franchising and greater local influence over trade and investment programmes.
9. There is a pipeline of negotiations with a number of other places, particularly in two-tier areas, with the likelihood of further announcements in the early part of this year. The LGA has been working with a number of places that opted not to submit proposals in September and further proposals are expected to be submitted in the coming months. In our response to the Spending Review, we emphasised that the full benefits of devolution must be extended to all areas of the country. We will be keeping up the pressure on Government to ensure that progress on delivering deals is sustained.

Support offer

10. Take up of the LGA's devolution support offer has been positive. Going forward, steer is sought from Members around how best evolve the support offered to councils in order to provide the most relevant assistance to the sector. Details of the support activity to date and considerations for future activity are outlined in the adjoining paper .

Governance

11. At the last board meeting, Members commissioned a descriptive piece of work examining models of executive leadership, including international examples. Following the direction of Lead Members, Robin Hambleton, Professor of City Leadership at the University of West of England (UWE), has been invited to the board meeting of 21 March 2016 to present some initial research and discuss possible next steps.

Future considerations and next steps

12. Whilst many new deals are expected to be announced over the next few months, other areas will be beginning their implementation phase. There are a number of implications arising from this:
- 12.1 **Support and building capacity in councils:** The scope of the LGA's support offer has been set out in Item 3. This service can be provided within current resources. It will be particularly important to ensure the innovative work that councils are developing in areas which have been newly devolved is shared and communicated widely, and that the LGA's support offer keeps pace with councils' needs.
 - 12.2 **Going further with devolution deals.** The limits of devolution deals tend to expand by a variety of factors including the ambition and negotiation of individual councils and combined authorities, collective representation by the LGA and pressure from independent research and think tanks. There are two areas that are under consideration to ensure that the LGA helps create new boundaries in English devolution policy. Firstly, there is a need to renew the debate on the benefits of devolution in the reform of public policy. Secondly, there are specific policy areas where the pace of work on devolution needs to be increased: employment support and skills funding is a particular concern of this Board and the People and Places Board.
 - 12.3 The LGA has already established a proposal to devolve employment support to groups of councils once Work Programme contracts end in 2017, and is working with DWP to see how the principles within it can influence the new Work and Health Programme for all areas. Similarly Members may wish to consider how local areas will manage their contribution to the challenging three million Apprenticeship start target. All public bodies including councils have been set a target (2.3% of their total employed workforce; LGA will lobby for this to be changed to percentage of total employed FTE), and will pay into a Levy (0.5% of total payrolls over £3 million). Members may wish to build on our existing skills and employment campaign to address this. The LGA could, for example, call for

all Levy contributions to be pooled into local apprenticeship hubs so that the fund is targeted at local need, rather than being directed nationally.

- 12.4 **Wider constitutional issues:** The reshaping of English local governance raises a number of questions for all four nations of the UK. Currently, the All Party Parliamentary on Reform, Decentralisation and Devolution in the UK has convened a groups of experts from across the UK to consider the wider constitutional and long-term issues resulting from devolution in all four nations. This expert panel is led by the LGA President, Lord Kerlake, with the LGA providing the secretariat. Their report is expected in March 2016 and will help create a public debate in this area.

Devolution deals and the LGA

13. As devolution deals initiate changes to English local governance, the LGA will need to consider how it works with Combined Authorities and other groupings of councils in the future. LGA services will need to be provided to member councils both individually and through their sub-regional alliances, combined authorities and mayoral models. Our governance structures should also reflect these new arrangements.
14. At the LGA Executive meeting in September, members asked for the LGA to consider its own structures and services as more devolution deals are achieved. Group Leaders have discussed this issue in more detail and have examined ways in which Combined Authorities, Mayors and other areas with devolution deals can be supported within the LGA. However, the Chairman and Group Leaders felt that it was important that the detail of how the LGA adapted to changing English governance should be developed by those at the front line of such changes. As a result a working group with a representative from each of the Groups and led by the Chair of this Board has been convened in order to assess how the LGA develops to address these issues.



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The Spending Review, Business Rates Retention and the Provisional Local Government Finance Settlement 2016/17 and Future Years

Purpose of report

For information.

Summary

This report highlights the announcements in the Spending Review and Autumn Statement 2015 and the 2016/17 Provisional Local Government Finance Settlement. The LGA's submission to the consultation on the 2016/17 Local Government Finance Settlement is attached as **Annex A**.

Recommendation

The City Regions Board is asked to note the update.

Actions

Report for information only.

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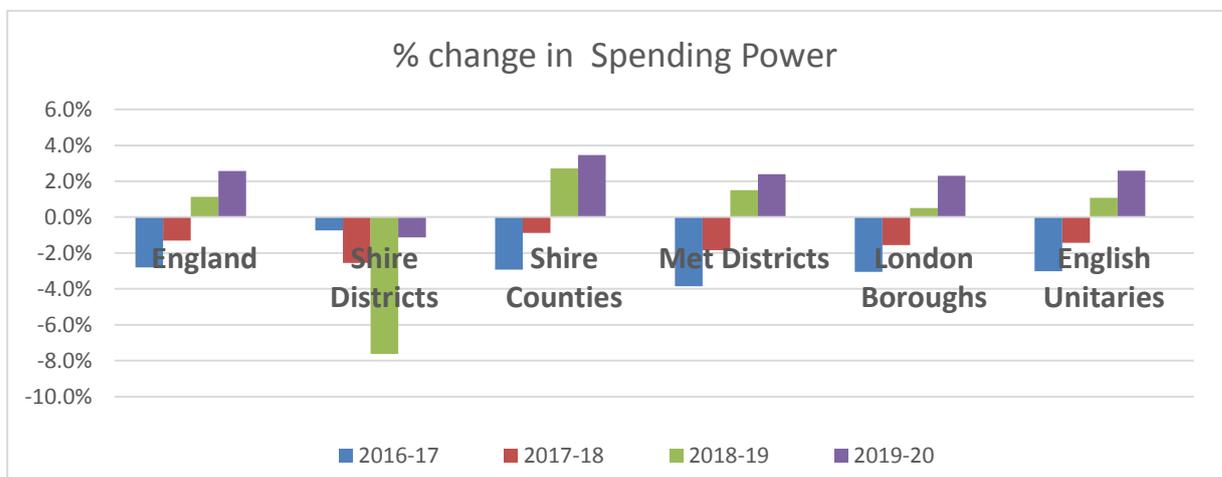
The Spending Review, Business Rates Retention and the Provisional Local Government Finance Settlement 2016/17 and Future Years

Background

1. On 25 November, the Chancellor announced the Spending Review and Autumn Statement 2015 to cover the life of the current Parliament. The Secretary of State for Communities and Local Government made a statement to Parliament on 17 December 2015 on the provisional local government finance settlement for 2016/17 and future years. The consultation on this closes on 15 January 2016.
2. The LGA’s on-the-day briefings for both events summarise the proposals affecting councils and are available on the website [here](#) for information.

Implications for Local Government Finance

3. In the Spending Review, the headline figures for local government were that core central government funding for local government, comprising business rates and revenue support grant, will fall by 24 per cent in real terms over the Spending Review period. When taking into account the Office for Budget Responsibility forecasts of other income raised locally by councils, the overall position is a 6.7 per cent real terms reduction. These figures are better than expected given that, in the run up to the announcement, all government departments were asked to model reductions of 25 and 40 per cent.
4. The headline figures announced in the provisional settlement are:
 - 4.1. Core Spending Power for councils as a whole will fall by 0.5 per cent over the four year period to 2019/20. Core spending power is a new measure defined by the government including: Revenue Support Grant (RSG); retained business rates; the new homes bonus; and income from council tax assuming specified levels of growth, as well as some other specific funding. The following graph shows core spending power by class of authority over the period to 2019/20.





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- 4.2. The Government has also included a new definition of “settlement core funding” which is RSG plus retained business rates and council tax at the 2015/16 base level. The inclusion of base council tax is new compared to the “settlement funding assessment” used in previous years.
- 4.3. Taking into account the full range of ways councils can raise money, the settlement is “flat cash” in total for councils over the next four years.
- 4.4. The Government has taken expected council tax receipts into account when calculating core government funding (principally RSG) and has prioritised funding for social care authorities. RSG will reduce in a way that ensures that councils delivering the same set of services will receive the same percentage change in settlement core funding for these services. As a result the settlement proposes distributional changes and this impacts differently on each type of council.
- 4.5. The figures for 2017/18 and beyond are subject to councils publishing an efficiency plan.
- 4.6. In later years RSG will be reduced to below zero for some councils and these councils will have their funding adjusted via top-ups and tariffs. These councils will therefore lose some of their locally retained business rates. The total amounts involved nationwide are £2.27 million in 2017/18, £22.82 million in 2018/19 and £152.88 million in 2019/20. This represents about 0.02% of retained business rates in 2017/18 rising to about 1.2% in 2019/20.

5. The number of authorities going into negative RSG is shown by type and year in the following table.

Year	Shire Counties	London Boroughs	Shire Unitaries	Shire Districts	Metropolitan Districts	Fire Authorities	Total
2017/18	0	0	0	15	0	0	15
2018/19	2	1	2	51	0	0	56
2019/20	11	3	8	146	0	0	168

- 6. The settlement includes greater flexibility over council tax. Adult social care authorities will be able to increase their council tax by 2 per cent over the referendum threshold. This must be spent on adult social care. District councils whose council tax is currently in the lowest quartile will be able to increase their council tax by the higher of 2 per cent or £5.
- 7. Beyond this, the 2 per cent council tax referendum limit was confirmed, and a consultation on the review of new homes bonus was launched.

LGA Successes – announcements in spending review and settlement

8. In line with LGA lobbying, a number of announcements in the spending review and the provisional settlement can be counted as wins for the LGA. These include recognition of the need to address the social care funding crisis, the extension of the better care fund, funding for additional nursery places, more flexible use of capital receipts, proposals for the Work and Health Programme, and rural funding amongst others. Details can be found in the two on-the-day briefings [here](#). The reduction in overall funding is less than widely expected and is a sign that our case had an impact on Government decisions on local

government funding. The announcement on Business Rates Retention is particularly significant and is outlined in the next paragraph.

Business rates retention

9. The Spending Review and the provisional settlement both contained further information about the introduction of 100% business rates retention by 2020.
10. The Government will consult on the proposals. The key features are as follows:
 - 10.1. Local Government as a whole will keep all of business rates.
 - 10.2. Revenue Support Grant will be phased out.
 - 10.3. The reform will be fiscally neutral, so current grants and additional powers and responsibilities will be transferred to local government to match the additional base business rates funding. So far, these are proposed to include the public health grant and the housing benefit admin grant, together with the TfL's capital grant (announced in the Spending Review). This amounts to about £5 to £6 billion. It was announced in the Settlement that the transfer of support for people with care needs currently supported by Attendance Allowance is being considered.
 - 10.4. The system of top ups and tariffs will continue and after this all local growth will be retained.
 - 10.5. All local authorities will have the power to reduce business rates, but only area with a directly elected city wide mayor will be able to add a premium (increase) with the support of the Local Economic Partnership.

Communications / Public Affairs

11. Our media lines in response to the Spending Review were covered extensively in the national media including in three separate **Guardian** pieces, **BBC online**, **Times**, **FT**, **Mirror**, **Mail**, and **Independent**. Cllr Sharon Taylor OBE was also interviewed by **BBC News**, **Chanel Four News**, **ITV news**, **Five Live** and **LBC**. Cllr Izzi Secombe also spoke on the **Today Programme** on the day following the Spending Review announcement to discuss the impact on social care.
12. A planned media briefing was held on the Friday following the Spending Review announcement to provide a chance to explain the figures to media. This was well attended and led to stories highlighting the LGA's analysis in the **Observer**, **Sun on Sunday**, **Sunday Express**, **Independent on Sunday**, **Sunday Times**, **BBC online**, **BBC news**, **ITV** and **Sky News**.
13. A media statement was issued on the day of the settlement with our initial analysis and reaction to what it means for councils. Chairman Lord Porter was interviewed live on the **BBC Daily Politics** on the day of the settlement and our statement was also reported as part of coverage in the **Guardian**, **FT**, **Express** and on **Mirror Online**.
14. Our on-the-day briefing for each event was circulated to Council Leaders, Finance Portfolio Holders, Chief Executives, senior local government officials and parliamentarians. For the Spending Review the on-the-day briefing was downloaded over



City Regions Board

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8000 times. So far the on-the-day briefing for the provisional settlement has been downloaded 4,481 times.

Next steps

15. We will continue to brief MPs and Peers as the Finance Settlement is debated in Parliament in January and February 2016.
16. Members are asked to note the report and the content of the on-the-day briefings available on the website [here](#).

Financial Implications

17. This is core work for the LGA and is budgeted for within the 2015/16 LGA budget.

Annex A: Local Government Finance Settlement 2016-17 Consultation and an offer to councils for future years

15th January 2016



1. The Local Government Association (LGA) is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.
2. This response has been agreed by the LGA's Chairman, lead members and resources portfolio holders.

Key points

3. Despite receiving a 'flat-cash' settlement over the next four years, there are still very significant challenges ahead for councils who, will have to make savings sufficient enough to compensate for any additional cost pressures they face. In addition the reductions are front loaded, with higher reductions in earlier years, so that there is a 'u shaped funding curve'. These pressures fall differentially on councils as do the proposals for the distribution of the reduction in Revenue Support Grant which now takes into account councils' ability to raise council tax based on 2015-16 levels. Some councils are facing reductions in 2016-17 that are significantly higher than they had been planning for as a result of the change in the way that the funding reduction has been allocated. The LGA will not take a formal position on these changes but acknowledges the difficulty of adjusting budget plans at this stage in the annual budget cycle and asks the Secretary of State to consider providing some transitional support to reduce the depth of the "u-shaped" funding curve.
4. The LGA welcomes the offer of a four year settlement. We have long called for local government to have the same planning horizon as government itself. This is a step towards financial certainty. However it has got to be put into the context of a rebalancing of funding with both council tax and localised business rates playing a more important role than the centrally allocated Revenue Support Grant. Uncertainty about the impact of 100 per cent business rates retention and outcomes of the New Homes Bonus and Improved Better Care Fund consultations means councils will still have to estimate total available resources in future years. This brings both opportunities and risks which relate to both council tax and business rates. Specifically the risks relate to the council tax base buoyancy, the impact of business rates revaluation and the accuracy of projections of housing numbers and business growth.

Submission

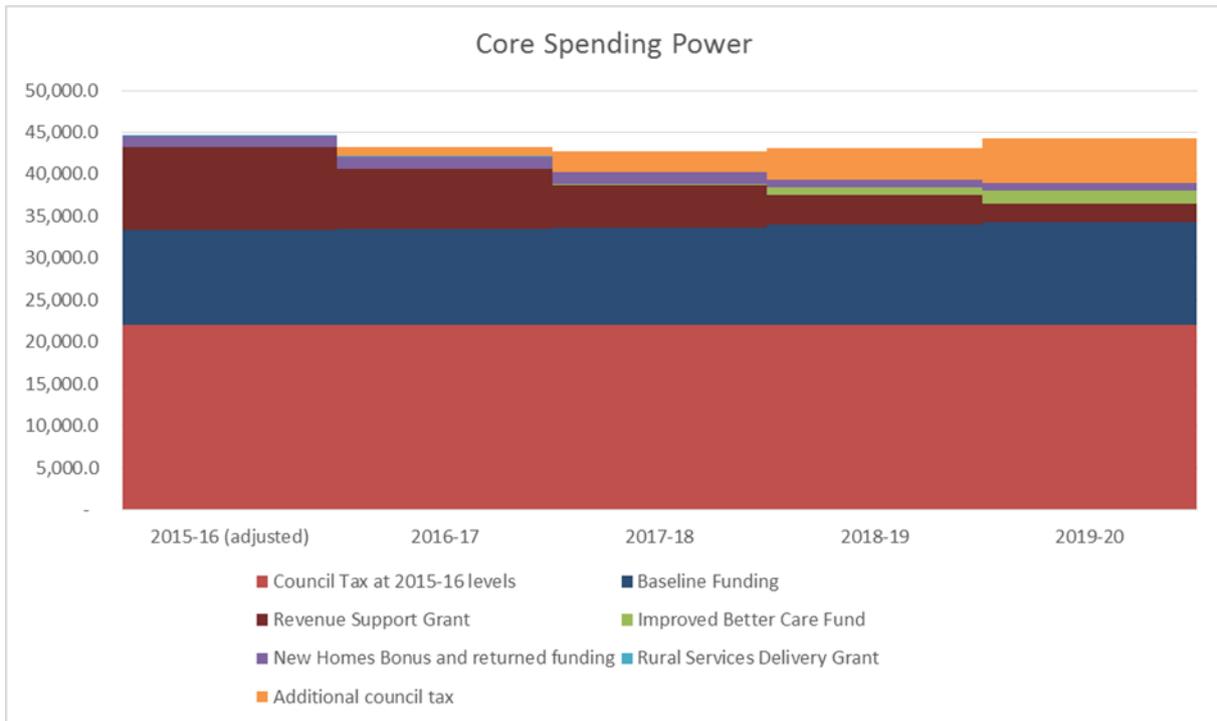
5. The maintenance of a broadly “flat cash” position for local government in the context of significant grant reductions, is achieved largely through an assumption that councils will take up the option to raise council tax by nearly 1.99% as a general increase and an additional 2% for social care where relevant. We welcome the flexibility offered by the 2% social care precept. However assumptions on taxbase increase seem to be very ambitious. The LGA would expect that the Government’s messaging will support councils that take up the option to raise council tax to the maximum permitted without a referendum and they would not seek to blame councils for raising council tax after a long period where it has been stable.
6. The social care levy will impact differently of households in unitary as opposed to 2 tier areas and in areas with fire authorities as opposed to those where fire is a council service. We call for all councils to be able to raise the total local government and fire precepts falling on a household by 2 percent. This will provide an improvement in potential income for social care in two tier areas particularly in the first two years.
7. We call for all district councils and fire authorities to be allowed to raise their Band D council tax by £5 – not just the 51 with the lowest council taxes in 2015-16. In addition the rules on referendums should be set so that levies such as IDB levies should not count against councils’ own referendum limits.
8. We call for the government to reform the appeals system to reduce substantially the risk to authorities and the need for provisions. This is vital in the move to 100% business rates retention.
9. We look forward to the government actively involving the LGA and the sector on the move to 100% business rates retention. It is essential that a fundamental review of the needs basis is included in any new system and that the system includes equalisation as well as incentivisation. We will engage in discussions with the Government about the proposals to give more responsibility to councils to support older people with care needs and on other options for transferring responsibilities to local government. We believe that councils and businesses paying rates would like some of this extra local income to be invested in services that support local economies and drive local growth.
10. The LGA will be responding in due course to the Government’s consultation on the distribution of the additional money for social care through the Better Care Fund. We note that there is no additional BCF funding for social care in 2016/2017 and only £105 million in 2017/2018. This, together with the incremental nature of the council tax precept policy, means a further two years of significant pressures on a system that is already under strain. The Government has been clear in its intention to address social care pressures yet in 2016-17 the spending power of councils with social care responsibilities falls by 3.2 per cent at a time when they are facing significant pressures in adult social care including rising need and demand and the cost of the national living wage. The government should bring forward the £700 million of new funding for the Better Care Fund to 2016-17 in order to help alleviate these pressures.
11. There is a small group of councils which are close to the edge of financial sustainability. The LGA asks that consideration be given to how to manage the situation where a council has insufficient resources to operate.
12. Finally we look forward to discussing with government further details of the four year offer to councils, including any further information on

efficiency plans. The government ought to accept councils' medium term financial plans, which will set this out, rather than requiring a new document. The provision that will allow councils to use capital receipts from the sale of assets to support revenue spending on reform projects will assist councils in reshaping services. Given the particular challenges in the early years of the settlement, it would be of more immediate assistance to councils if they were able to use existing or at least recent receipts in this way rather than just new receipts as proposed. We also note that the government has stated in the consultation that councils should 'make strategic use of reserves in the interests of residents'. We would comment that not all councils have reserves which they can use in this way.

Detail

The overall settlement

13. The LGA welcomes the offer of a four-year settlement albeit dependent on the business rates multiplier, the effects on top-ups and tariffs of business rates revaluation in 2017-18, the outcomes of the consultations on New Homes Bonus and the Better Care Fund, progress towards 100% business rates retention and local authorities publishing efficiency plans. The LGA has heard from some member councils that they found the fact that the settlement consultation was once again late this year particularly challenging as there had not been a previous technical consultation on the proposed changes .
14. It would be helpful if Government sets out as soon as possible details on what should be included in an efficiency plan and provides clarity on the process involved.
15. Given uncertainties about several aspects of future funding and in the absence of clarity about the requirements for efficiency plans, authorities may be wary of signing up to a four year settlement and will want to be clear that they could not end up worse off by so doing. They also would also like more detail on what the effect of not signing up is.
16. In this settlement the government has introduced a new definition of core spending power. The LGA supports the removal of ring-fenced funding and the existing better care fund from this new spending power calculation. Its inclusion in previous years meant that the government figures for revenue spending power lacked credibility for many councils. The chart overleaf shows the change in spending mix in the provisional settlement.



17. The Local Government Finance Settlement for 2016-17 and the government’s offer to councils for future years confirms that councils’ Core Spending Power, according to the Government’s definition, will fall by 0.5% over the Spending Review Period. Using the government’s definition of settlement core funding; which is the settlement funding assessment (SFA), which itself consists of baseline funding from business rates retention and revenue support grant, plus council tax at 2015-16 levels; this shows a decrease of £6.75 billion over the Spending Review period, a reduction of 15.6% of settlement core funding and 31.8% of Settlement Funding Assessment.

18. This reduction excludes the £600 million fall in Education Services Grant over the period which has been announced by the Department for Education. Although we recognise that some of this fall will be borne by academies, we would expect the majority of it to come from council budgets. We will be responding to the consultation on local authority education duties when it is issued by the Government.

Pressures on councils and distribution

19. There are still very significant challenges ahead for councils who will have to make savings overall, sufficient enough to compensate for any additional cost pressures they face, given the flat-cash settlement over the next four years.

20. These include those arising from:

- a. general inflation
- b. cost pressures in the care sector

- c. increases in the number of adults and children needing support and rising levels of need
 - d. increases in demand for everyday services as the population grows
 - e. pressure on homelessness budgets; and
 - f. increases in core costs such as national insurance, the National Living Wage and pension contributions.
21. These pressures are not equally distributed. This year the Government has changed the distribution method for Revenue Support Grant to take account of council tax at 2015-16 levels so that councils delivering the same set of services have the same or similar percentage change in 'settlement core funding'. Some councils are facing reductions in 2016/17 that are significantly higher than they had been planning for as a result of the change in the way that the funding reduction has been allocated.
22. The LGA will not take a formal position on these changes. Some members will see it as fairer whilst pointing out that it does not take into account council tax beyond 2015-16 or income from sources such as the new homes bonus. Others will be concerned that they will lose revenue support grant at a faster rate than would otherwise be the case.
23. The LGA acknowledges the difficulty of adjusting budget plans at this stage in the annual budget cycle and asks the Secretary of State to consider providing some transitional support to reduce the depth of the "u-shaped" funding curve.
24. There is a small group of councils which are close to the edge of financial sustainability. The LGA asks that consideration be given to how to manage the situation where a council has insufficient resources to operate.

Council tax

25. The maintenance of a broadly "flat cash" position for local government in the context of significant grant reductions, is achieved largely through an assumption that councils will take up the option to raise council tax by nearly 1.99% as a general increase and an additional 2% for social care where relevant. Whilst the LGA is in principle against council tax referendums, as we consider that councils should be held accountable through the normal mechanism of the ballot box, we have long been calling for increased flexibility. We therefore welcome the flexibility offered by the 2% social care precept. However it comes with increased risks, particularly concerning the taxbase assumptions.
26. The Government assumption is that the council tax base will continue to grow at the same rate as it did from 13-14 to 15-16. This means that for England as a whole the rise in the council tax base accounts for almost £1.8 billion over the four years and assumes that the council taxbase rises by an average of 1.9% annually. These figures seem very optimistic. They may incorporate rises in taxbase due to decisions on council tax support or discounts which would not be expected to be repeated over the period. If they fall short in practice, councils will not receive their full core spending power even if they take full advantage of

the flexibilities offered by the government. One alternative would be for the government to consider longer term trends in the taxbase, whilst adjusting for the effect of council tax benefit / council tax support.

27. The LGA has long raised concerns about the underfunding of adult social care and the impact this inevitably has on the quality and quantity of commissioned care. We therefore welcome the increased flexibility that will allow social care authorities to put up council tax by an additional 2 per cent on top of the current referendum threshold. This, and the additional funding through the Better Care Fund, will help to address the funding gap facing social care. The Government should ensure the administrative burden of assurance on councils regarding the social care flexibility is kept to a minimum. The LGA seeks assurances that the ability of councils to determine how reductions in budgets should be managed not be compromised.
28. Despite the recognition of social care pressures in the settlement the context of an already severely challenged sector together with the overall position on councils' budgets means that a lot of the pressures will have to be met by savings. Therefore significant challenges remain to ensuring the delivery of sufficient services to appropriate quality standards. In addition it is worrying that social care councils will experience a 3.2 percent reduction in their core spending power in the first year of the settlement at a time when pressures such as the living wage and national insurance increases, together with expectations of support for NHS services, are increasing. We call for the start of the improved BCF to be brought forward to start from 2016-17.
29. The decision whether to raise council tax is of course one that each council will have to take. Some councils have in place manifesto commitments to freeze council tax for a given period and they will be in a difficult position. The LGA would expect that the Government's messaging will support councils that take up the option to raise council tax to the maximum permitted without a referendum and they would not seek to blame councils for raising council tax after a long period where it has been stable.. We note that the Government will not be paying a council tax freeze grant in 2016-17 or for any year of the settlement; this should also be reflected in Government messaging.
30. The social care precept will impact differently on households in unitary as opposed to 2 tier areas and in areas with fire authorities as opposed to those where fire is a council service. We call for all councils to be able to raise the total local government and fire precepts falling on a household by 2 percent. This will provide an improvement in potential income for social care in two tier areas especially in the first two years before the improved BCF scales up
31. Only 51 districts, those who are in the lowest quartile of district council taxes in 2015-16, will have access to the £5 at Band D. We call for this to be available to all district councils irrespective of their 2015-16 council tax; this would add additional spending power to districts with a net 15-16 council tax up to £250 at Band D; the current cut-off point in the Government's proposals is £142. This flexibility should also be available to fire authorities.
32. We note that council tax freeze grant for 2015-16 has been baselined within settlement funding so that councils which took up the offer have the guarantee that the money will be in their baseline. This will give

assurance to councils which took the offer of the freeze grant up. This has been the practice for all years since 2010-11 with the exception of 2012-13. Some councils would urge that these resources be provided outside RSG.

Business Rates

33. The LGA notes that the government's methodology of reducing settlement core funding by the same percentage for each service will lead to a situation where some authorities would be in a situation of negative Revenue Support Grant in 2017-18 and future years. Adjusting top-ups and tariffs is a technical solution to this, although it is contrary to the principles of the business rates retention scheme whereby top-ups and tariffs should only change by the relevant multiplier each year (between resets). This may change the level of incentivisation within the scheme. The 100% scheme should be designed in a way that this does not occur.
34. The settlement confirms that the safety net will be £50 million in 2016-17. This means that total top-sliced funding for the safety net since 2013-14 has been £245 million. This should be returned to the settlement as soon as possible.
35. Councils are continuing to express concern about the effect of business rates appeal decisions. Ultimately the problem will only be solved by a substantial diminution in both the number of appeals and the time they take to be resolved. This is vital as we move to full business rates retention. We have responded separately to the Government's consultation on 'check challenge appeal'. The proposed new system will be seen as a success by local government if it leads to a substantial decrease in the need to make provisions to cover business rates appeals.
36. The LGA has also made proposals for business ratepayers themselves to self-assess their own rateable value. We would like to see the Valuation Office Agency and the Department of Communities and Local Government to explore this proposal as part of increasing digitalisation and individual ratepayer accounts, with a view to be able to introduce it at the time of the next revaluation in 2022.
37. We look forward to the outcome of the review of the structure of business rates at budget 2016. We also look forward to further work on business rates administration, digitalisation and business rates avoidance. We will be responding to the further consultations in due course.

100% business rates retention

38. We note that there was more information in the settlement on the introduction of full business rates retention, which the Government has said will happen by the end of the current Parliament. The Government will be consulting on giving more responsibility to councils to support older people with care needs, including people who, under the current system, would be supported through Attendance Allowance. There will be protection for existing claimants and new responsibilities will be matched by the transfer of equivalent spending power.
39. We look forward to the government actively involving the LGA and the sector on the move to 100% business rates retention, including what

the consultation describes as the right model of devolution and level of flexibility. We will engage in discussions with the Government about the proposals to give more responsibility to councils to support older people with care needs. We believe that councils and businesses paying rates would like some of this extra local income to be invested in services that support local economies and drive local growth. Handing over responsibility for skills and transport services would allow local areas to close skills gaps and improve public transport.

40. We welcome that councils will continue to be fully compensated for the loss of income from the small business rate measures. However, this reduces the buoyancy of the taxbase. This is one of the issues to discuss with the government as we move to 100 per cent business rates retention. It is essential that the system includes equalisation as well as incentivisation. We look forward to full engagement of the LGA and the sector in the detailed design of the new system, including a fundamental review of the needs basis.

Specific grants and the settlement

41. The settlement announced that the funding earmarked for preparation for implementation of the **Care Act 2014** would be included in the baseline for calculating Revenue Support Grant. The element is worth £308 million in 2016/17, growing to £514 million in 2019/2020.
42. The continuation of adult social care funding for the Care Act reforms is welcome and adds much needed resources to take forward this important legislation, including moving towards the cap on care by 2020.
43. The LGA has consistently called for the money saved from delaying Care Act implementation to be reinvested into the social care system; this was central to our call for a delay to phase two of the legislation in the first place. This announcement, the additional council tax flexibility, along with the increases to the Better Care Fund, goes some way to meeting our proposal. However this means that the additional pressures from implementation of the non-delayed parts of the Care Act, which according to the Government's own figures will increase by £206m by 2019-20 over the baseline figure of £308m will have to be met from within core spending power as opposed to being funded separately.
44. The LGA also notes that the element for **local welfare schemes** has been incorporated into the settlement without incorporating the additional £74million which was included in the 2015-16 final settlement. Councils continue to be at the front line of supporting and enabling households to adjust to a significant and ongoing programme of welfare reform. Councils run a number of highly efficient and effective local schemes to prevent households from falling into crisis and to build capacity. The LGA calls for this £74 million to be returned to the settlement baseline.
45. The LGA notes that no announcement was made about continuing specific grant funding for the **Independent Living Fund** which became the responsibility of councils on 1 July 2015. We look forward to the announcement of grant funding in due course. £191 million was provided to councils for the period from July 2015 to April 2016; there should therefore be funding of around £255 million for the full years of the settlement if there is not be a further cut to funding.
46. The LGA also looks forward to announcements of specific grant funding from the Department for Education including support for home to school

transport, adoption and SEN reform, and from the Department of Health on Public Health allocations.

The Improved Better Care Fund

47. The Settlement confirms the continuation of the Better Care Fund (BCF) and additional funding for adult social care through the BCF worth £1.5 billion by 2019/2020. In the interim years, the additional funding through the BCF will be worth £105 million in 2017/2018 and £825 million in 2018/2019. This funding will be allocated as a specific grant.
48. We note that the Government will consult on how the additional funding is distributed. As a default option it has proposed that the BCF grant should act as a method of equalising the relative needs for social care services and the maximum possible impact of the social care council tax precept. This would lead to some social care councils receiving no additional BCF money.
49. The introduction of the BCF has marked an important change in how care and health interact within a place. The fact that the nationally mandated £3.8 billion BCF in 2015/2016 was increased by an additional £1.5 billion from local care and health budgets demonstrates that local areas are ambitious about integration. We welcome the continuation of the BCF and the additional money within it for adult social care.
50. The settlement confirms that there is no additional BCF funding for social care in 2016/2017 and only £105 million in 2017/2018. This, together with the incremental nature of the council tax precept policy, means a further two years of significant pressures on a system that is already under strain. As mentioned above, there is a reduction of core spending power of 3.2% for social care authorities in 2016-17. We therefore call for the Improved Better Care Fund allocation of £700m to be brought forward to 2016-17.
51. As with any conditions attached to the council tax precept, any conditions attached to the use of additional funding through the BCF should be kept to an absolute minimum. Councils will face a completely different mix of council tax and BCF income within the overall support package. Those with a higher proportion of BCF funding should not face tighter constraints.
52. The LGA will be responding in due course to the Government's consultation on the distribution of the additional money for social care through the BCF.

New Homes Bonus

53. The LGA notes that the methodology for the New Homes bonus will remain unchanged in 2016-17 and that the total top-slice for new homes bonus will be £1,275 billion in 2016-17. London boroughs will want clarity that the same arrangements for funding the LEP programme as previously existed will continue. The LGA has always considered that New Homes bonus should be funded from outside the settlement. The LGA will be submitting a separate response to the technical consultation on reforms to the New Homes Bonus.

Use of capital receipts

54. The provision that will allow councils to use capital receipts from the sale of assets to support revenue spending on reform projects will

assist councils in reshaping services. Given the particular challenges in the early years of the settlement, it would be of more immediate assistance to councils if they were able to use existing or at least recent receipts in this way rather than just new receipts as proposed.

Local Government Association
January 2016

Annex

The detailed responses to the DCLG questions in the consultation are:

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

This is a new methodology which takes into account council tax at 2015-16 levels so that councils delivering the same set of services have the same or similar percentage change in 'settlement core funding'. As stated above, the LGA will not take a formal view on this. Some members will see it as fairer whilst pointing out that it does not take into account council tax beyond 2015-16 or income from sources such as the new homes bonus. Others will be concerned that they will lose revenue support grant at a faster rate than would otherwise be the case and that the late announcement of the change poses a challenge.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The decision to use the October 2014 council tax base for the 2016-17 settlement and for the indicative settlements up until 2019-20 means that taxbase growth is not taken into account. This will favour authorities with higher taxbase growth. The government argues that it acts to incentivise growth. Others may see it as less fair as it accounts for why they may have a higher decrease in core spending power. The high taxbase assumptions may be open to question, as indicated in the main settlement response.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

The methodology for splitting sets of services enables settlement core funding for each service to be reduced by the same percentage for every authority which delivers that service. The LGA does not have a view on this.

Question 4: Do you wish to propose any transitional measures to be used?

As said in the main response, The LGA acknowledges the difficulty of adjusting budget plans at this stage in the annual budget cycle and asks the Secretary of State to consider providing some transitional support to reduce the depth of the 'U-shaped' funding curve and to bring forward the Improved Better Care Fund resources to 2016-17.

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

The LGA has always considered that New Homes Bonus should be funded from outside the settlement. We recognise that the methodology used is unchanged from last year.

The LGA will be submitting a separate response to the technical consultation on reforms to the New Homes Bonus.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

The LGA agrees with the principle of the safety net but considers that it should be funded from outside the system. With the £50m top-slice for 2016-17; the total amount top-sliced since 2013-14 is £245m. The LGA considers that the government should return this money to the local government finance system.

The main reason for the safety net is business rates appeals; the LGA looks forward to progress on reducing the number of speculative appeals either through the 'Check Challenge Appeal' system or through the adoption of more digitalisation as proposed by the LGA in its Spending Review submission 'Spending Smarter'.

Consideration needs to be given how to deal with the safety net in the context of 100 per cent business rates retention.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

Authorities with additional costs due to sparsity will welcome this funding.

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

The LGA agrees that local welfare provision should be incorporated within core spending power. However we are concerned that the £74 million additional resources which were put in for the 2015-16 final settlement have not been incorporated. We call for this £74 million to be returned to the baseline.

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

The LGA agrees that the methodology used is technically correct. However this means that the additional pressures from the Care Act 2014, which according to the Government's own figures will increase by £206m by 2019-20 over the baseline figure of £307m will have to be met from within core spending power as opposed to being funded separately, meaning that they will be set alongside other pressures caused by the 'flat cash' settlement.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

The LGA agrees that the methodology used to incorporate council tax freeze grants in the settlement is technically correct and this will mean that authorities that froze their council taxes in the relevant year will continue to get the funding provided through the freeze grant in their baselines. Some councils would like to this funding included in the 'visible lines' information or for the grant to be paid outside RSG. We note that the government does not propose to pay a freeze grant in 2016-17.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

We agree that the methodology used to incorporate efficiency support grants in the settlement is technically correct. This will ensure that the funding up to 2015-16 is baselined and forms part of authorities' settlement core funding and core spending power. We note that the government does not propose to pay efficiency support grant in 2016-17.

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

We agree with the proposal to incorporate existing funding for lead local flood authorities in the baseline

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?

Please see answer to question 14 below.

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?

The LGA is opposed to ring-fenced funding except in particular circumstances. Ring-fencing adds to administrative costs and complexity and can lead to misallocation of funding. We welcome additional money for lead local flood authorities and consider that this should be added to the settlement funding of the authorities concerned.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

We note that the government's methodology of reducing settlement core funding by the same percentage for each service will lead to a situation where some authorities would be in a situation of negative Revenue Support Grant in 2017-18 and future years. Adjusting top-ups and tariffs is a technical solution to this, although it is contrary to the principles of the business rates retention scheme whereby top-ups and tariffs should only change by the relevant multiplier each year between resets and has an effect on the incentivisation which the scheme provides. The 100% scheme should be designed in a way that this does not occur.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

The LGA does not wish to propose an alternative methodology at this time.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

The Government's Equality Assessment notes the measures that have been taken to build in protection in the settlement but also noted that the reductions are likely to have had a disproportionate effect on the most deprived authorities and that there could be correlation with protected groups. The methodology adopted this year reduces settlement core funding by the same or a similar percentage for authorities delivering the same services. The LGA is aware that some authorities

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would urge the Government to take future council tax increases into account to protect spending on council tax support and resource equalisation in a similar way to the council tax freeze grant. Other authorities would sympathise with this in principle but would be concerned if they were to lose more RSG as a consequence.



Meeting with Secretary of State Greg Clark MP – 13 January 2016

Purpose

For discussion and noting.

Summary

The Secretary of State for Communities and Local Government, Rt Hon Greg Clark MP, requested a meeting with the City Regions Board earlier this month to discuss the Local Government Finance Settlement. The meeting was held on Wednesday 13 January 2016, and a summary note of the discussion which took place is included as **Annex A**.

Recommendation

The City Regions Board are asked to note and comment on the summary of the discussion on the Local Government Finance Settlement which took place with the Secretary of State on 13 January 2016.

Action

As directed by members.

Contact officer: John Wilesmith
Position: Member Services Officer
Phone no: 0207 664 3363
Email: John.wilesmith@local.gov.uk

Annex A: Summary Note of Meeting with Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government – Wednesday 13 January 2016

PURPOSE

1. The Secretary of State for Communities & Local Government wished to engage with members on the Local Government Finance Settlement, which was currently out for consultation.

KEY POINTS PUT FORWARD BY THE SECTOR

2. Members agreed to focus the debate on four key issues of highest concern and where clarity was required. Members made detailed representation of the following areas:
 - 2.1 The overall funding profile of the Local Government Finance Settlement.
 - 2.2 Issues around the transition from current funding arrangements to future arrangements.
 - 2.3 Risks to the sector around 100% retention of business rates.
 - 2.4 Wider funding issues and cost pressures, including new responsibilities placed on local government.

SECRETARY OF STATE'S RESPONSE

3. In responding to the issues raised by LGA Members, the Secretary of State provided clarity on a number of issues. These included:

Local Government Finance Settlement

4. The government had proposed a four year Local Government Finance Settlement to provide financial flexibility and stability to councils, and allow for greater long term planning. Councils accepting a four year Settlement would be required to submit an efficiency plan which should demonstrate what they could deliver over the period which would not have been possible to deliver with an annual settlement.
5. It was not possible to bring forward any funding which was allocated for future years, as the Spending Review set out what money was available for particular years and particular schemes.

New Home Bonus

6. The New Homes Bonus programme was a policy introduced by the last Parliament but there was no certainty it would continue indefinitely. It was a useful source of revenue for councils and would continue in its current form in 2016/17. It would be for the LGA to make representations through the response to the Settlement on whether the New Homes Bonus should continue, and DCLG would consult on proposals to reform the New Homes Bonus post 2016/17.

Council Tax

7. It was anticipated that the 2% council tax referendum limit would continue, although it would be for individual local authorities to decide if they wished to raise council tax by the maximum amount (without triggering a referendum) year on year. It was assumed that 100% of all eligible councils would levy an additional 2% social care precept.

Business Rates

8. In planning the Settlement the government had made the cautious assumption that business rate growth would be in line with inflation, but experience had suggested that business rates for every local authority in the country were in advance of inflation.
9. The issue of business rate appeals was not part of the consultation on the Settlement, and would potentially be an issue for councils whatever the outcome of the Settlement consultation.

Reserves

10. Different local authorities had different levels of reserves, and the amount of reserves had generally increased across the sector in recent years due to the unpredictability of the Settlement. Reserves could be used to smooth the reduction in funding, although the OBR had not made any assumptions on local authorities' use of reserves. It was hoped that, by bringing forward a four year Settlement, councils would be able to release some money from their reserves as there was less risk to budgets than in a one year Settlement.

Distribution and Equalisation

11. Members restated the offer (which had been made at the previous meeting between Members of the City Regions Board and the Secretary of State) to work closely with DCLG to create a model for business rate distribution which would provide an equitable distribution of resources across all areas and authority types. The offer was welcomed by the Secretary of State, and he highlighted that the principles for business rates reform would be the next priority for DCLG when the consultation on the Settlement had been completed.

Apprenticeships and Skills

12. The Secretary of State welcomed proposals that local government could play a major part in developing apprenticeship schemes and addressing the skills shortage, although these issues were not directly in the scope of the consultation on the Settlement. DCLG would consider any collective proposals from the sector on skills and apprenticeships, and Devolution discussions with individual regions regarding skills would also continue.

Housing

13. It was recognised that house building schemes of all types were vital, and offers from local authorities to support this were welcomed. The government already had an agreement with Housing Associations, and it was suggested that a further meeting with LGA representatives specifically on the topic of housing be held in future.

Present

DCLG: Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government
 Colette Beaupre, Private Secretary
 Maxwell Soule
 Farhad Chikhalia
 David Godfrey

LGA Members:

Conservative	
Cllr John Beesley	Bournemouth Borough Council
Cllr Donna Jones JP	Portsmouth City Council
Labour	
Cllr Helen Holland	Bristol City Council
Cllr Sir Albert Bore	Birmingham City Council
Cllr Simon Letts	Southampton City Council
Cllr Nick Forbes	Newcastle upon Tyne City Council
Cllr Roger Lawrence	Wolverhampton City Council
Independent	
Cllr Marianne Overton MBE	Lincolnshire County Council

Apologies: Ruth Dombey (Liberal Democrat), London Borough of Sutton

LGA: Sarah Pickup Deputy Chief Executive
 Ian Hughes Head of Policy
 Rebecca Cox Principal Policy Adviser
 Paul Goodchild Assistant Member Services Manager

Note of last City Regions Board meeting

Title:	City Regions Board
Date:	Monday 26 October 2015
Venue:	Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

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

Item	Decisions and actions	Action
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1 Welcome and apologies

Sir Richard Leese welcomed members of the board and recorded apologies for Cllr Peter Rankin, Cllr Tudor Evans, Mayor Joe Anderson OBE, Cllr Roger Lawrence, Cllr Sir Albert Bore, Cllr Nick Forbes, Cllr Judith Blake, Mayor Sir Steve Bullock and Cllr Abigail Bell.

Sir Richard also welcomed new Board members to the first meeting of the political cycle. He then moved to bring items 5 and 6 to the front of the agenda due to Lord Kerslake's imminent voting commitments in the House of Lords. The Board agreed to bring the items forward on the agenda.

2 Discussion with Lord Kerslake

Lord Kerslake, President of the LGA, spoke about his work as the Chair of an inquiry on *Better Devolution for the Whole UK* set up by the All-Party Parliamentary Group (APPG) for Reform, Decentralisation and Devolution in the UK.

He said that the overarching purpose of the inquiry was to set out a framework for long-lasting and coherent devolution in the UK. He noted that the inquiry would like to hear from local government representatives at their next evidence session on 30 November 2015 and invited Board members to participate. He also asked any Board members who are interested in submitting written evidence to the inquiry's next session to contact Charlotte Taylor in the LGA Public Affairs team. The inquiry aims to hold another two evidence sessions in December 2015 and January 2016 before launching its findings in March 2016.

Lord Kerslake predicted that it is very unlikely that the inquiry will reach final recommendations that run counter to the core interests of the LGA. He expressed sympathy for the idea that fiscal devolution is required alongside devolution of powers. He noted that the debate at the moment is mainly focussed outside of London, but that further devolution within

London is required. He also clarified that the inquiry does not intend to be a constitutional convention, but rather the precursor to one.

Members discussed:

- The importance of ensuring that the report is perceived as impartial and high-quality in order to gain maximum political traction.
- The need to take a wide view of powers that could be devolved to local authorities based on an analysis of viable local solutions to long-term problems.
- The value of different places devolving at their own pace by utilising successful models that look likely to suit their specific needs.
- The need for the inquiry to look at new models of devolution as well as evaluating existing models.
- The importance of the inquiry expanding beyond a purely growth-orientated analysis of devolution and looking at other potential benefits such as public service reform.
- The extent of fiscal devolution that looks likely to strike the best balance between optimising devolution of powers and ensuring equity between areas.
- The value of underpinning devolution deals with legislation to ensure that it is not easily overturned.
- The potential risk of central government devolving problematic and high-cost responsibilities that local authorities are not currently well equipped to deal with.
- The importance of looking at which models of devolution have been most successful in getting buy-in from the Civil Service and central departments.
- The value of getting support for devolution from the business community.
- The risk of raising expectations too high on what is likely to be achievable in the near future in terms of agreeing and implementing new devolution deals.

3 English Devolution

Sarah Pickup, Deputy Chief Executive of the LGA, spoke to the Board about the LGA's strategy on fiscal devolution, as outlined in paragraphs 7, 12, 17 and 23 of the paper before the Board.

She said that LGA officers have been framing the Spending Review as an opportunity to push for early implementation of 100 percent business rates retention. She noted that she has liaised with council Chief Executives on this matter, and then invited members to air their thoughts.

Members discussed:

- The number of programmes certain local authorities will need to cut in order to present central government with revenue-neutral proposals for fiscal devolution.

- The importance of addressing the issues of redistribution, equity and proportionality prior to getting into the details of business rates retention, as these wider goals should frame the discussion.
- The importance of areas who have bid for 100 percent fiscal devolution creating viable plans for redistribution.
- The need to make clear that any extra taxes raised through fiscal devolution are required for councils to fulfil their current responsibilities, rather than a reason to devolve further responsibilities.
- The need to consider how to redistribute locally in a self-sufficient model of tax and spend.

Charlotte Taylor, Public Affairs and Campaigns Adviser, updated the Board on the progress of the Cities and Local Government Devolution Bill. She summarised the changes that have been made to the Bill in light of the LGA's efforts, as detailed in paragraphs 9 and 10 of the paper before the Board. She noted that most of the issues of key relevance to the LGA were addressed on the first day of the Committee Stage, with a number of favourable amendments being agreed. The next opportunity to get further amendments on key LGA issues is the Report Stage.

Members discussed:

- The importance of ensuring that the final Bill takes the form of enabling legislation, and the central role that Board members can play in pushing for this by keeping up to date with, and shaping, the LGA's main asks.
- The value of face-to-face interactions between Board members and their local MPs in order to maintain momentum behind the devolution agenda.
- The political value of local authorities shaping their devolution requests around previously successful devolution models and aiming towards some degree of standardisation across devolution requests, whilst acknowledging that standardisation has risks as well as political benefits.

Action

Members expressed a wish to stay informed about the research that the Resources portfolio has commissioned on business rates devolution.

Members asked for the LGA's briefings on the Devolution Bill to be circulated to the Board.

Members said that they would contact their local MPs to promote the Board's views regarding the development of the Devolution Bill.

4 Declarations of Interest

No declarations of interest were announced.

5 Membership and Terms of Reference for 2015/16

Members were asked to note the Board's membership for 2015/16 and agree the Board's terms of reference for 2015/16.

Sir Richard noted that the first paragraph states that the Board's purpose is to represent the interests of urban areas, and that this should be used as a test for the Board's work. He also noted that the Board has the flexibility to appoint members to lead on certain key issues.

Members **agreed** the Board's membership and terms of reference for 2015/16.

6 City Regions Board Work Programme 2015/16

Ian Hughes, Head of Policy, introduced the Board's Work Programme for 2015/16. He drew members' attention to paragraph 10, which sets out a number of strategic issues for members to consider when establishing the work programme for the coming year. He also suggested that the Board might want to shape priorities around how it can best work with councils at the coalface of the devolution agenda.

Members **agreed** the following:

- That a review of the Board should be inserted into the Work Programme for 2015/16, as discussed in the previous Board meeting.
- This review should cover how combined authorities and metro mayors will fit into the structure of the Board, and should be informed by discussions with advisors from the four constituencies from which Board membership is drawn.

Members discussed:

- The possibility of supporting research currently being scoped by Core Cities on economic inclusion.
- The importance of tying in the Work Programme with a clear communications strategy on the benefits of devolution to city regions.

7 Governance in the context of devolution

Piali DasGupta, Senior Advisor, introduced a paper exploring governance in the context of devolution, which outlined the current position in the UK, some international comparisons, the emerging thinking in the 4 September devolution bids, and some options for future projects. She sought members' opinions on whether to try to move the devolution conversation on from structures of governance to principles of good governance.

Members discussed:

- The importance of emphasising that different areas will need different governance arrangements.

- The value of engaging with the business community on governance issues.
- The benefits and risks of seeking to map out a blueprint of what the UK as a whole should be aiming towards in terms of devolved governance.
- The value of working alongside the People and Place Board to ensure that there is not duplication and that each Board is aware of the similarities and differences between the governance issues they face.
- The importance of looking at international models of governance, including the strong/weak mayors in the US, Scandinavian models, etc.
- The importance of further work analysing the governance arrangements of existing combined authorities in England.

Action

Officers will develop further research on post-devolution governance options for the next Board.

8 Employment and Skills: update paper

Jasbir Jhas, Senior Advisor, introduced a paper updating the Board on the LGA's current activity on employment and skills. This item included a draft of the LGA/Department for Work and Pensions (DWP) Statement of Intent (Annex A), and a draft LGA proposal for a devolved employment support programme for adults with multiple needs (Annex B). An updated printed copy of Annex B was circulated to members and they were encouraged to feed back their thoughts before the 30 October 2015, so that the proposal could be submitted to the Government at the beginning of November, in time to influence spending review decisions.

Dave Simmonds, Chief Executive of Inclusion, who was commissioned by the LGA to produce the proposal was invited to speak to Annex B. He said that he anticipated the DWP's employment budgets being reduced in the upcoming Spending Review. He argued the case for focussing on adults with multiple-needs, who have a 19 percent job success rate as compared with 33 percent for other groups. The draft proposal supported the overall message that local government can do a better job of helping one million of the most disadvantaged jobseekers into work than national provision had thus far achieved. It also suggests that the funding envelope for the devolved programme would be estimated at £2.75bn over five years. This should come from DWP's Work Programme to be combined with devolved skills and health funding.

Members discussed:

- The importance of promoting integrated funds, such as the Troubled Families programme.

- The issue of whether it is better to push for across-the-board devolved employment and skills programmes or to push for small devolved pilot programmes that can then act as a catalyst for further devolution.
- The idea that the present skills shortage is a symptom of deeper problems with the wider economic system, and the need to widen the conversation to address these.
- The importance of taking a long-term approach that is holistic rather than too narrow a focus on short-term piecemeal results.
- The importance of framing the proposed employment programme as a mechanism for local models, rather than as the model that all local authorities should follow.
- The possible value of the LGA taking a lead on negotiating devolution of Department for Education (DfE) funding, rather than leaving it for individual authorities to try to strike a pilot deal.

Action

Officers will develop the suggestions for further work in paragraphs 25 – 28 in a way that is sensitive to the concerns outlined by members.

9 Minutes of the previous meeting

Members **agreed** the minutes of the previous meeting.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Sir Richard Leese CBE	Manchester City Council
Vice-Chairman	Cllr Robert Light	Kirklees Metropolitan Council
	Cllr Paul Watson	Sunderland City Council
Deputy-chairman	Mayor George Ferguson CBE	Bristol City Council
Members	Cllr Sean Anstee	Trafford Metropolitan Borough Council
	Cllr Robert Alden	Birmingham City Council
	Cllr John Beesley	Bournemouth Borough Council
	Cllr Donna Jones JP	Portsmouth City Council
	Mayor Jules Pipe	Hackney London Borough Council
	Cllr Helen Holland	Bristol City Council
	Cllr Ann Lucas OBE	Coventry City Council
	Cllr Simon Letts	Southampton City Council
	Cllr Iain Roberts	Stockport Metropolitan Borough Council
Apologies	Cllr Peter Rankin	Preston City Council
	Cllr Tudor Evans	Plymouth City Council
	Mayor Joe Anderson OBE	Liverpool City Council
	Cllr Roger Lawrence	Wolverhampton City Council
	Cllr Sir Albert Bore	Birmingham City Council
	Cllr Nick Forbes	Newcastle upon Tyne City Council
	Cllr Judith Blake	Leeds City Council
	Mayor Sir Steve Bullock	Lewisham London Borough Council
	Cllr Abigail Bell	Hull City Council
In Attendance	Lord Bob Kerslake	President of the LGA and Chair of the Inquiry into Better Devolution for the Whole UK
	Dave Simmonds	Chief Executive, Inclusion
LGA Officers	Sarah Pickup	
	Ian Hughes	
	Rebecca Cox	
	Piali DasGupta	
	Jasbir Jhas	
	Charlotte Taylor	
	Patricia McMahon	
	John Wilesmith	

LGA location map

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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

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

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

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Horseferry Road Car Park
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