



**Government**  
Association

# Resources Board

Agenda

**Monday, 5 December 2016**  
**2.00 pm**

Rooms A&B, Ground Floor, Layden House,  
76-86 Turnmill Street, London, EC1M 5LG

## Guidance notes for members and visitors

### Layden House, 76-86 Turnmill Street, London, EC1M 5LG

Please read these notes for your own safety and that of all visitors, staff and tenants.

#### Welcome!

Layden House is located directly opposite the Turnmill Street entrance to Farringdon station, which is served by the Circle, Hammersmith & City, and Metropolitan lines as well as the Thameslink national rail route.

#### Security

Layden House has a swipe card access system meaning that a swipe enabled security passes will be required to access the lifts and floors 1-5.

Most LGA governance structure meetings will take place on the **ground floor** of Layden House which is open access and therefore does not require a swipe enabled security pass. **Access** to the rest of the building (floors 1-5) is via swipe enabled security passes.

When you visit Layden House, **please show your Local Government House security pass to reception** and they will provide you with a temporary pass which will allow you access to floors 1-5 if required. **Please don't forget to sign out at reception and return your security pass when you depart.**

If you do not have a LGH Security Pass, please email [member services](#) with your name and a recent photo and a pass will be made for you. You can pick this up from the Layden House reception desk on your next visit.

#### Fire instructions

In the event of the fire alarm sounding, vacate the building immediately via the nearest fire exit onto Turnmill Street and take the next turning on your left – Benjamin Street to St John's Gardens.

DO NOT USE THE LIFTS.

DO NOT STOP TO COLLECT PERSONAL BELONGINGS.

DO NOT RE-ENTER BUILDING UNTIL AUTHORISED TO DO SO.

#### Soft Seating Area

There is a small soft seating area on Floor 2 which will also operate as an 'Open Council' area for visiting members and officers from member councils. Please note however that unlike Open Council, this area does not have tea and coffee facilities, nor access to computers.

#### Toilets

There are accessible toilets on the Ground Floor, 2nd and 4th floors.

#### Accessibility

Parking is available at the rear of the building for Blue Badge holders, accessed via the Turks Head Yard, North underpass. Disabled WCs are situated on the ground and 4<sup>th</sup> floors. An induction loop system is available in the 5<sup>th</sup> floor conference venue. For further information please contact the Facilities Management Helpdesk on 020 7664 3015.

#### Guest WiFi in Layden House

WiFi is available in Layden House for visitors. It can be accessed by enabling "Wireless Network Connection" on your computer and connecting to LGA-Free-WiFi. You will then need to register, either by completing a form or through your Facebook or Twitter account (if you have one). You only need to register the first time you log on.

**Further help**

Please speak either to staff at the main reception on the ground floor, if you require any further help or information. You can find the LGA website at [www.local.gov.uk](http://www.local.gov.uk)

**Why have the LGA's Headquarters moved?**

The LGA has temporarily relocated from Local Government House (LGH) in Smith Square to Layden House in Farringdon, effective from Monday 31 October 2016. This is to allow extensive refurbishment work to be carried out to LGH.

The refurbishment works will see the ground floor conference centre and all meeting rooms fully refurbished. Floors 1, 2 and 3 will be upgraded and released for commercial letting to enable the LGA to maximise the income from this building as part of its drive for financial sustainability. A new and larger Open Council will be located on the seventh floor. The refurbishment is expected to last for nine months and we expect to be back in LGH by September 2017.

We appreciate your understanding and flexibility during this time.

Resources Board  
5 December 2016

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There will be a meeting of the Resources Board at **2.00 pm on Monday, 5 December 2016** Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG.

A sandwich lunch will be available at 1.45pm.

**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.

**Political Group meetings:**

The group meetings will take place in advance of the meeting. Please contact your political group as outlined below for further details.

**Apologies:**

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

<b>Conservative:</b>	Group Office: 020 7664 3223	email: <a href="mailto:lgaconservatives@local.gov.uk">lgaconservatives@local.gov.uk</a>
<b>Labour:</b>	Group Office: 020 7664 3334	email: <a href="mailto:Labour.GroupLGA@local.gov.uk">Labour.GroupLGA@local.gov.uk</a>
<b>Independent:</b>	Group Office: 020 7664 3224	email: <a href="mailto:independent.grouplga@local.gov.uk">independent.grouplga@local.gov.uk</a>
<b>Liberal Democrat:</b>	Group Office: 020 7664 3235	email: <a href="mailto:libdem@local.gov.uk">libdem@local.gov.uk</a>

**Location:**

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

**LGA Contact:**

Frances Marshall  
0207 664 31220 / frances.marshall@local.gov.uk

**Carers' Allowance**

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £7.20 per hour is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

## Resources Board – Membership 2016/2017

Councillor	Authority
<b>Conservative (7)</b>	
Cllr John Fuller (Vice Chairman)	South Norfolk District Council
Cllr Nigel Ashton	North Somerset Council
Cllr James Jamieson	Central Bedfordshire Council
Cllr Mary Malin	Kettering Borough Council
Cllr Barry Macleod-Cullinane	Harrow Council
Cllr Roger Phillips	Herefordshire Council
Cllr David Renard	Swindon Borough Council
<b>Substitutes</b>	
Cllr Lynne Duffy	Wychavon District Council
Cllr Andrew Leadbetter	Exeter City Council
Cllr Judith Oliver	North Norfolk District Council
<b>Labour (7)</b>	
Cllr Claire Kober OBE (Chair)	Haringey Council
Cllr Rishi Shori	Bury Metropolitan Borough Council
Cllr Aaron Shotton	Flintshire County Council
Cllr Sian Timoney	Luton Borough Council
Cllr Tom Beattie	Corby Borough Council
Cllr Sarah Hayward	Camden Council
Cllr Peter Marland	Milton Keynes Council
<b>Substitutes</b>	
Cllr Norman Keats	Knowsley Metropolitan Borough Council
Cllr Abdul Jabbar	Oldham Metropolitan Borough Council
Cllr Christopher Massey	Redcar & Cleveland Borough Council
<b>Independent (2)</b>	
Cllr Clarence Barrett (Deputy Chair)	Havering London Borough Council
Cllr Linda Van den Hende	Havering London Borough Council
<b>Substitutes</b>	
Cllr Bob Dutton OBE	Wrexham County Borough Council
<b>Liberal Democrat (2)</b>	
Cllr Claire Hudson (Deputy Chair)	Mendip District Council
Cllr Simon Shaw	Sefton Metropolitan Borough Council
<b>Substitutes</b>	
Cllr David Brown	Borough of Poole

## LGA Resources Board: Attendance 2016-2017

<b>Councillors</b>	<b>23/09/16</b>
<b>Conservative Group</b>	
John Fuller	Yes
Nigel Ashton	Yes
James Jamieson	Yes
Mary Malin	Yes
Barry Macleod-Cullinane	Yes
Roger Phillips	Yes
David Renard	Yes
<b>Labour Group</b>	
Claire Kober OBE	Yes
Rishi Shori	Yes
Aaron Shotton	No
Sian Timoney	No
Tom Beattie	Yes
Sarah Hayward	Yes
Peter Marland	No
<b>Independent</b>	
Clarence Barrett	Yes
Linda van den Hende	Yes
<b>Lib Dem Group</b>	
Claire Hudson	Yes
Simon Shaw	Yes
<b>Substitutes</b>	
Norman Keats	Yes
Christopher Massey	Yes
Abdul Jabbor	Yes

## Agenda

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### Resources Board

Monday 5 December 2016

2.00 pm

Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG

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Item	Page	Time
1. <b>Declarations of Interest</b>		2.00pm
2. <b>Minutes of the previous meeting held on 23 September 2016</b>	1 - 6	
<b>EU FUNDING</b>		<b>Page</b>
3. <b>EU Funding Working Group Update (Confidential)</b>	7 - 16	
<b>WORKFORCE</b>		<b>Page</b>
4. <b>Workforce Update</b>	17 - 20	
<b>LOCAL GOVERNMENT FINANCE</b>		<b>Page</b>
5. <b>Autumn Statement 2016</b>	21 - 26	
6. <b>Business Rates Retention and Financial Reform</b> Presentation by the Institute for Fiscal Studies.	27 - 28	3.00pm
7. <b>Response to Markets in Financial Instruments Directive II Implementation: Consultation Paper III</b>	29 - 38	
8. <b>Local Government Finance Update</b>	39 - 43	

**Date of Next Meeting:** Monday, 16 January 2017, 2.00 pm, Room D&E, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG





## Note of last Resources Board meeting

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<b>Title:</b>	Resources Board
<b>Date:</b>	Friday 23 September 2016
<b>Venue:</b>	Smith Square 3&4, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

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### Attendance

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

Item	Decisions and actions	Action
<b>1</b>	<p><b>Declarations of Interest</b></p> <p>Apologies received from Cllrs Aaron Shotton, Sian Timoney and Peter Marland.</p> <p>There were no declarations of interest.</p>	
<b>2</b>	<p><b>Membership and Terms of Reference</b></p> <p>Cllr Kober introduced the paper which outlined the Terms of Reference and membership of the Board.</p> <p>Cllr Kober informed the Board that Cllrs Mike Eathorne-Gibbons and Alan Walters had been confirmed as substitutes for the Independent Group.</p> <p><b>Decision:</b> The Board agreed the Membership and Terms of Reference for 2016/17.</p>	
<b>3</b>	<p><b>Board priorities and work programme</b></p> <p>Cllr Kober took members through the paper which set out the proposed priorities and key areas of work for the Board.</p> <p>On the workforce stream members asked that there be a focus on the new pay structure and spinal points as a result of the increase in minimum wage.</p> <p>Members also agreed the following Member Champions:</p> <ul style="list-style-type: none"> <li>Local Government Finance – Cllrs Claire Kober and John Fuller</li> <li>EU funding – Cllr Clarence Barrett</li> </ul>	

- Welfare Reform – Cllr Claire Hudson
- Skills – Cllr Linda Van de Hende
- Pensions – Cllr Roger Phillips

The Chair invited Cllr Phillips to feedback to the Board on his recent meeting with Marcus Jones MP Parliamentary Under Secretary of State (Minister for Local Government) and Richard Harrington MP Parliamentary Under Secretary of State for Pensions.

The LGPS will be the first to consult on transparency of costs. Some preliminary work has already been done and will be at the cutting edge. All funds have submitted proposals on the pooling of their assets, the legal structures for which will need to be in place within 18 months. The strategy of how funds are invested will be down to individual LGPS funds and governance structures with will be appointed to oversee the pooled pensions.

Price Waterhouse Cooper has been commissioned to look at options for academies and there is a need to involve the Treasury and Department for Education on in this work. Valuation of pension funds – the employer contributions to pay down the deficit is likely to increase but it will vary across employers and depending on the assumptions made at the last valuation.

**Decision:**

The Board the priorities, work programme and Member Champion roles for 2016/17.

**4 Response to consultation on Reforming business rates appeals:  
Check, challenge, appeal: reforming business rates appeals**

Nicola Morton, Head of Local Government Finance, introduced the paper and the LGA's response to the government's consultation on detailed regulations implementing the new Check Challenge and Appeal system for business rates appeals.

From April 2017 the Government is introducing a new system for dealing with challenges to rateable values; this is known as Check Challenge Appeal. Ratepayers will be required to firstly 'check' the facts that their rateable value is based on. They may then go on to put in a formal challenge or proposal which must be accompanied by an alternative valuation and all the evidence to support it. Only after these steps have been completed can a valuation be appealed. A ratepayer will not be able to introduce new evidence at appeal stage. There will also be a fee for submitting an appeal, and fines for ratepayers that provide false information knowingly, recklessly or carelessly.

Nicola Morton drew the Board's attention to three points in the draft response:

- The LGA has concerns that the proposed time limits still allow for the process to be dragged out. The recommendation is a time limit of six months for proposals in most cases, mirroring the situation in Scotland.
- When cases do go to appeal, the new regulations will result in the Valuation Tribunal only ordering a change to rateable value when the valuation appealed against is outside the bounds of reasonable judgement.
- The new valuations do give new rights to authorities to receive and give information to the VOA, which the LGA welcomes. However, there are concerns that councils will no longer have the right to make proposals which do not relate to their own premises. The LGA's view is that councils should continue to have these rights.

The Board felt local authorities should continue to have rights to make proposals under the regulations that do not relate to their own premises. Members wanted information and data on how often this power is currently used.

**Decision:**

The Board agreed the response to the consultation.

**Action:**

Officers to forward the response to DCLG.

## **5 Local Government Finance update**

The Chair invited Sarah Pickup, Deputy Chief Executive, to update the Board on the LGA's work on local government finance policy.

The LGA continues to work on business rates retention and alongside the summer consultation on business rates reforms the LGA has also responded to the call for evidence on its Fair Funding Review.

There was a discussion during which members made a number of comments:

- Councils should be able to pool with whoever they want.
- Councils shouldn't be forced to pay 100 per cent of back dated appeals.
- There should be flexibility and a safety net within the system.
- There should be some mechanism to deal with the impact of the loss of a major businesses or businesses.

On the autumn statement the Board wanted the LGA response to be strong on the need for councils to build houses. They also felt there should be full cost recovery for planning and licensing fees.

**Decision:**

The Board noted the update.

**6 Resources Board workstream: Responding to issues arising from the referendum decision to leave the EU**

The Chair invited Russell Reefer, Advisor: Economic Growth, EU funding and International Policy, to introduce the report and the priority areas within it.

Priority one: securing the current quantum of funding to 2020. Following the referendum result the government halted the allocations. The LGA is seeking the same guarantees as have been provided to farmers and universities.

Priority two: reviewing the regulations, technical issues and identification of priorities for the Brexit talks. Members were keen for this work to look at the effect of employment issues on small and medium businesses and landfill regulations.

Priority three: post Brexit domestic regional aid.

**Decision:**

The Board agreed to form a small member working group, led by Cllr Clarence Barrett, to act to help shape work on this issue.

**Action:**

Officers to progress in line with members comments.

**7 2017/18 Local Government Finance Settlement Technical Consultation**

The Chair invited Aivaras Statkevičius, Senior Advisor, to introduce the report which outlines the DCLG technical consultation on the 2017/18 local government finance settlement. The consultation sets out the Government's proposed approach to the 2017/18 settlement, the second year of the four-year offer for local government.

For the first time, DCLG is proposing that council tax referendum principles will apply to town and parish councils for which the Band D charge is higher than £75.46 (the lowest Band D charge by a district council) and the total precept raises over £500,000. The LGA received a letter from the National Association of Local Councils asking the LGA to lobby against this proposal.

The consultation also proposes allowing areas with mayoral combined authorities the option to request adjustments to the calculation of grant and business rates payments, to reflect changes in the way existing duties are carried out by authorities.

The Board restated its opposition to council tax referendum limits and felt this point should be made strongly in response to the consultation.

In relation to the additional charge available to cover adult social care services, members were keen to highlight that the additional 2 per cent increase would not be enough to cover the increased costs associated with the national living wage.

**Decision:**

The Board noted the consultation.

**Action:**

Officers to progress in line with members comments.

**Appendix A -Attendance**

Position/Role	Councillor	Authority
Chair	Cllr Claire Kober OBE	Haringey Council
Vice-Chairman	Cllr John Fuller	South Norfolk District Council
Deputy-chair	Cllr Clarence Barrett	Havering London Borough Council
	Cllr Claire Hudson	Mendip DC
Members	Cllr Nigel Ashton	North Somerset Council
	Cllr James Jamieson	Central Bedfordshire Council
	Cllr Mary Malin	Kettering Borough Council
	Cllr Barry Macleod-Cullinane	Harrow Council
	Cllr Roger Phillips	Herefordshire Council
	Cllr David Renard	Swindon Borough Council
	Cllr Rishi Shori	Bury Metropolitan Borough Council
	Cllr Tom Beattie	Corby Borough Council
	Cllr Sarah Hayward	Camden Council
	Cllr Norman Keats	Knowsley MBC
	Cllr Christopher Massey	Redcar & Cleveland Borough Council
	Cllr Abdul Jabbar	Oldham MBC
	Cllr Linda Van den Hende	Havering London Borough Council
	Cllr Simon Shaw	Sefton MBC
Apologies	Cllr Aaron Shotton	Flintshire County Council
	Cllr Sian Timoney	Luton Borough Council
	Cllr Peter Marland	Milton Keynes Council



Document is Restricted







## **Workforce Update**

### **Purpose**

For information and discussion.

### **Summary**

This report sets out the key workforce policy developments that have taken place since the last Board meeting on 23 September 2016.

### **Recommendation**

That the LGA Resources Board note the update and provide a steer on the development of the LGA's workforce work programme.

### **Action**

As directed by members.

**Contact officer:** Sarah Messenger  
**Position:** Head of Workforce  
**Phone no:** 0207 187 7342  
**Email:** [Sarah.Messenger@local.gov.uk](mailto:Sarah.Messenger@local.gov.uk)

## **Workforce Update**

### **Background**

1. The LGA's workforce team works with councils and their partners to help create a workforce able to respond to major changes within the public sector.
2. At the first meeting of the Resources Board this political meeting year, Members' agreed a work programme that would focus on: Workforce Strategy; Pay and negotiation; and Pensions.
3. This report sets out key developments in these three areas.

### **Workforce Strategy**

4. *Apprenticeships*: the levy tax and public sector targets come into effect in May 2017. Mandatory investment in apprenticeship training, equivalent to 0.5% of local government pay bill, will cost c. £200 million per annum. The non-mandatory target for apprentice numbers in local government is estimated to be 33,000 starts every year. In summary, current issues include:
  - 4.1. The LGA is working with Department for Communities and Local Government (DCLG) and Department for Education (DfE) to provide guidance and support to councils in England with national conferences and webinars in May, September and November. Guidance on web and communication to all councils is planned for December.
  - 4.2. The definition of an 'Apprentice' is now much broader, referring to anyone learning higher skills progressing to new role, which means it can be applied to the existing workforce.
  - 4.3. The LGA is targeting skill shortage areas such as social care and planning to provide apprentice pathways into hard to fill jobs.
  - 4.4. Apprentice levy and targets applies to schools and LGA is working with DfE on guidance and advice to schools.
5. *NHS Leadership Strategy*: The NHS Improvement and Leadership Strategy will be published after 29 November. Whilst this is a strategy for NHS funded roles, the LGA and Skills for Care have been involved in developing the strategy and members will recall that you approved the final version recently. A covering letter for the Strategy has been prepared which Cllr Kober OBE, Resources Board Chair, will sign on behalf of the LGA. Whilst we welcome this strategy, we have consistently made it clear that we will only deliver better health and social care outcomes if we achieve better integration across both sectors.
6. *Come back to social work campaign*: The LGA has developed and led this campaign aimed at experienced social workers who left the profession up to 5 years ago, offering

them intensive refresher training getting them ready for registration and interview by prospective employers. The campaign is a pilot run at low cost with Department for Education (DfE) and Department of Health (DH) endorsement and a small amount of funding. A microsite and online application system was supplied by Jobs Go Public. 22 entrants were accepted by interview in October and the training element of the programme is now beginning.

7. *Social Work Regulator*: The Government proposes to develop a new regulator for Social Workers and the LGA has lobbied intensively to ensure that the new body is independent from Ministers. Much detail remains to be developed about the nature of the new body and we will be supporting the DfE/DH working group to ensure that the interests of employers are fully represented.

### **Pay and the National Living Wage**

8. A two year pay deal done for 2016-18 to provide time to start to address the challenge of adapting the national pay spine to meet the increasing challenge the National Living Wage (NLW) will present as it moves towards its 2020 target level.
9. We commissioned Incomes Data Research to do a piece of qualitative research into what steps councils are taking to address the challenge. A voluntary sector provider of adult care services was also included in the research. The purpose of the research was to inform the NJC Employers' position in negotiations with the unions with regard to pay agreements for 2018-2020. Feedback was given to NJC Employers on the research on 10 November.
10. The NJC Joint Working Group is now up and running to consider options for a new pay spine. On the Employers' side this is supported by a sounding board of HR and payroll practitioners from councils and a couple of regional employer representatives. There has been some initial discussions with the unions about principles to underpin the review.

### **Sleeping-in payments**

11. This has been a significant unresolved issue for some time and we've been to meetings with the Department for Business, Innovation & Skills BIS (as was) both as the LGA and jointly with the Association of Directors of Adult Social Services (ADASS) and Voluntary Organisations Disability Group (VODG). It is a bigger issue for the costs of procuring social care than for the directly employed workforce. In summary, the Regulations surrounding the National Minimum Wage (NMW) have always said that sleeping in hours do not count for calculating the NMW, but some recent case law has come to a different conclusion and updated government guidance has moved in that direction, as well as the approach taken by some HMRC inspectors.
12. VODG hosted a meeting recently to discuss this and LGA officers attended. The other attendees were largely adult social care providers. As a result of the meeting, a joint statement was sent to the Department for Business, Energy and Industrial Strategy (BEIS) and copied to DCLG and DH. The statement asks that as a matter of urgency that BEIS looks into this issue with a view to confirming that the position is as stated in the Regulations. The Chairs of both the Resources and Community Wellbeing Boards were content to support the statement and the approach to central government.

### **Pensions**

13. *Pooling*: The LGA understands that the Local Government Minister is looking to meet with pools over the next few weeks to set out any reservations regarding their submissions and next steps.
14. *Exit payments*: Discussions are underway with unions and the Department for Communities & Local Government (DCLG) on the pension elements of Her Majesty's Treasury (HMT) further reforms. The LGA will maintain a link with separate discussions on redundancy payments.
15. *MiFID Consultation*: The Government Actuary will respond on the impact of local authorities being classified as retail investors from 2018.
16. *LGPS valuations underway*: Employer costs will at best remain stable but could well see increases due to growing deficits.

### **Implications for Wales**

17. The pay negotiations and pension policy sections above cover Welsh councils, whereas the strategic elements of the LGA's work do not directly apply to Welsh councils.

### **Financial Implications**

18. The outlined activities are within the work programme and therefore have been budgeted for.

### **Next steps**

19. Members are asked to comment on and provide a steer on the activities outlined.

## **Autumn Statement 2016**

### **Purpose of report**

For information.

### **Summary**

This report highlights the announcements in the 2016 Autumn Statement with implications for local government. The full [on-the-day briefing](#) is on the LGA website.

### **Recommendation**

That the LGA Resources Board discuss the content of the report and share their views.

### **Action**

LGA Officers to proceed as directed.

**Contact officer:** Sarah Pickup  
**Position:** Deputy Chief Executive  
**Phone no:** 0207 664 3141  
**E-mail:** [sarah.pickup@local.gov.uk](mailto:sarah.pickup@local.gov.uk)

## **Autumn Statement 2016**

### **Background**

1. The Chancellor of the Exchequer delivered his 2016 Autumn Statement on 23 November. The LGA provided councils, MPs and Peers including our Vice Presidents and selected stakeholders with an on-the-day briefing on the key announcements relevant to local government. We will also be following up with departmental officials on the detail of the announcements and providing further briefings and responses as required.
2. This is the final Autumn Statement. After the 2017 Budget (due to take place in the spring), the Government will move to Budgets being announced in the autumn. The Chancellor will still respond to economic forecasts made by the Office of Budget Responsibility in March each year, but these are not intended to be major fiscal events.
3. The [on-the-day briefing](#) contains most of the proposals affecting councils.

### **The key messages on public spending**

4. The Chancellor did not reopen the Spending Review, including the spending totals affecting local government.
5. The Autumn Statement included overall spending limits for the lifetime of the Parliament. Most notably, the Chancellor:
  - 5.1. Postponed achievement of an overall public sector surplus to the next Parliament.
  - 5.2. Increased borrowing estimates for each year of this Parliament.
  - 5.3. Announced policies which will increase Government spending by almost £10 billion in 2020/21.
6. The Government will review public spending priorities at the next Spending Review. However, overall departmental resource spending will increase in line with inflation in 2020/21 and 2021/22.
7. The Chancellor confirmed his intention, announced in the 2016 Budget, to seek a further £3.5 billion of departmental savings by 2019/20 through an efficiency review. However, £1 billion of these savings will now be repurposed for priority areas in the same year.

### **Announcements with an impact on local government finance**

8. The following is not an exhaustive list of announcements affecting local government. For a complete list, please refer to the [on-the-day briefing](#).

9. The Chancellor made no announcements regarding measures to help with funding of health and social care, the future of EU funding, the future of the education services grant or the new homes bonus.
10. The implementation of the cap on Housing Benefit and Local Housing Allowance rates in the social rented sector will be delayed by one year, to April 2019. The cap will be applied to all supported housing tenancies from April 2019, and that government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area.
11. The Government will allocate £2.3 billion into a Housing Infrastructure Fund up to 2020/21 to deliver infrastructure that will support the building of 100,000 new homes in high demand areas, which will be allocated to local government on a competitive basis. An additional £1.4 billion of funding for building an additional 40,000 homes will be allocated through the Affordable Homes Programme up to 2020/21.
12. The National Living Wage (NLW) will be increased by 4.2 per cent from £7.20 to £7.50 from April 2017. The Government's target for the NLW is to reach 60 per cent of median earnings.
13. The government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. £556 million of this will go to the North of England, £392 million to LEPs in the midlands, £151 million to the east of England, £492 million to London and the south east, and £191 million to the south west.
14. Budgets for the Work and Health Programme (WHP) will be transferred to London and Greater Manchester. This is subject to the two areas meeting certain conditions, including on co-funding. The Government will also devolve the adult education budget to London from 2019-20, subject to readiness conditions.
15. Mayoral Combined Authorities will receive powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury.
16. New fibre-optic broadband will qualify for 100 per cent business rate relief for a 5 year period from 1 April 2017. The Government will also double rural rate relief to 100 per cent from 1 April 2017. We expect councils to be funded fully for the cost of these measures.
17. The Government will consult on lending local authorities up to £1 billion at a new local infrastructure rate of gilts + 60 basis points for three years to support infrastructure projects that are high value for money. This represents an interest rate saving of 0.2 per cent on that rate.

#### **LGA activity prior to and on the day of the Autumn Statement**

18. Prior to the Autumn Statement, the LGA published a submission which positioned local government as a willing and essential partner in driving growth and opportunity for all.

We argued that councils' maximum contribution to the Government's vision of a 'society that works for everyone' required action on three broad objectives:

- 18.1. Creating the conditions for change: maintaining momentum on devolution and putting councils on a sustainable footing;
  - 18.2. Delivering opportunities for all: ensuring national and local government work together to develop the infrastructure required to ensure each area of the country can contribute to, and benefit from, economic growth; and
  - 18.3. Supporting everyone to contribute and benefit: supporting other vital council services that allow councils to continue taking care of their communities.
19. Following the publication of our Autumn Statement submission, the LGA was mentioned in 50 separate Autumn Statement media stories on many of our asks including the need for extra social care funding, the ability for councils to build homes and other key areas such as broadband, roads funding, bus services and school improvement. This resulted in around 150 national media hits.
20. On the day of the Autumn Statement, the following media activity also took place:
- 20.1. We issued a statement from Lord Porter criticising the Chancellor's failure to address the social care funding crisis. It also warned of the £5.8 billion funding gap facing local services by 2020 and called on local government to be able to use extra business rates it will keep by the end of the decade to help plug this gap. This was covered by the Times, Guardian, BBC, Sky News and the Mail. Lord Porter responded to the Autumn Statement in interviews on both BBC News and LBC.
  - 20.2. A further statement from Chairman of the Community Wellbeing Board Cllr Izzi Secombe was issued on the crisis facing social care and need for government to treat tackling it as a national priority.
  - 20.3. Lord Porter also responded to new measures to boost affordable housebuilding, reinforcing the need for the Government's forthcoming Housing White Paper to give councils the powers and funding to build new homes.
  - 20.4. Environment, Economy, Housing & Transport (EEHT) Chairman Cllr Martin Tett's response to extra funding for local roads in England was reported by the BBC and Mirror. His statement warned it would take £12 billion to tackle the current roads repair backlog.
  - 20.5. We issued a statement from People and Places Board Chairman Cllr Mark Hawthorne MBE on the Chancellor's pledge to invest £1 billion in improving broadband and 5G connectivity.
  - 20.6. A statement was also issued on the role local government can play in making the Government's Industrial Strategy a success. This includes greater local control over growth funding and money for employment support. The quote, from Cllr Tett,



also called for guarantees around EU funding up to 2020 and the need for a successor scheme of at least equal value when we leave the EU.

21. In Parliament we promoted our Autumn Statement submission through debates, parliamentary questions and responses to committee inquiries. Set out below are highlights, including:

21.1. Our Chairman Lord Porter asking a range of parliamentary questions in the House of Lords to promote our Autumn Statement submission. This included questions about the Government's assessment of the financial pressures facing local authorities and the need for councils to have greater financial autonomy when setting Council Tax, progress with devolution, and the allocation of funding for services such as mental health.

21.2. We provided a series of parliamentary briefings. This included briefings on social care, housing, broadband, education and social mobility and addressing the root causes of poverty. A particular highlight was the work of the LGA being quoted in an Opposition Day debate motion and our analysis being used by MPs during their discussions.

21.3. We submitted evidence to a range of parliamentary committees. This included providing evidence on the sustainability of local authority finances, the challenges facing adult social care, NHS financial sustainability, the Industrial Strategy and post-16 skills provision.

22. The LGA has used our Autumn Statement submission to support our lobbying on key legislation to local government being debated in Parliament. This included:

**22.1. Homelessness Reduction Bill:** we secured a commitment from Government to fund the new duties under the New Burdens Doctrine. We have also used this Bill as an opportunity to push for a national drive to bring all agencies together to tackle homelessness, a key ask in our submission.

**22.2. Bus Services Bill:** in the House of Lords Peers agreed two amendments to the Bill that remove the need for the Secretary of State to approve franchising powers and retain council powers to form new municipal bus companies, were passed.

**22.3. Digital Economy Bill:** we have supported amendments that sought to strengthen the Government's pledge to introduce minimum speeds of broadband for all through the Universal Service Obligation (USO).

**22.4. Neighbourhood Planning Bill:** to push for the introduction of locally-set planning fees. Our call for adequate resourcing of planning departments was quoted widely by MPs and echoed by the wider housing and planning sector.

23. On the day of the Autumn Statement, officers also produced an on-the-day briefing which had been downloaded 1,300 times less than 18 hours later. The briefings was shared with leaders, portfolio holders, chief executives, directors of finance and directors of communications via an e-bulletin which was read more than 2,000 times.

24. Our activity was well-represented on social media through the live blog (achieving 1,770 views) and Twitter (15 tweets with 37,301 impressions).
25. We got our key Autumn Statement messages out to 18,000 LGA elected members via a news story, feature, and comments from the chairman and group leaders, in first 606, arriving with readers on 1 December.

### **Next steps**

26. Members are asked to discuss the report and the content of the [on-the-day briefing](#).
27. The new Chancellor's approach to major fiscal events means that individual Government departments will have a stronger role in making policy announcements which would have normally been reserved to Budgets and Autumn Statements.
28. In light of this, it is possible that the local government finance settlement will contain more policy announcements relevant to local government. At the time of writing, the date of the publication of the draft 2017/18 local government finance settlement was unclear. However, officers will provide an update at the meeting of the Board if it has been published or the date is known.
29. Officers will update members on progress regarding the announcements made in the Autumn Statement as and when required through normal LGA business.
30. The LGA will also continue to lobby on policy positions set out in the Autumn Statement submission.

### **Implications for Wales**

31. The Autumn Statement has implications for the public sector across the United Kingdom. However, the on-the-day briefing has focussed on issues that have an impact on English local government.
32. Implications for Welsh local government are related to devolved issues and as such the impact will be determined in part by the decisions taken by the Welsh Assembly.

### **Financial Implications**

33. This is core work for the LGA and is budgeted for within the 2016/17 LGA budget.



## **Business Rates Retention and Financial Reform**

### **Purpose**

For information and discussion.

### **Summary**

David Phillips from the Institute for Fiscal Studies (IFS) will present to the Board on the initial findings of the Institute's research programme Local Government Finance and Devolution.

### **Recommendation**

That the Resources Board note the presentation and share their views.

### **Action**

Officers to proceed as directed.

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## **Business Rates Retention and Financial Reform**

### **Background**

1. This item will be a presentation from David Philips from the Institute for Fiscal Studies.
2. The Institute has recently launched a research programme looking at local government finance, supported by a number of bodies in the sector, including a number of individual councils, as well as to the Chartered Institute of Public Finance and Accountancy (CIPFA). The presentation will provide an initial look at the changes in councils' spending, funding and funding systems since 2010, and will highlight some of the key issues for the planned shift to 100% retention of business rates revenues by councils in England.

### **Implications for Wales**

3. This is a general presentation covering all local government in the UK, although business rates retention applies to England only.

### **Financial Implications**

4. None.



## Response to Markets in Financial Instruments Directive II Implementation: Consultation Paper III

### Purpose

For decision.

### Summary

The Financial Conduct Authority (FCA) is consulting on the implementation of the Markets in Financial Instruments Directive II (MiFID II).

This implementation will impact on councils' ability to invest in a wide range of financial instruments and this paper proposes a formal response on the issues that directly affect local authorities.

### Recommendation

That the LGA Resources Board agree the draft response to the consultation attached at **Appendix A**.

### Action

That member's comments are reflected in the response before it is submitted to the Financial Conduct Authority.

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## **Response to Markets in Financial Instruments Directive II Implementation: Consultation Paper III**

### **Background**

1. The Markets in Financial Instruments Directive II (MiFID II) is a package of EU legislation, introduced in 2014, which regulates both retail and wholesale investment business in the UK. The aim of the MiFID legislation is to strengthen protection for investors. In this case investors includes local authorities and local authority pension funds. Under the proposals, pension fund authorities are treated as a separate investor from the authority that hosts them.
2. On the 29 September 2016, the Financial Conduct Authority (FCA), published a consultation on how the legislation will be implemented in the UK. There are some proposals in the consultation which go far beyond the basic legislation and therefore should be seen as discretionary for the UK. The proposals would reclassify the status of local authorities and this will have a major impact on the ability of local authorities to invest in financial instruments other than (in many cases) basic bank deposits. It will, for example, make it difficult for local authorities to lend to each other despite the fact that local authorities in the UK have a robust track record of effective risk management with regard to investment and in respect of their pension funds considerable experience across a wide range of asset classes.
3. The proposed response from the LGA is attached at **Appendix A** for the Board's approval. It will also be submitted to the Local Government Pension Committee. This is a robust response highlighting many serious difficulties with the approach proposed by the FCA.

### **Key proposals in the consultation affecting local authorities**

4. Not all elements of the consultation, which closes on 4 January 2017, are relevant to local government (the parts specifically directed at local authorities are chapter 4, pages 36 to 41, which covers client categorisation of local authorities. Page 150 - 162 in the appendix goes into further details of this. Estimated costs to councils are in para 102 – 104, on pages 154/155).
5. There are two specific questions aimed at local authorities. These are:
  - 5.1. Question 16 - Do you agree with our approach to revise the quantitative thresholds as part of the opt-up criteria for local authorities by introducing a mandatory portfolio size requirement of £15million? If not, what do you believe is the appropriate minimum portfolio size requirement, and why?
  - 5.2. Question 17 - Do you agree with our approach to extend these proposals to non-MiFID scope business? If not, please give reasons why.
6. As outlined above, the FCA are consulting on the implementation of the directive, not on the directive itself. The point at issue is *how* the directive is implemented, not *whether* it is implemented. However, the proposals by the FCA that affect local authorities go beyond what is in the original EU legislation.

7. The effect of these proposals is to categorise all local authorities, including pension funds, as “retail” clients. Currently all local authorities are “per se professional” clients, which gives them access a range of investment products. Retail clients are severely limited in their investment options and categorisation as “retail” will have a major impact on local authorities’ ability to invest. In the case of pension funds it is hard to see how they could manage their investment strategies properly or be able to meet the Government’s expectations on investment in local infrastructure.
8. The implementation allows local authorities to opt up to professional status, and it is likely that the vast majority of local authorities, and certainly all pension funds, will want to do this. However, as outlined in the draft response, the tests proposed by the FCA to enable opt up are so difficult that they will prevent many, if not all, local authorities from opting up.
9. The FCA is proposing a minimum value of investment portfolio of £15 million as being a cut-off point; any local authorities with an investment portfolio of less than £15 million will automatically not qualify for opt up to professional status and will have to remain as retail status. This is likely to prevent a large number of local authorities from being able to opt up – and due to the variations in cash flow over a year, it is quite likely that this will include large authorities as well as small. The FCA’s own analysis (which was based on specific year end “snapshot” figures) was that about half of UK local authorities would be excluded by the £15 million limit. This includes 12 single tier authorities, and 57 shire districts in England. The calculation included cash deposits and these will vary with cash flows so depending on the time period for calculation of the size of the investment portfolio, it is quite possible that many more local authorities could be excluded (the similar “snapshot” taken at the end of the following year pointed to a different group of local authorities – including some very large councils – being excluded). The FCA needs to rethink this point. The figure included in the EU legislation is 500,000 euros, anything above that is the FCA’s proposal.
10. The other conditions for opt up are not included in the formal questions, but the proposed response addresses these and concludes that most authorities, including pension funds, will not be able to meet enough of them and so will not be able to opt up to professional status. As stated, this is likely to be a major problem for local authorities, particularly pension funds.

### **Recommendations**

11. That the Resources Board comment on and approve the contents of the draft consultation response attached at **Appendix A**.

### **Implications for Wales**

12. This consultation from the FCA is aimed at all UK local authorities and applies to them all equally – whether England, Wales, Scotland or Northern Ireland. This is explicit in the analysis carried out by the FCA which looks at all UK local authorities. The impact on Welsh local authorities is therefore the same as the impact on English local authorities.

### **Financial Implications**

13. This is part of the LGA’s core programme of work and as such has been budgeted for.





## Appendix A

# Local Government Association response to Markets in Financial Instruments Directive II Implementation – Consultation Paper III

December 2016



### About the Local Government Association

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

This response has been approved by LGA's Resources Board and, for the impacts on pension fund authorities only, the Local Government Pensions Committee (LGPC), and is submitted jointly with the Local Government Pension Scheme Advisory Board (SAB).

### General points on the approach taken to status of local authorities in the proposals

The LGA is strongly of the opinion that

- The reclassification of local authorities as retail investors is unnecessary and will have serious consequences for the effective implementation of pension fund investment strategies, as well as for general Treasury Management by local authorities.
- The elective professional status process is not appropriate for local authorities and will require adapting to effectively assess their decision making structures.
- Collective Investment Schemes can provide an appropriate route to the range of instruments needed by local authorities, particularly pension funds, and with the assistance of the FCA could negate the need to undergo the elective professional process.
- Clarity is needed with regard to transactions made prior to 3<sup>rd</sup> January 2018.

### Classification

Before addressing the opt up criteria we would wish to state our disappointment that the reclassification of local authorities as retail investors is taking place. Local authorities in the UK have a robust track record of effective risk management with regard to investment and in respect of their pension funds considerable experience across a wide range of asset classes.

Furthermore investment by local authorities for pension fund purposes are subject to regulation (SI 2016 No. 946 PUBLIC SERVICE PENSIONS, ENGLAND AND

Submission

WALES The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) which include the requirement to take 'proper advice' when appointing investment managers.

This re classification will in our view place local authorities at a significant disadvantage when implementing properly considered and constructed investment strategies. In particular the reclassification to retail client status:

- Will prevent authorities accessing the full range of asset classes and vehicles they currently use to execute investment strategy
- Is inconsistent with the 'prudent person' approach provided for in the Local Government Pension Scheme (LGPS) investment regulations 2016
- Is inconsistent with the Government's desire for greater infrastructure investment by local authority pension funds

The provision for elected professional status, although potentially mitigating the impact of the reclassification, will result in authorities having to go through a significant and time consuming process which, depending on the nature of its application by managers, provides no guarantees that future investment strategies will be able to be effectively executed with existing managers or on existing terms

Finally the timing of the shift of classification provides a significant challenge to the introduction, at the instigation of the Government, of asset pooling for local authority pension funds.

### **Election for professional status**

Although the question in the consultation refers only to the revised quantitative test we would wish to comment on the complete election process. We do not consider that the process as it stands provides local authorities with an effective route to professional status in regard to their pension fund activities or other investment activities.

### **Qualitative test**

The questions in the consultation do not refer directly to the proposals around the qualitative test. However, we believe there are significant problems with the approach proposed.

- The qualitative test states that:  
*firms must undertake an adequate assessment of the expertise, experience and knowledge of the client to give reasonable assurance in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (COBS 3.5.3R(1))*
- The existing COBS 3.5.4 states that  
*If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf.*

Local authorities have structures of delegation and internal controls designed to ensure proper decision making, risk management and execution.

With regard to pension fund investments the decision to invest in a particular asset class or vehicle or to engage a firm will normally be made by a committee acting on behalf of the council. Investment decisions are a function of the local authority with pension fund responsibilities and as such, can only be discharged by a committee constituted under Section 101 of the Local Government Act 1972 or by an officer given delegated authority to make such decisions. Section 101 committees consist of elected members with support from officers of the council, statutory advisors and consultants. The transaction itself would normally be executed by an officer with delegated authority to enact the decision of the committee.

When assessing a local authority for this test, firms should be able to do so in a consistent manner that reflects the decision making process and governance arrangements which led to the transaction. There is a concern that the wording of COBS 3.5.4 would lead to the assessing of the individual who executes the transaction on behalf of the council and not those who made the decision to enter into the transaction.

We would therefore ask that COBS 3.5.4 be amended to enable firms to assess collectively the expertise, experience and knowledge which resulted in the decision by the local authority as a body corporate to enter into the transaction.

Such an assessment would reflect the collective principle proposed for passing the 'fit' requirement in IORP II Article 23 1 (a) as below;

- (i) *for persons who effectively run the IORP, this means their qualifications, knowledge and experience are collectively adequate to enable them to ensure a sound and prudent management of the IORP;*

### **Pooled assets**

Since November 2015, local authorities have been developing asset pools at the behest of Government. These pools will have a number of different structures and will therefore be subject to different impacts from the reclassification.

Where pools are operating Collective Investment Schemes they have already or are considering setting up Qualified Investor Scheme fund structures in order to access the wide range of asset types necessary to effectively implement local authority pension fund investment strategies.

COLL 8.1.3 R states that the manager of the QIS must take reasonable care to ensure that ownership of units in that scheme is recorded in the register only for a person to whom such units may be promoted under COBS 4.12.4R.

COBS 4.12.4R sets out the exemptions from 4.12.3 which states that retail clients should not be sold non-mainstream pooled investments. There are 13 exemptions including elected professional clients (exemption 7) and certified and self-certified sophisticated investors (exemptions 8 and 9) each of which could provide a means of local authorities accessing the full range of assets offered by the pool.

However all the exemptions listed above include a level of uncertainty with regard to the required assessments and the potential for inconsistent application. We therefore request that FCA ensure that asset pools can provide an effective point of access for local authority pension funds, in line with Government policy objectives, by listing them as an exemption in their own right.

This would result in local authority pension funds being able to invest in a full

range of assets via Collective Investment Schemes without having to undergo an elective process. The elective process would still be required where authorities continue to invest outside of pools or where pools do not operate Collective Investment Schemes, and for local authorities acting in their own right and not as a pension fund.

### **Transitional issues**

Local authorities will become retail clients on 3rd January 2018. There will be a transitional period (which in some cases will be years) before investments are switched to the pools and/or the authority successfully elects for professional status. Firms and local authorities need clarity with regard to transactions made before that date as per se professional clients which could not be made after it as a retail clients. FCA are therefore requested to provide reassurance that such transactions may be honoured and will not have to be terminated on 3rd January 2018

### **Response to questions in the consultation directly affecting local authorities (questions 16 and 17).**

*Question 16: Do you agree with our approach to revise the quantitative thresholds as part of the opt-up criteria for local authorities by introducing a mandatory portfolio size requirement of £15m? If not, what do you believe is the appropriate minimum portfolio size requirement, and why?*

The quantitative test (based on COBS 3.5.3R(2)) requires that the criteria in paragraph (a) and the criteria in either paragraph (b) or (c) must be satisfied:

*(a) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds £15,000,000*

*(b) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters*

*(c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged*

The size of the portfolio cut off (a) has been set so that any local authority that does not qualify under this criterion alone cannot qualify for opt up and so be excluded in all cases from MiFID scope business. The consultation states that the £15,000,000 cut off is to exclude smaller authorities from opt up status as "the size of a local authority often aligns with its level of knowledge and expertise". No evidence has been offered to back up this assertion and to demonstrate that smaller authorities are per se not capable of holding professional status; indeed the FCA's own analysis in the consultation states that a number of local authorities currently carrying out MiFID scope business will be excluded in the future due to this criterion.

The requirement for the cut-off point to be £15,000,000 has come from the FCA; the EU directive was based on 500,000 euros and no evidence based reason has been given in the consultation for this not to be used in the UK's implementation. As is acknowledged in the consultation, a portfolio size of 500,000 euros would not be a significant bar to UK local authorities

The consultation states that typical portfolio size for a smaller local authority is

£10,000,000, yet the analysis carried out by the FCA itself in the consultation concludes that the £15,000,000 cut off would exclude about half of all UK local authorities.

The FCA's analysis in the consultation of the size of local authority investment portfolios is based on annual statistics published by DCLG. This is problematical as it only shows a snapshot of the investment portfolio, including cash balances, at a single year end date. Due to significant in year cash flows such as influxes of tax revenues such as council tax and business rates, receipts of central government grants, and significant payments made out over a year, a local authority's daily balances can vary significantly between different dates. Using a large figure such as £15,000,000 (as opposed to the EU directive figure of 500,000 euros) means that there will be days when a snapshot of local authority balances will show that even some of the biggest local authorities in the country will not qualify on that day. This can be seen from the DCLG statistics published for the year after that used in the analysis in the consultation which shows some very large authorities with balances below £15,000,000 on that date. It is therefore doubtful whether the proposal as drafted will achieve their stated aim, and may in fact exclude the vast majority of local authorities acting in a non pension fund capacity.

Pension Fund Authorities will all qualify under (a) however except in very particular circumstances they will not under (b). The LGPS Advisory Board's investigations in this area indicated that only 3 LGPS funds (all with internal investment operations) would have any possibility of meeting this test. This means that only local authorities, including pension fund authorities, able to pass tests (c) and (a) will be able to successfully complete the opt up process. This means test (c) is particularly important.

With test (c), as with the qualitative test, the uncertainty lies in who is being assessed. COBS 3.5.4 does not apply therefore it is 'the client' against whom the assessment is made.

COBS 3.2 defines a client as

*A person to whom a firm provides, intends to provide or has provided: a service in the course of carrying on a regulated activity; or in the case of MiFID or equivalent third country business, an ancillary service.*

The Handbook Glossary defines a person as:

*(in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a partnership).*

A local authority is a corporate body therefore the above would lead to the conclusion that the assessment in (c) should be against that body corporate. However the wording of (c) does not comfortably fit with that conclusion as it reads as if the firm should be assessing an individual. Although a local authority as a body corporate can possess knowledge of the transactions or services envisaged how can it work in the financial sector for at least one year in a professional position?

*Question 17: Do you agree with our approach to extend these proposals to non-MiFID scope business? If not, please give reasons why.*

As outlined in the rest of this response, we believe the proposed approach to the

implementation needs to be rethought before any consideration can be given to extending proposals to non-MiFID scope business. Since we believe the current proposals to be flawed, we cannot see any advantage in extending them.

DRAFT



## **Local Government Finance Update**

### **Purpose**

For discussion and direction.

### **Summary**

This report provides an update on the LGA's work on local government finance policy matters. It focuses on developments in business rates and increased business rates retention and other local government finance matters.

### **Recommendations**

That the LGA Resources Board:

- i. note the report; and
- ii. comment on its contents and agree any further action.

### **Action**

LGA Officers to proceed as directed.

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## **Local Government Finance Update**

### **Purpose**

1. This paper provides an update on the LGA's work on local government finance policy matters.

### **Four year settlement offer**

2. The four year settlement offer, which covers revenue support grant, business rates top-up and tariff payments, the rural services delivery grant and the transition grant closed on 14 October. 97 per cent of councils – 344 out of 354 - signed up for the offer.

### **Technical consultations on 2017-18 Local Government Finance Settlement**

3. The Government carried out a technical consultation on the 2017-18 local government finance settlement. This covered the following:
  - 3.1. Extending the four year settlement offer announced last year to cover more grants;
  - 3.2. The Improved Better Care Fund; which begins in 2017-18;
  - 3.3. Details of council tax referendum principles for 2017-18, including a proposal that it be extended to some local preceptors;
  - 3.4. Reworking the top-ups and tariffs in the 50 per cent business rates retention to take account of the 2017 business rates revaluation; and
  - 3.5. Making adjustments to the 50 per cent business rates retention scheme to take account of early adopters.
4. The key points in the LGA's response, which was cleared by Lead Members of the Resources Board were:
  - 4.1. The LGA welcomes the Government's proposals to extend the multi-year offer to include more grants. It should be widened to include all major funding streams allocated to local government.
  - 4.2. Funding available through the improved Better Care Fund in 2017/18 will not be sufficient to address the huge pressures councils face in adult social care services. Authorities should have maximum flexibility over the spending of the funding and reporting requirements should be kept to a minimum; the same also applies to the council tax adult social care precept.
  - 4.3. The LGA does not support council tax referendums; democratically-elected local authorities should be able to set council tax at appropriate levels without the cost and bureaucracy of a referendum process. The Secretary of State should exercise his power not to determine principles for any type of authority for 2017/18.



- 4.4. It is important that authorities are protected from changes in business rates income which are solely the consequence of the revaluation process. The approach in the consultation paper appears to provide a way of cancelling out the impact. It will be important to keep this mechanism under review over the next three years, to ensure it is operating as intended. It is also important that local authorities continue to be fully compensated for any centrally determined changes to reliefs such as small business rate relief.
  - 4.5. Lastly, the LGA supports greater flexibility to support pilots and new devolution arrangements. We agree that authorities not involved in these arrangements should be protected from their impact.
5. The Government is expected to confirm its position in the 2017-18 Local Government Finance Settlement. Any update on this will be reported to your meeting.

**2017 business rates revaluation – publication of draft list and consultation on transitional relief scheme**

6. Draft valuations to be used in the 2017 list were published on 30 September. The Business Rates Retention Task and Finish Group considered a report which showed that the highest rises are in London; this reflects changes in rents since the last revaluation was carried out in 2010, when property values were based on their April 2008 values. The Government will adjust the business rates multiplier to ensure that the revaluation is carried out to a constant yield nationally, before taking into account any appeals adjustment. The proposed small business multiplier for 2017-18 is 46.7p in the pound; this includes an adjustment of 2.1p for appeals against the 2017 list.
7. The government also carried out a consultation on the transitional relief scheme to be used to mitigate the impact of the 2017 business rates revaluation on businesses. This proposed two possible schemes; which are paid for by phasing in the gains of those whose rateable value has fallen due to the revaluation. Since there was no direct impact on local government the LGA's response did not express a preference.

**Reforming Business Rates – Check Challenge and Appeal and sharing information with the Valuation Office Agency**

8. At the October meeting of Resources Board, Members' approved the LGA response to the regulations implementing the new Check, Challenge and Appeal system. We are now waiting to see the regulations in their final form.
9. The LGA has had contact with the Valuation Office Agency (VOA) on the best way to share information on challenges through the new Business Rates gateway. This could be through a similar way in which DWP shares benefits information with authorities. The VOA are expected to write to authorities with an information sharing protocol and agreement. They will share information with councils in January, subject to councils signing up to this agreement.

### **Other Activity**

10. Other work includes:

- 10.1. Annual consultation on level of external audit Work Programme and Fees; these are proposed to be set at the same level as 2016-17.
- 10.2. The Public Accounts Committee held an inquiry following the publication of the NAO's report into the financial sustainability of local authorities (capital). We submitted evidence to the session. One item highlighted was the costs of early redemption of PWLB debt.
- 10.3. Supporting policy team colleagues in meetings with DCLG on new burdens costings for the Homelessness Prevention Bill.

### **Recommendations**

11. That the Resources Board note this update, comment on its contents and agree any further action.

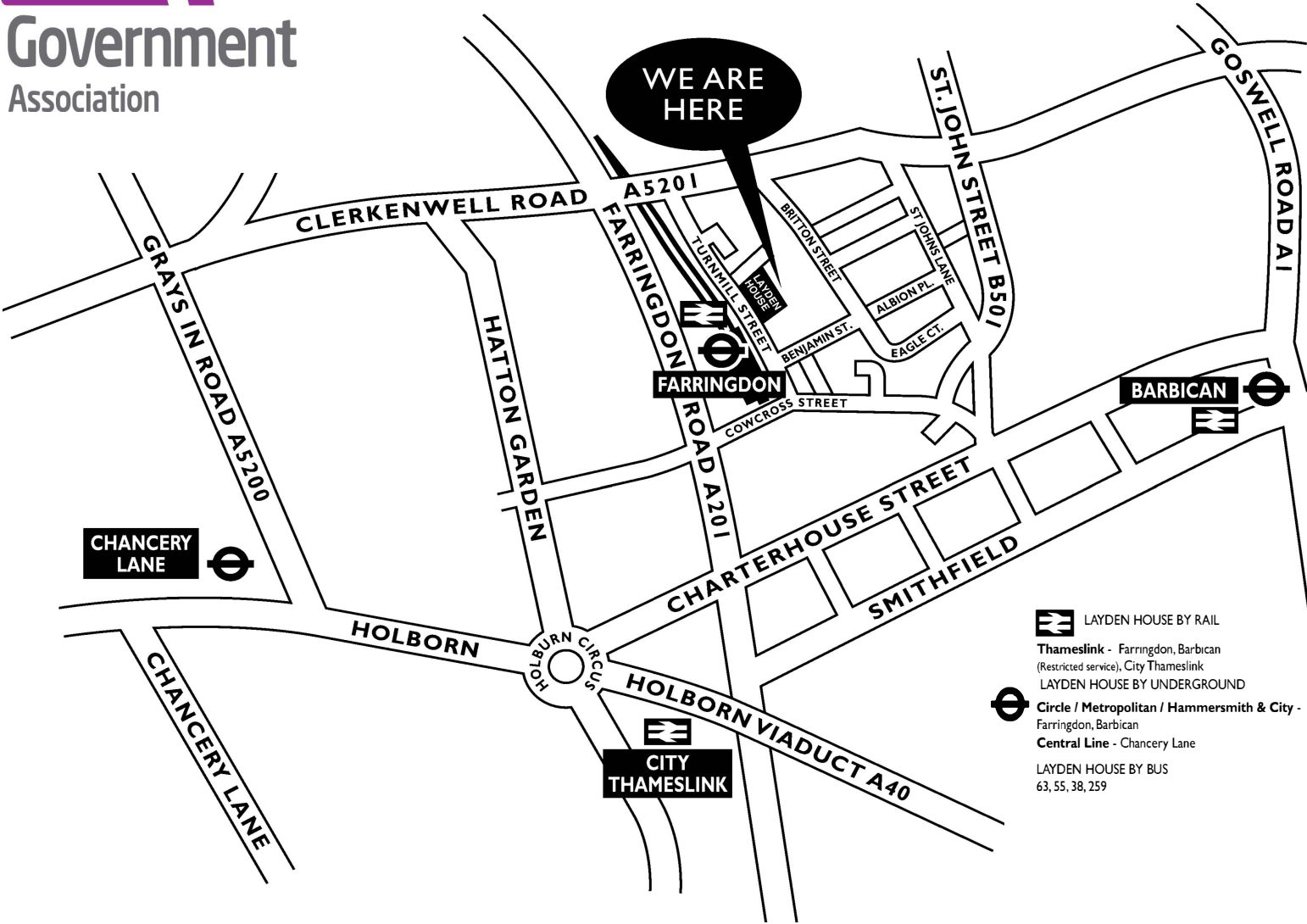
### **Financial Implications**

12. This is part of the LGA's core programme of work and as such has been budgeted for.

### **Implications for Wales**

13. The 2017-18 local government finance settlement discussed in this report applies only to England. Wales has its own local government finance settlement which has already been announced. Business rates revaluation does apply in Wales as well as England but it will not affect council funding in the same way as there is no business rates retention and thus no top-ups and tariffs. Changes to appeals and data sharing provisions will apply in Wales as they do in England although the Check Challenge Appeal system applies in England only. Other matters mentioned in the report apply to England only.





-  LAYDEN HOUSE BY RAIL
- Thameslink** - Farringdon, Barbican (Restricted service), City Thameslink
- LAYDEN HOUSE BY UNDERGROUND**
-  **Circle / Metropolitan / Hammersmith & City** - Farringdon, Barbican
- Central Line** - Chancery Lane
- LAYDEN HOUSE BY BUS**  
63, 55, 38, 259

**Layden House**

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 London  
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*\*The Local Government Association will be based at Layden House whilst refurbishment takes place at their offices in Smith Square.*

**Public Transport**

Layden House is served well by public transport. The nearest mainline station is **Farringdon** (Circle, Hammersmith & City and Metropolitan Lines. It also has Overground lines)

**Bus routes - Farringdon Station**

- 63 - Kings Cross - Crystal Palace Parade (**Stop A/B**)
- 55 - Oxford Circus -High Road Leyton (**Stop E/K**)
- 243 - Redvers Road - Waterloo Bridge (**Stop E/K**)

**Cycling Facilities**

The nearest Santander Cycle Hire racks are on Theobold's Road.  
 For more information please go to [www.tfl.gov.uk](http://www.tfl.gov.uk)

**Car Parks**

- Smithfield Car Park - EC1A 9DY
- NCP Car Park London Saffron Hill - EC1N 8XA