Resources Board

Agenda

Monday, 3 April 2017
11.00 am

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

www.local.gov.uk

Local Government Association

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
If you have special access needs, please let the meeting contact know in advance and we will do our best to make suitable arrangements to meet your requirements.

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 4th floors. An induction loop system is available in the 5th 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

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
3 April 2017

There will be a meeting of the Resources Board at **11.00 am on Monday, 3 April 2017** Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG.

A sandwich lunch will be available at **1.00pm** in **Meeting Room F**.

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.

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.grouplga@local.gov.uk
Liberal Democrat:	Group Office:	020 7664 3235	email:	libdem@local.gov.uk

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

LGA Contact:
Paul Goodchild
0207 664 3005 / paul.goodchild@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**
Conservative (7)	
Cllr John Fuller (Vice Chairman)	South Norfolk District Council
Cllr Nigel Ashton	North Somerset Council
Cllr James Jamieson	Central Bedfordshire Council
Cllr Barry Macleod-Cullinane	Harrow Council
Cllr Roger Phillips	Herefordshire Council
Cllr David Renard	Swindon Borough Council
Cllr Lynne Duffy	Wychavon District Council
Substitutes	
Cllr Andrew Leadbetter	Exeter City Council
Cllr Judith Oliver	North Norfolk District Council
Labour (7)	
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
Substitutes	
Cllr Norman Keats	Knowsley Metropolitan Borough Council
Cllr Abdul Jabbar	Oldham Metropolitan Borough Council
Cllr Christopher Massey	Redcar & Cleveland Borough Council
Independent (2)	
Cllr Clarence Barrett (Deputy Chair)	Havering London Borough Council
Cllr Linda van den Hende	Havering London Borough Council
Substitutes	
Cllr Bob Dutton OBE	Wrexham County Borough Council
Cllr Eddie Gaines	Taunton Deane Borough Council
Cllr Mike Eathorne-Gibbons	Cornwall Council
Substitutes	
Cllr David Brown	Borough of Poole

Local Government Association

LGA Resources Board - Attendance 2016-2017

Councillors	23/09/16	5/12/16	16/01/17
Conservative Group			
John Fuller	Yes	Yes	Yes
Nigel Ashton	Yes	Yes	No
James Jamieson	Yes	Yes	Yes
Mary Malin	Yes	Yes	Yes
Barry Macleod-Cullinane	Yes	Yes	Yes
Roger Phillips	Yes	Yes	Yes
David Renard	Yes	Yes	Yes
Labour Group			
Claire Kober OBE	Yes	Yes	Yes
Rishi Shori	Yes	Yes	Yes
Aaron Shotton	No	Yes	No
Sian Timoney	No	Yes	Yes
Tom Beattie	Yes	No	No
Sarah Hayward	Yes	Yes	No
Peter Marland	No	Yes	Yes
Independent			
Clarence Barrett	Yes	Yes	Yes
Linda van den Hende	Yes	Yes	Yes
Lib Dem Group			
Claire Hudson	Yes	Yes	Yes
Simon Shaw	Yes	Yes	Yes
Substitutes			
Norman Keats	Yes	Yes	Yes
Christopher Massey	Yes	Yes	Yes
Abdul Jabbor	Yes		Yes

Agenda

Resources Board

Monday 3 April 2017

11.00 am

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

Date of Next Meeting: Thursday, 22 June 2017, 11.00 am, Rooms A&B, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG

Update on Housing, Homelessness and Welfare Reform

Purpose

For discussion and direction.

Summary

Rose Doran (Senior Adviser – Welfare) and Nick Porter (Senior Adviser – Housing and Planning) will provide a presentation to update the Board on the LGA's current and proposed work on housing, homelessness and welfare reform, with a particular emphasis on the LGA's recent work on the cumulative impacts of welfare reform, and the scale and costs of temporary and emergency accommodation.

Members are asked to advise on the LGA's current and future priorities and key policy lines.

Recommendation

That the Board note the update and provide a steer on the LGA's future priorities and key policy lines related to housing, homelessness and welfare reform.

Action

As directed by Members.

Contact officer:	Rose Doran / Nick Porter
Position:	Senior Adviser (Welfare) / Senior Adviser (Housing and Planning)
Phone no:	0207 664 3073 / 020 7664 3113
Email:	Rose.doran@local.gov.uk / nick.porter@local.gov.uk

Resources Board

3 April 2017

Business Rates Revaluation: Support Measures in the 2017 Spring Budget

Purpose

For information and discussion and approval of attached response.

Summary

This report provides members of Resources Board with a summary of the Spring Budget measures affecting business rates and attaches a response to the consultation at **Appendix A** on the design and implementation of the locally administered Business Rates Relief Scheme.

Recommendation

That the Board note the report and approve the response to the consultation document on the design and implementation of the locally administered Business Rates Relief Scheme.

Action

Officers to proceed as directed.

Contact officer:	Mike Heiser
Position:	Senior Adviser (Finance)
Phone no:	020 7664 3265
Email:	mike.heiser@local.gov.uk

Business Rates Revaluation: Support Measures in the 2017 Spring Budget

Introduction

1. The Chancellor's Budget was announced on 8 March 2017 (see Item 4 on the Resources Board agenda for other announcements in the Chancellor's Budget). It contained a package of support, worth in total £435 million, for businesses in England facing significant increases in business rates bills from April 2017, as a result of the revaluation. The support package was made up of three measures:

    1.1 Support for small businesses whose eligibility for Small Business Rate Relief has reduced or ended as a result of the revaluation.

    1.2 Funding for local authorities to support £300 million of discretionary business rate relief between 2017/18 and 2020/21.

    1.3 A £1,000 business rate discount for pubs with a rateable value up to £100,000 subject to State Aid limits.

Support for Small Businesses

2. This measure will provide support for small or rural businesses which as a result of revaluation have increased over the limit for small business rate relief (this is £12,000, or up to £15,000 for tapered relief). This would be

    2.1 a cash value of £600 per year (£50 per month); or

    2.2 the increase which the business would have had in the existing transitional relief scheme (5%, 7.5%, 10%, 15% and 15% respectively, plus the relevant inflation, in the years 2017/18 to 2021/22), if this is higher.

3. The Government expects the number of ratepayers affected to be small and has encouraged councils to inform these ratepayers that relief is likely to be forthcoming. Councils will be paid in full through section 31 grant for any additional relief they grant, which will be done under their discretionary relief powers. They will also pay for any additional costs of rebilling or software changes.

4. The Government estimates this will cost £25 million a year from 2017/18 to 2021/22, with this being reduced to £20 million in 2018/19 and 2019/20[1].

5. DCLG is talking to software suppliers and the LGA about the implementation of this, in particular how to identify the ratepayers affected.

[1] See budget costings at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/597335/PU2055_Spring_Budget_2017_web_2.pdf p7

Local Government Association

Discretionary Relief Scheme

6. On 9 March DCLG issued a consultation on the distribution of this scheme which will fund local authorities to support £300 million of discretionary business rate relief between 2017/18 and 2020/21. This closes on 7th April. A draft response is attached as Annex A.

7. This totals £300 million in total, over four years; broken down as follows: DCLG has said that the following amounts would be available for this:

   7.1 £175m in 2017/18
   7.2 £85m in 2018/19
   7.3 £35m in 2019/20
   7.4 £5m in 2020/21

8. This will be distributed to councils on the basis of DCLG's estimate of businesses with a rateable value up to £200,000 which have an increase of 12.5 per cent or more in their rates bill due to the 2017 revaluation, in line with DCLG assumptions that more support will be provided to ratepayers of localities which face the most significant increase in bills and to ratepayers occupying lower value properties. No billing authority, other than the Isles of Scilly, will receive less than £100,000 in the first year of the programme.

9. The relief will be discretionary and DCLG will compensate authorities for any relief granted up to these limits. The consultation also proposes flexibility to switch resources between years. Local authorities will be paid based on initial estimates, which will then be reconciled at the end of the year. DCLG is also consulting on placing conditions on the grant, requiring it to be used only to support ratepayers facing an increase in their bills following revaluations and requiring billing authorities to consult their major preceptors and where appropriate the combined authority.

10. The draft response, which members are requested to agree, echoes the agreed lines in the Spring Budget on the Day Briefing and is attached at **Appendix A**. This welcomes support for businesses facing increases as a result of the 2017 revaluation and the Government's assurance that local government will be fully compensated. We also point to the cost of appeals and that it is vital that the Government works with councils and the LGA on how the provisions to allow central government to pay local authorities for any losses on appeals, as set out in the Local Government Finance Bill, will operate prior to the implementation of the new system.

11. On the specific questions:

    11.1 The LGA agrees that the relief should be discretionary rather than mandatory as local authorities are in the best position to know their own local economies;

    11.2 That the assumptions, that authorities will wish to concentrate discretionary relief on ratepayers facing the most significant increase in bills and those in lower value properties, are reasonable;

    11.3 That, on the basis that there is a fixed pot to distribute, the allocation methodology is in line with these assumptions;

11.4 That authorities should have flexibility to shift resources between years from year to year;

11.5 That we agree that section 31 grant should be paid to authorities for loss of income and that this should include the new burdens costs of additional billing and of any necessary software changes;

11.6 That payments to authorities should be made so that they suffer no cash flow loss, rather than quarterly in arrears as the Government proposes; and

11.7 That LGA in general considers that grant should be non-ringfenced. However in this instance we appreciate the Government's wish to attach conditions, although this should not be administratively onerous.

Relief for pubs

12 The third relief measure for businesses announced in the Chancellor's Budget was a discount for pubs that have a rateable value of below £100,000. The Government has not yet published the details of the scheme but they have said that eligible pubs will have a £1,000 discount on their bill, subject to State Aid rules which state that a business can only receive support of €200,000 over a three year period. The relief will have effect for 2017/18. In common with the other measures, councils will be compensated for this through section 31 grant. Any updates on this will be brought to your meeting. It expects that the measure will cost £25 million in 2017/18 and that local government will be compensated for any spending within the limits of the scheme.

Recommendations

13 Members of the Resources Board are asked to note this report, comment on its contents and agree that the response be forwarded to DCLG.

Financial Implications

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

Implications for Wales

15 The specific measures discussed in this report affect England only.

Appendix A

Consultation on proposals on the design and implementation of the locally administered Business Rates Relief Scheme

April 2017

Submission

1. The Local Government Association (LGA) welcomes the chance to comment on this consultation.
2. The 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.
3. This response has been agreed by the LGA Resources Board.

General remarks

4. We welcome the support for businesses, facing increases in business rates bills, as a result of the 2017 revaluation and the Government's assurance that local government will be fully compensated.
5. We have long argued that giving councils the freedom and funding to set discounts and reliefs locally would help them better support small businesses and local economies. Local authorities are well placed to identify who needs this new discretionary relief funding the most.
6. While the measures will not lead to any increase or reduction in funding for local government through business rates, there is a risk that some councils will be left out of pocket because of delays to billing caused by the lack of certainty about relief over recent weeks. It is important that the Government reimburses them for any loss of income or extra costs incurred as a result.
7. The Chancellor's announcements are in response to concerns from many businesses about the impact of the 2017 revaluation. The LGA is concerned that this could also lead to a large number of appeals. The huge volume of appeals from previous revaluations shows that too many ratepayers are unhappy with the current system of business rates valuation. This has led councils to divert £2.5 billion over the past five years to cover the risk of appeals. Currently this risk is half the cost of any backdated refunds; this could increase to 100 per cent by 2020 under further business rates retention. It is vital that the Government works with councils and the LGA on how the provisions to allow central government to pay local authorities for any losses on appeals, as set

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out in the Local Government Finance Bill, will operate well before the implementation of the new system.

8. In addition, the Government has announced the intention to introduce more frequent revaluations, at least every three years. We await the details of how the Government will deliver this aim. In our response to the 2016 discussion paper on delivering more frequent valuations the LGA said we would not support more frequent revaluations unless there is a significant change to the way valuation is done and a limit on speculative appeals. We welcome the fact that the Government has said, in its response to the consultation on the reform of business rates appeals, that it will bring forward proposals for setting a fixed time limit on business rates appeals. In Scotland this is six months; we would look forward to similar proposals for England.

9. In addition, it is vital that any changes to the frequency of business rates revaluations are considered alongside the development of further business rates retention which will start in 2019/20.

Answers to questions

Question 1: Do you agree that individual local authorities should be responsible for designing and implementing their own discretionary relief schemes, having regard to local circumstances and reflecting local economies?

10. The LGA agrees that the relief should be discretionary rather than mandatory as local authorities are in the best position to know their local economies.

Question 2: Are the Government's assumptions about the design of local discretionary relief schemes reasonable?

11. The LGA considers that the assumptions that authorities will wish to concentrate discretionary relief on ratepayers facing the most significant increase in bills and those in lower value properties are reasonable. But local authorities are best placed to decide this.

Question 3: Is the allocation methodology reasonable?

12. The LGA agrees that, on the basis that there is a fixed pot to distribute, the allocation methodology is in line with the Government assumptions.

Question 4: Do you think that authorities should have some flexibility to switch resources between years to ensure relief provided meets local need and provides maximum value for money?

13. Yes, we agree that authorities should have this flexibility and it that it would be helpful.

Question 5: Do you agree with the proposal that s.31 grant should be paid to compensate authorities for their loss of income under the rates retention scheme up to the maximum of that year's "total pot"?

14. We agree that section 31 grant should be paid to compensate authorities for their loss of income. In addition to the payment to ratepayers, this should include the new burdens costs of additional billing and of any necessary software changes and any losses due to cash-flow issues relating to late billing and late payments.

Question 6: Do you agree with the proposals for administering payments, including in-year payments based on estimates, end-year reconciliations and payments quarterly in arrears?

15. Since most rates are paid by monthly instalments, payments should also be made in this way. Given the nature of the scheme, it is reasonable for there to be reconciliation when outturn figures are available.

Question 7: Do you agree the grant conditions are appropriate?

16. The LGA in general considers that grant should be non-ringfenced. However in this instance we appreciate the Government's wish to attach conditions, although this should not be administratively onerous.

Local Government Association
April 2017

Resources Board

3 April 2017

Local Government Finance Update

Purpose

For discussion and direction.

Summary

This report highlights the announcements in the 2017 Spring Budget with implications for local government. It also provides an update on the LGA's work on local government finance policy matters, including further business rates retention.

Recommendation

That the Board note the report, comment on its contents and agree any further action.

Action

LGA Officers to proceed as directed.

Contact officer:	Sarah Pickup
Position:	Deputy Chief Executive
Phone no:	020 7664 3109
Email:	sarah.pickup@local.gov.uk

Resources Board

3 April 2017

Local Government Finance Update

1. This report highlights recent developments with implications for local government finance. It outlines the financial implication for local government of the announcements in the 2017 Spring Budget. It also provides an update on the LGA's work on further business rates retention, including the Local Government Finance Bill and the Government consultation.

Spring Budget 2017

Background

2. The Chancellor's Budget was published on 8 March 2017. From now on, the annual Budget statement will take place every autumn, replacing the Autumn Statement. A Spring Statement will replace the existing Budget in March each year, in which the Chancellor will respond to economic forecasts made by the Office of Budget Responsibility. This Spring Statement is not intended to be a major 'fiscal event'.

3. The LGA published an on-the-day briefing, highlighting the key announcements relevant to local government. This was circulated to member authorities as well as MPs and Peers, including our Vice Presidents, and selected stakeholders. In the weeks following the Budget, LGA officers are following up with departmental officials on the detail of the announcements and providing further briefings and responses as required.

4. The Chancellor's plans for overall public spending have largely remained unchanged since Autumn Statement 2016. The announcement of additional social care funding was the most significant change and is outlined in more detail below.

5. Ahead of the Budget, HM Treasury announced more details about the efficiency review, which is intended to identify a further £3.5 billion of departmental savings for 2019/20. The Government intends to allocate £1 billion of these savings for reinvestment in priority areas and stated that 'Government also recognises the important role that social care spending plays and so efficiencies found within local government will be used to help meet existing pressures'.

6. The major announcements in the Budget which impact on local government finance in particular are summarised below.

Additional Adult Social Care Funding

7. The LGA has been consistently highlighting the financial and operational pressures facing local authority adult social care services. In our Autumn Statement submission, we warned that by the end of the decade the service would face a funding gap of at least £1.3 billion – on top of pre-existing pressures in the provider market worth at least another £1.3 billion.

8. As a result of our campaigning, the Chancellor announced in his Budget statement that the Government would provide an additional £2 billion to councils in England between 2017/18 and 2019/20 for Adult Social Care. This is new money and it will be front-loaded to supplement the funding from the improved Better Care Fund (iBCF). The additional

funding will be worth £1.010 billion in 2017/18, £674 million in 2018/19 and £337 million in 2019/20. As a result, all adult social care authorities will receive additional funding.

9. At the time of writing the final conditions for the funding were still being finalised. However, in the Budget Book the Government stated that 'councils will need to work with their NHS colleagues to consider how the funding can be best spent, and to ensure that best practice is implemented more consistently across the country'.

10. The Department for Communities and Local Government published details of the allocation methodology, alongside allocations for each council with social care responsibilities. 90 per cent of the funding will be allocated on the basis of the existing approached used for the iBCF, which takes into account Government's initial estimates of how much each council could potentially raise from the adult social care precept. The remaining 10 per cent will be allocated according to the existing social care relative needs formula. A note prepared by the LGA's local government finance team outlining the methodology in more detail was made available to member authorities on the LGA's website.

11. The Government also announced in the Budget that it will set out proposals in a Green Paper to put the adult social care system 'on a more secure and sustainable long term footing'. The LGA is already in early discussions with officials about the expected content of the Green Paper. The Budget Book stated that the Government 'is committed to establishing a fair and more sustainable basis for adult social care, in the face of the future demographic challenges set out in the OBR's Fiscal Sustainability Report'.

12. The LGA welcomed the announcement, saying that it marked a significant step towards protecting the services caring for older and disabled people in our communities over the next few years. We will work with the Government to ensure that councils have flexibility over how they use this funding. Any measures associated with the funding must be proportionate and agreed with local government leaders.

13. As helpful as the announcement is, short-term pressures remain and the challenge of finding a long-term solution to the social care crisis is far from over. To close the funding gap facing social care additional funding needs to be recurrent and put into local government baselines. The publication of a Green Paper will be vital to securing sustainable, long-term funding for the sector. Local government leaders must play a fundamental part in reaching a solution. All options must be on the table and it needs cross-party national support.

Business Rates Revaluation Support Measures

14. The Chancellor announced a package of support, worth in total £435 million for businesses in England facing significant increases in business rates bills from April 2017, as a result of the revaluation. The support package was made up of three measures:
    - 14.1 Support for small businesses whose eligibility for Small Business Rate Relief has reduced or ended as a result of the revaluation.
    - 14.2 Funding for local authorities to support £300 million of discretionary business rates relief between 2017/18 and 2020/21.
    - 14.3 A £1,000 business rate discount for pubs with a rateable value up to £100,000, subject to State Aid limits.

Resources Board

3 April 2017

15 The Government will fully compensate local government for the loss of income as a result of these measures. More details on these announcements are outlined in a separate paper on the Resources Board agenda (see agenda Item 3)

Other Business Rates Announcements

16 The Government announced its intention to introduce more frequent revaluations, at least every three years, of non-domestic properties. HM Treasury will set out its preferred approach to delivering this reform at the next Budget in the autumn this year and will consult ahead of the next revaluation in 2022.

17 In our response to the discussion paper on this proposal last year, the LGA said we would not support more frequent revaluations unless there is a significant change to the way valuation is carried out and a limit on speculative appeals. It is also vital that any changes fit in with the development of further business rates retention, which will be implemented in 2019/20.

18 Separately, the Government has published its response to the consultation on the draft regulations for the new system of business rates appeals, Check, Challenge and Appeal, which will apply from April 2017. In the response, the Government stated that it will bring forward proposals by April 2018 for setting a fixed time limit for appeals. We have lobbied on this for some time, so this is a welcome announcement.

Other Policy Announcements

19 The issues summarised above highlight the main announcements in the Budget impacting on the work of the Resources Board. However, there were a significant number of other announcements which also affect local government, outlined in the on-the-day briefing.

Local Government Finance Bill

20 The Local Government Finance Bill was introduced, and had its first reading, in the House of Commons on 13 January. The Bill will provide the framework legislation to implement the Government's proposals for further business rates retention. Specifically it:

20.1 Abolishes the central share, currently set at 50 per cent, which councils pay to the Government.

20.2 Abolishes the provisions to pay revenue support grant to councils, as this will in the future be provided through retained business rates.

20.3 Allows for the Government to make payments to authorities for losses due to appeals meaning that councils will no longer have to make provisions in a way that impacts on their ability to provide services. This is a major policy win as the LGA has campaigned long and hard for the impact of appeals not to fall on individual local authorities.

20.4 Abolishes the annual local government finance settlement; this will be replaced by a multi-year 'statement of principles' which will not have to be approved by Parliament.

20.5 Provides that referendum principles can be set on a multi-year basis.

20.6 Abolishes the levy on growth in business rates.

20.7 Allows a new power for the Secretary of State to designate pools of authorities where not all authorities agree. Pools will be able to designate areas within them where growth in business rates could be retained for a number of years, along the lines of enterprise zones and subject to certain parameters.

20.8 Allows councils to reduce the business rates multiplier, with the proviso that the council which determines the reduction will have to bear the financial consequences.

20.9 Gives powers to raise an infrastructure supplement of up to 2p in the £ to the GLA and mayoral combined authorities.

21 The Bill also contains some provisions not directly related to business rates retention. It allows for a new process to designate properties to the Central List. It also provides the legal framework for some previously announced Government policies:

21.1 It sets out new mandatory reliefs for the next generation of telecommunications infrastructure.

21.2 Changes to rural rate reliefs to bring them into line with small business rates relief.

21.3 Gives local authorities the discretionary power to grant relief on their own public toilets.

21.4 Measures paving the way for more digitalisation of business rates billing.

21.5 For the multiplier to be based on the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

22 The Bill received its Second Reading on 23 January and was approved without a division. The Bill was in Committee Stage between 31 January and 21 February. During the Committee stage the LGA's Senior Vice-Chair, Cllr Nick Forbes, gave oral evidence to MPs on the Bill on the LGA's views on the Bill and the reforms more generally.

23 The LGA also submitted written evidence to the Bill Committee. The LGA has briefed extensively on the bill and has worked with MPs to put forward new amendments and respond to their request for the further information on elements of the reforms. As a result, the LGA was extensively mentioned its passage through Parliament so far. The LGA worked with MPs to table amendments to the Bill in four areas:

23.1 Removing the powers of the Secretary of State to force authorities into pools against their will.

23.2 Removing council tax referendums. The Bill allows for them to be set over a number of years.

23.3 Giving councils more flexibility to target multiplier reductions.

23.4 More discretion on reliefs.

24 As is often the case with Government-led legislation, no substantive amendments were made to the Bill at the House of Commons Committee Stage. We will therefore continue

to work with MPs and Peers to explore options for improving the Bill as it progresses through the House of Commons and moves into the House of Lords.

25 During the Committee stage we secured a commitment from the Secretary of State, Sajid Javid MP, and the Local Government Minister Marcus Jones MP to work with the LGA to reduce business rates avoidance. During a Bill Committee hearing the Local Government Minister reiterated the commitment to "work with the LGA, the Charity Commission and others to explore what legislative and non-legislative steps we might take to protect the system and tackle business rate avoidance".

26 The Bill has now completed the Committee Stage and, at the time of writing, is awaiting a date for the Report and Third Reading stage in the House of Commons. A 'carry-over motion' for the Bill has been approved, enabling the Bill to continue its passage in the next session of Parliament following the Queen's Speech, which is expected in mid-May 2017. The Government's planning documentation indicates that the Bill is expected to complete its passage through Parliament in late 2017.

27 As the Bill progresses through the House of Commons and House of Lords, the LGA will continue to work with Parliamentarians to highlight key issues of concern to local government.

Government Consultation on Further Business Rates Retention

28 The Department for Communities and Local Government (DCLG) published its second consultation document on further business rates retention on 15 February, alongside a summary of responses to the previous business rates retention consultation. In the consultation document the Government confirms April 2019 as the date for the expected implementation of the new system across local government and outlines seven questions, largely on system design issues including the following areas:

28.1 **Approach to resets**. The document confirms that DCLG is looking at fixed term partial resets of both the business rates and the needs baseline once every five years. This is in line with the views of the sector in response the Summer 2016 consultation on Business Rates Retention

28.2 **How growth is measured over a reset period**. The document says that growth should be measured in a way that provides an appropriate incentive, is simple and transparent and avoids perverse incentives.

28.3 **Business Rates Pooling**. The document confirms that there will be powers (included in the Bill) to compel authorities to join a pool and that the incentives for pools will be strengthened.

28.4 **Local Growth Zones**. Pools will have the ability to establish Local Growth Zones which, similar to Enterprise Zones, allow for retention of business rates without this having to be taken into account in the tariff and top-up system. The document discusses specific parameters for these zones which could be set through regulation, such as the proportion of growth retained, the geographical area covered, the number of years for which they could exist, and the purpose for which growth could be used.

28.5 **Managing the impact of appeals**. The document confirms that there will be a central provision for appeals and other 'valuation errors'. This will be funded through a top-slice.

28.6 **Tier Splits**. It is recognised that the split in two tier areas and within London is closely related to risk and reward. The importance of providing stability of funding for adult social care services, the ability of the different tiers to influence growth and which services are devolved to the different tiers are recognised. It does not propose a specific split, and says that districts and counties are discussing the matter.

28.7 **Business rates pilots**. The Government confirms that business rates pilots will start in April 2017 in five areas with devolution deals (Greater Manchester, Liverpool City Region, West Midlands, West of England and Cornwall) and with the Greater London Authority. It invites all councils, including those not covered by devolution deals, and which may be two tier areas, to apply to be a pilot from April 2018. More information will be published shortly by DCLG.

28.8 **Safety net.** The document recognises that there is an ongoing need for a safety net to support local authorities which experience a shock to the system such as the closure of a major ratepayer.

28.9 **Central list.** The government intends to set out policy on what properties should be on the central list (this currently includes utilities) and which should be on local lists. The Bill will remove the requirement for the Government to make regulations to move properties on to the central list. The contents of the Central List will be reviewed in order to support the set-up of the new system and continue to support the existing 50 per cent system.

29 The consultation closes on 3 May 2017 and the LGA will submit a response to the consultation. This response will be signed off the LGA’s Business Rates Task and Finish Group and Group Leaders.

30 The LGA, together with DCLG, is organising six regional events on the current consultation for local authority members and officers in March and April. The events build on similar events for the first consultation last August and September, which were well received. They will provide an opportunity for members and officers to hear from DCLG officials and LGA officers about the current proposals, ask questions and give their views on the plans.

Fair Funding Review

31 The LGA continues to work with DCLG on the Fair Funding Review. The Bill does not set out proposals for redistribution, as the implementation of a new fair funding mechanism does not require legislation. The LGA and DCLG are working with members of the steering group and needs working group to develop options for consultation. Until more detailed work has been done, it would not be in the interests of local government to seek to tie down details of a fair funding mechanism. However, as part of the forthcoming regional consultation events, we will be seeking feedback and views on the key factors that need to be considered in the needs assessment.

32 At the time of writing the Government’s expected further consultation on the Fair Funding Review had yet to be published. It is expected that this consultation will focus on identifying cost drivers and indicators which could form part of the assessment of relative needs to help inform the scope of the data collection exercise.

Recommendations

33 Members of the Resources Board are asked to note this report, comment on its contents and agree any further action.

Financial Implications

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

Implications for Wales

35 The Budget 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. Funding announced in the Budget for England will have Barnett Formula consequences for Wales. Business rates revaluation does apply in Wales as well as England, but it will not affect council funding in the same way. Business rates policy in Wales is the responsibility of the Welsh Government. The proposals for business rates retention set out by DCLG affect England only and the Bill's provisions apply to England only. Other matters mentioned in the report apply to England only.

Resources Board

3 April 2017

Response to Consultation on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

Purpose

For decision.

Summary

Cipfa are carrying out a periodic review of both the Prudential Code for local authority borrowing and the Treasury Management Code and consulting on possible changes. Although of a technical nature the codes are of great importance as they underpin the capital financing framework for councils. This paper outlines the role of the codes and the possible areas that may be revised. A response to the consultations from the LGA has been drafted for the board's consideration and discussion and is included at **Appendix A**.

Recommendation

That the Board agree the draft response to the consultation appended to this report.

Action

That officers make any changes requested by the Board and submit the response to Cipfa.

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Resources Board

3 April 2017

Response to Consultation on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

Background

1. The Prudential Code for Capital Finance in Local Authorities (the "Prudential Code") was introduced in 2004 and last revised in 2011. Local authorities are required to "have regard" to it when developing their capital investment plans. In practice the Prudential Code plays a central part in local authorities being able to determine the level of capital investment that they are able to undertake. The introduction of the code, and the legislation behind it, in 2004, was a major step in freeing local government from centrally imposed borrowing controls and the Government placing genuine trust and reliance in local government's ability to manage its own affairs according to the sector's own professional standards. The track record of local government since the Prudential Code was first introduced has shown both that local government has proved worthy of that trust and that the code has an important place in enabling successful locally determined capital investment by local authorities compared to central controls.

2. The Prudential Code was last updated in 2011 and is now due for a periodic review. Since the last review local government has had a sustained period of reduced funding, significantly changing the financial landscape; in addition the devolution agenda and introduction of mayoral combined authorities have introduced further factors to consider. Recent reporting by the NAO [1]highlighted a shift in local authority capital spending towards schemes designed primarily to achieve revenue savings or generate revenue income to cover reduced revenue funding. This is an important factor in the review of the code and will be discussed below.

3. The Treasury Management Code of Practice was introduced in 2001/02. Again, local authorities are required to "have regard" to the code in setting up and approving their treasury management arrangements. In practice the code is widely used, and it is likely that any local authority not following it would be required to justify (e.g. to its external auditors) why it had not used it.

4. The review of the Treasury Management Code is aimed much more at the organisations that use it (primarily local councils, but it is applicable to any public services organisation), and the questions are geared to improving the code for users. At this stage this is largely an information gathering exercise by Cipfa, and there are no specific ideas to comment on nor has a collective view emerged across the sector. As such, there is little for the LGA to say in policy terms in response to the specific questions.

5. Both reviews are being conducted in an open matter – highlighting areas where the landscape has changed and asking if the codes need to change in response. There are, therefore, few proposals for specific changes at this stage (except one relating to mayoral combined authorities, for example) to comment on, but responses to this consultation will shape further proposals that Cipfa will then put forward.

[1] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/

Local Government Association

Resources Board

3 April 2017

6. Overall both the codes do a good job and the approach underpinning the suggested response is to suggest that the reviews should be of a light touch.

Key areas highlighted for review – Prudential Code

7. The Cipfa consultation on the Prudential Code for Capital Finance in Local Authorities was published by Cipfa in February and the consultation closes on 21 April 2017. The consultation opens with questions reviewing the current operation of the Prudential Code and whether it and its objectives are still relevant. The four objectives of the code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:

   7.1 capital expenditure plans are affordable;
   7.2 all external borrowing and other long-term liabilities are within prudent and sustainable levels;
   7.3 treasury management decisions are taken in accordance with good professional practice;

   and that in taking decisions in relation to (i) to (iii) above the local authority is:

   7.4 accountable, by providing a clear and transparent framework.

8. These all still appear to be relevant to the way that local authorities carry out their business and it is proposed that the response endorses these with no need for further amendment.

9. The next series of questions cover new mayoral combined authorities and whether they should be covered by the code. The new mayoral combined authorities are to be given borrowing powers from April 2017 (currently any significant borrowing would have to be covered by their constituent councils). It is therefore appropriate that the new authorities should have a capital financing framework that is as robust as that for its constituent councils.

10. The next group of questions relate to councils taking on different ways of financing activities – in particular having interests in bodies such as subsidiaries and joint ventures, and in particular, whether and how the increased commercial activities of councils (and perceived increased risks) should impact on the Prudential Code.

11. This area is an important one for councils. In its response to the NAO report on Local Authority Capital mentioned above, the Public Accounts Committee raised concerns about councils' activities aimed at generating revenue income from capital investment in properties and businesses, such as developing houses and commercial units for rent or sale and that it was concerned about risks arising from this. (ref – PAC report 16 November and government response[2]). The consultation recognises the increased commercial activities of local authorities and asks whether and how the code needs to be strengthened in reaction to this.

12. Members may wish to consider how to respond to this point in some detail. If the code were not strengthened, it is possible, in the light of the PAC report and Government

[2] https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/financial-sustainability-local-authorities-16-17/

acceptance of its recommendation, that the Government would feel the need to intervene. Members may feel that the response to the consultation is the opportunity to reinforce the principle that managing local government risk is a matter for local government.

13. These commercial activities are of increasing importance to councils. It is clearly right that councils should recognise and take account of any increased risks. Equally, if the code were to become too restrictive, councils may lose opportunities and income, leading to further reductions in revenue affecting local service provision. A possible response could be to emphasise that in broad terms the code already allows for assessment of risks associated with commercial activities, but making this more explicit in the code would help ensure councils take full account of them.

14. Then final questions of the consultation consider technical points about the indicators used in the Prudential Code. The suggested response includes some general points about these

Key areas highlighted for review – Treasury Management code

15. The "Treasury Management in Public Services: Code of Practice and Cross-Sectoral Guidance Notes, is also being consulted upon. The code was originally published in 2001 and was last updated in 2011. The aim of the code is to "create clear treasury management objectives and to structure and maintain sound treasury management policies and practices". The consultation document was published by the Cipfa in February and the consultation closes on 21 April 2017.

16. The Treasury Management Code identifies the following three principles of Treasury Management that local government bodies should follow:

Key principle 1:

16.1 Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key principle 2:

16.2 Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

Key principle 3:

16.3 They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

17. As noted above the review of the Treasury Management Code is aimed much more at the organisations that use it (primarily local councils, but it is applicable to any public services organisation), and the questions are geared to improving the code for users. The questions cover issues such as whether organisations use the code or not – and if not, why not, whether the principles above are relevant to individual organisations and any possible amendments. As such therefore, the LGA will probably have little to say in policy terms in response to the specific questions at this stage. If ideas for improvements emerge as a result of this consultation, we will comment on them on behalf of the sector.

18. The suggested response from the LGA is therefore to reiterate the value of the code in providing a framework which provides assurance to the public when used by local authorities and other public services bodies.

Implications for Wales

19. This consultation from the Cipfa is aimed at all UK local authorities and applies to them all equally – whether England, Wales, Scotland or Northern Ireland. The impact on Welsh local authorities is therefore the same as the impact on English local authorities.

Financial Implications

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

Recommendations

21. That members of the Resources Board comment on and approve the contents of the draft consultation response included at **Appendix A** to this paper.

Appendix A

Local Government Association

Response to Consultation on Cipfa Prudential Code for Capital Finance in Local Authorities and Cipfa Treasury Management Code of Practice

April 2017

Submission

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.

General points

The LGA is of the opinion that the arrangements introduced in 2002 (Treasury Management code) and 2004 (Prudential Code) have worked well and provide a good governance framework to be followed by local authorities. We are therefore of the strong opinion that the present review should not fundamentally alter these arrangements.

Response to specific questions in the consultation

Prudential code

Question 1 Do you consider the four objectives of the Prudential Code are still relevant?

These objectives cover key factors underpinning local authority capital and are still relevant to the way local authorities carry out their business. It is of clear relevance that capital expenditure is affordable, borrowing is prudent and sustainable, and that all relevant decisions are taken to professional standards in an open and accountable way.

Question 2 Do you consider that the Prudential Code achieves these four objectives?

The LGA believes that the code helps local authorities achieve these objectives

Question 3 Do you consider that there are any areas which are not fully covered by these objectives?

No. The objectives are comprehensive in terms of capital expenditure. The code could perhaps be made more explicit that these objectives also cover the Local

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authority's commercial and group activities (see answers to other questions)

Question 4 Do you agree that the scope of the Prudential Code should be extended to cover mayoral combined authorities.

The code is helpful in providing a framework for local authorities in assessing their capital programmes and affordability. When mayoral combined authorities are given borrowing powers they will almost certainly want to undertake an assessment similar to that followed by the prudential code, so it seems right that mayoral combined authorities should be able to follow the Prudential Code like other local authorities.

Question 5 Do you foresee any practical implementation issues with extending the scope of the Prudential Code to cover mayoral combined authorities?

No. The LGA does not see any issues with this.

Question 6 Do you agree that, in principle, the scope of the Prudential Code should be extended to cover group entities to ensure that any associated risks are transparent and managed?

In principle, it makes sense for group entities' activities, such as controlled or wholly owned or companies, to be covered in the assessment of their parent local authorities, as they will impact on the financial sustainability of the parent local authority

Question 7 Which areas of the Prudential Code could best be applied to group entities and do you foresee any practical implementation issues with extending the scope of the Prudential Code to cover group entities?

We believe the views of specific local authorities affected should be sought before a final decision is made.

Q8. Commercialisation. How do you suggest the Prudential Code can be strengthened to encompass the risks associated with local authorities' increasing commercial activities?

This is an important area. Local authorities already, under the current Prudential Code, take account of such risks when planning and financing their commercial activities. A possible way of strengthening the code would be to make it explicit that it is to cover these activities along with the local authority's other activities.

Question 9 How do you suggest the strategic planning elements of the Prudential Code can be strengthened to demonstrate that capital investment is sustainable and that risks are appropriately identified?

As stated above, the code is working well at present. The LGA is open to discussion about possible changes but consideration needs to be given to any increased burden from (for example) having to carry out more frequent assessments of prudential indicators (although many local authorities may already do this).

Question 10 Please detail any suggestions for how the prudential indicators could be improved in order that the assurance they provide is enhanced, including details of any indicators which you consider no longer fully serve their intended purpose. Please explain your reasoning.

We do not have any suggestions from improvements as we believe the current indicators have worked well.

Question11 If you use local indicators, please provide the calculation and how you use the indicators(s).

This question is not relevant to the LGA and we would refer you to the responses of individual local authorities.

Question 12 How do you suggest that the Prudential Code can be strengthened to incorporate the concept of the liability benchmark

The LGA does not have a view on how this could be inserted into the code.

Question 13. Do you consider that the balance of indicators between the Prudential Code and Treasury Management in the Public Services: Guidance Notes for local Authorities is correct?

The LGA believes the balance is right and that the current indicators have worked well.

Treasury Management code

The specific questions in the consultation are all aimed at public service organisations and how they use the code. As an umbrella organisation, these questions are not directly applicable to the LGA. The LGA believes that the Treasury Management Code has worked well in providing a consistent governance framework for Treasury Management activities of local authorities and that therefore any changes to it should not alter this.

Resources Board

3 April 2017

EU Funding Update

Purpose

For discussion and direction

Summary

The attached report provides key updates under the work stream: "Securing Investment to localities which is currently sourced from the EU, with particular note on the commissioned research. Members are invited to consider the update and offer a steer on the issues raised.

Recommendation

That the Board consider the report and offer a steer on the issues raised.

Action

Officers to proceed as directed by members.

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EU Funding Update

Background

1. In December 2016, following a tender exercise, the LGA Resources Board commissioned Shared Intelligence Ltd to provide focused independent research for the LGA under the our post Brexit EU funding workstream, for completion in early 2017. This research has two components:

    1.1. Phase 1 – Case studies material to support the case for continuation of a form of regional aid once UK has left the EU.

    1.2. Phase 2 – Final evidence report and policy recommendation on early thinking options for the future design of post-EU exit domestic regional aid policy in England.

2. As part of their research methodology, between December 2016 and February 2017, Shared Intelligence engaged with a number of local authorities, Local Enterprise Partnerships and other partners such as Universities and third sector organisations. The key research questions considered three distinct areas of the current EU Funding programme, as follows:

    2.1. Design – how could a new programme of post-Brexit funding be designed differently to meet the aims and objectives of new funding opportunities;

    2.2. Management – how could the management of post-Brexit funding change to better support local areas; and

    2.3. Delivery – what elements of the delivery of the new programme could work better to deliver greater outcomes?

3. At time of writing, Shared Intelligence Ltd have presented interim findings based on records of conversations which demonstrate a balanced view of the current EU funding programme, its benefits and weakness and the suggested recommendations for the future of a funding programme.

4. A key message from these conversation has been the need for post-Brexit funding to link with communities to ensure that local priorities are at the forefront of programmes. The need for devolution was also key to the debate as it is seen as way to enable local priorities to be accounted for in a more simple and flexible way. There was an overarching view that this recasting of the funding programme provided a good opportunity for the government to reorganise local structures and funding mechanisms and do things differently, with a view to achieve greater devolution.

5. The interim findings strongly correlate with the LGA's established principles for UK replacement of EU regional aid, which we developed last year. These are:

    5.1. Maximum integration with other funding streams;

    5.2. Funding distributed over a stable period (EU funding is currently allocated over a 7-year period);

5.3. Funding interventions are based on local determination and local delivery;

5.4. Funding is easier to access and manage (shorter time frames for decision, authorisation and payment);

5.5. Space for experimental and creative approaches;

5.6. Funding for local growth is at least of equal value to all the domestic and EU programmes it replaces.

6. In light of these interim findings and the new steer following conversations with Ministers at the Department for Exiting the EU, LGA officers have instructed Shared Intelligence to conduct further in-depth analysis for their final report in order to strengthen our case with Government ministers in following areas:

6.1. Further analysis of case study material to clearly demonstrate outcomes which *would not* have been achieved if EU funding interventions had not been in place.

6.2. Greater illustration of the consequences of a resultant funding gap and projected impact on growth across the UK from end of March 2019, following any a hiatus or withdrawal of this type of funding. Under this scenario a reduction of £1.5 billion of funding for the final year of this programme, attributable to the fact that the programme was technically meant to continue to 2020. It then shows a further funding deficit of £10.5 billion (approximately £5.3bn for England) assuming the UK were to receive the same amount in a future ESIF programme.

7. Alongside this, LGA the Resources Board EU Working Group will be reviewing the drawing up of a number key post-Brexit funding options (drawing on established principles as a starting point) ranging from familiar tried and tested approaches, to more innovative and radical options, to inform LGA conversations with Government.

8. With regards to broader post-Brexit policy on the EU budget contribution, the recent White Paper stated that:

8.1. "Once we have left the EU… there may be European programmes in which we might want to participate. If so, it is reasonable that we should make an appropriate contribution."[1]

9. In our response the LGA stated

9.1. "It is important that central and local government work together to plan how local areas will retain the benefits they currently receive from participation in these programmes post-Brexit."

10. In light of the additional steer from White Paper, it is proposed this workstream is expanded to look beyond EU structural funds, to a broader range of post Brexit funding streams, which UK government may wish to continue to subscribe and have of relevance to local government.

11. To develop this analysis it is proposed that the workstream is expanded to incorporate updated analysis some key EU funding programmes (plus the amounts allocated to each

[1] The United Kingdom's exit from and new partnership with the European Union, 2 February 2017, paragraph 8.51, p.49. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589191/The_United_Kingdoms_exit_from_and_partnership_with_the_EU_Web.pdf

of them) that are relevant to English local areas. These are broken into two broad categories:

11.1. **Funds allocated to member states to manage:** This covers over majority of the EU budget which is dispersed in partnership with national and regional authorities. In the UK, this is largely done through the European Structural & Investment funds and the European Agricultural Guarantee Fund (EAGF) / Common Agricultural Policy (CAP) plus other programmes such URBACT, Interreg

11.2. **Funds allocated directly by the European Commission Funds or supported by EU institutions.** These constitute programmes that public authorities, universities, businesses and NGOs can competitively bid into. Due to the rolling nature of these funds and their competitive basis, there are no designated country allocations as such. This includes transnational EU funding[2] Horizon 2020 (H2020) research and innovation programme with a budget of €77 billion, the Connecting Europe Facility with €22 billion and Erasmus+ with €15 billion.

12. By virtue of EU membership, projects in the UK can also be supported by EU institutions with funding that falls outside the EU Budget. Most notably, the European Investment Bank (EIB) – which borrows money on capital markets and lends it on favourable terms to projects that support EU objectives.

13. Members are invited to review the list and offer steer on how this should inform post EU Brexit funding discussion with government.

14. Officers working with the Resources Board EU Working Group will provide a further update on the final analysis and seek final steer recommendations for next steps following anticipated completion of this stage of work stream in mid to late April.

Implications for Wales [3]

15. We are also working closely with Welsh Local Government Association (WLGA) on key aspects of our work and evidence base.

Financial Implications

16. Can be delivered within existing resources.

[2] At present, certain non-EU member states (such as Norway) are associated to EU transnational funding programmes such as Horizon 2020, Erasmus +, and Interreg Europe.

[3] The WLGA pays a membership fee to the LGA on behalf of all Welsh councils and we lobby for them on “non-devolved” issues - e.g. DWP work. The WLGA provides “top-slice” for workforce support, but none for “improvement”.

Document is Restricted

Agenda Item 8

Resources Board
3 April 2017

Note of last Resources Board meeting

Title:	Resources Board
Date:	Monday 16 January 2017
Venue:	Room D&E, Ground Floor, Layden House, 76-86 Turnmill Street, London, EC1M 5LG

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

Item	Decisions and actions	Action

1 Declarations of Interest

The Board noted the apologies listed at **Appendix A**.

There were no declarations of interest.

2 Welfare Reform Update

Rose Doran (Senior Adviser) introduced the update and explained why the LGA had commissioned the Learning and Work Institute (LWI) and Policy in Practice to undertake research on the local impacts of welfare reform, including the introduction of Universal Credit, which would inform LGA lobbying on the issue going forward.

Members noted that there had been no substantial changes to the proposed welfare reforms following the change in government over summer 2016. Changes to the welfare system would be designed to realise savings of £12 billion, and this would be delivered primarily through the roll out of Universal Credit. Councils were concerned that they should be able to continue to support claimants to respond positively to the reforms, through increased employment, or reducing outgoings through housing choices.

Tony Wilson (LWI) and Deven Ghelani (Policy in Practice) then presented their interim research findings on the local impacts of welfare reform to the Board. This included early findings from their recent data analysis, a review of 28 welfare reform studies, development of options, and how findings would be tested.

Members noted that 9.1m households in Great Britain were receiving either tax credits, DWP benefits or Housing Benefit, and of those receiving these benefits 7m were of working age. 45% of working age households were in work, and of those 53% had children. 40% of working age households were ins social rent, 29% in private rent, and 31% were not receiving Housing Benefit.

Welfare reform impact assessment had been undertaken for a range of local authorities. These assessments were complex as different areas and different households were impacted by different reforms, but large sample of low income households had been studied. For forthcoming welfare reform, 4 or 5 times as many households would be impacted than previous reforms brought in by the Coalition Government. Of these some would be positively impacted and some would be negatively impacted.

Households facing the hardest impact would include those not receiving Housing Benefit (mainly those on Job Seeks Allowance), large families, households in work (especially full-time work), households out of work due to disability, and households with high barriers to work, i.e. those where more than half face two or more barriers to work. If you are a higher earner, and an owner-occupier, you are likely to be more negatively impacted, although the private rented sector would be hardest hit, and would continue to be.

In the discussion which followed the following points were raised by Members:

- Members suggested that further case studies would be useful to fully understand the impact of forthcoming welfare reforms. LWI and Policy in Practice were currently developing case studies to describe typical households.
- Members raised concern that the people who would be hardest hit by the reforms were those in work and not on housing benefit. It was explained that owner-occupiers would be impacted by how mortgages were impacted. Those in social housing would be affected less than those in the private rented sector.
- In response to a question it was confirmed that it was difficult to quantify what behavioural changes would result in the biggest positive impact for residents. There was no behavioural employment evaluation of the benefit cap, and there was not a great deal of behavioural response on the employment side. Housing was complex, but research had been undertaken to see how far change was driven by the market.
- Regarding the impact of factors such as the UK’s exit from the European Union, it was currently too early to tell if welfare figures would be impacted by a potential economic downturn or increase in employment as a result. Predictions for 2020 onwards would be reworked accordingly.
- Members raised concern that people with mortgages and on Job Seekers Allowance would be negatively impacted by welfare reforms. It was explained that councils should look at how services could be delivered in different ways in different areas, and options could be trailed to ensure different types of households were receiving appropriate levels of support.
- In response to a question on council tax collection rates, it was highlighted that councils could potentially see a decrease in collection rate from those who had been negatively impacted.

- As reforms progressed, councils would have to look at how they engaged with the private rental sector. This was already a significant issue, but if councils were unable to build more council housing they would have to look more closely at private rents.
- It was agreed that councils were the best drivers for reform, and were proven to reduce costs and get people back into work. There was a case that services such as Job Centre Plus could be delivered better locally than through the DWP.

Decision
The Resources Board **noted** the updates provided in the report and presentation.

Actions
Officers to progress work following Members' steer and report back to the Board at a future meeting.
Slides of the presentation to be circulated following the meeting.

3 Workforce Update

Jon Sutcliffe (Senior Adviser, Workforce Policy and Strategy) introduced the report which set out key workforce policy developments over the last period. Members noted that the review of the National Joint Council (NJC) pay spine was underway and a Joint Working Group with the unions had been established.

Following the discussion on sleeping-in payments at the previous meeting it had been agreed by Lead Members of the Board to keep a watching brief over the issue and await further developments. The issue had also been considered by the Public Accounts Committee and a further report on the issue would be considered by the Board at a future meeting.

There was concern that some councils had expanded the National Living Wage to include contractors and this could lead to increased costs to councils. There was a productivity link to the Living Wage, and the LGA had commissioned a report from incomes and data research to look at how councils and other organisations linked productivity to what they were paying.

Decision
The Resources Board **noted** the updates included in the report.

4 Provisional Local Government Finance Settlement 2017/18

Nicola Morton (Head of Local Government Finance) introduced the report and explained that it reported on LGFA activity on the provisional 2017/18 Local Government Finance Settlement (LGFS) which had been announced on 15 December 2016, including the LGA's response to the consultation.

Members noted that no new funding had been announced in the LGFS, but there had been reallocation within totals of funding streams, most notably a reduction of £241 million in the New Homes Bonus to pay for a one year only Adult Social Care Support Grant. The response to the LGFS had focussed mainly on the New Homes Bonus and the impact on local authorities, and the Chairman and Group Leaders would be meeting with the Secretary of State for Communities and Local Government on 19 January to discuss this. A briefing for parliamentarians would be circulated prior to the debate on the LGFS in the House of Commons.

In the discussion which followed Members raised the following points:

- Concern was raised the that the reduction in the New Homes Bonus was greater than the amount authorities could raise in council tax for adult social care. This was unhelpful as councils thought they were signing up to a four year settlement, but house building authorities would be penalised.
- The LGA had undertaken good work to keep adult social care funding on the agenda as this would continue to be an increasing cost and a significant issue for local authorities. The solution was not to move money between different funding streams, but for the Government to fully fund adult social care top address the funding crisis.
- Local authorities were best placed to make decisions on local asocial care provision, and the service would not be better managed if it was moved to the NHS. Better funding would lead to less bed-blocking which exacerbated problems in local services for elderly and disabled people. The LGA was working with the NHS, charities and care providers to lobby for full funding of children's and adult social care.
- In addition to funding pressures, legislative pressures should be noted as a challenge for councils.
- Further work should be undertaken on preventative measures to stop people requiring adult social care in the first instance. If investment was made into prevention it would stop certain cases requiring acute care and enable them to stay in their homes for longer. A lot of work had been done in conjunction with the Community Wellbeing Board on prevention and this work would continue through the LGA Care and Health Improvement team.

Decision
The Resources Board **noted** the update on the Local Government Finance Settlement and the LGA's response to the consultation.

5 Business Rates Retention Update

Aivaras Statkevicius (Adviser) introduced the report which provided an update on the progress of the Government's work on business rates retention reform, and in particular the emerging responses to the summer consultations and the progress of the Fair Funding Review.

Members noted that the Local Government Finance Bill had been introduced before Parliament, and included general provisions for detailed system design. The draft legislation confirmed that the multiplier could be increased in a single go rather than by tranches, and although there was no mention of a veto by Local Enterprise Partnerships (LEPs) there was still a requirement to consult. The levy on business rates growth had been abolished, and there was no mention in the Bill of the Fair Funding Review which did not require primary legislation. The second reading of the Bill would be the following week, and the finance team would be working with colleagues in public affairs to brief MPs on the LGA's key asks.

The Government had not yet formally responded to the summer consultations on business rates, but two further consultations on system design and fair funding, modelling and data collection were expected. The LGA would be organising regional events to discuss the consultations in the same way as for the previous consultations.

In the discussion which followed Members raised the following points:

- When considering business rates retention the change in the nature of work should be taken into account, with fewer retail parks and more smaller units and online businesses. It was confirmed that there would be less revenue from smaller units, and the LGA was looking at alternative incentive structures which would be a key issue for 2020 and beyond.
- Members highlighted that Combined Authority Mayors would have the power to levy a small supplement on the business rate multiplier to fund infrastructure projects, subject to the approval of business members of the relevant LEP. Respondents to the consultation thought that this approval process should be given further consideration, and should be extended to all authorities.
- Concern was raised that some properties quickly lost small business rates relief. The Government operated a transitional relief scheme, with the biggest changes to be phased in over a number of years.

Decision
The Resources Board **noted** the updates provided in the report.

6 EU Funding Working Group Update

Cllr Clarence Barrett introduced the report and highlighted that Members had previously agreed that the LGA should be more active on the key asks on Brexit. The LGA had produced an updated public briefing on EU policy which covered the five headline priorities: autonomy of local government; developing a new legal base for local government; securing investment that is currently sourced from the EU; community cohesion; and addressing place-based impacts.

The LGA would continue to brief the front bench teams in Parliament, and it was encouraging that LGA lines were forming the basis of the debate in the sector.

Members also noted that priority areas on EU funding were being taken forward by the Resources Board EU Funding Working Group. These priority areas were: Resources Board contribution to developing a new legal base for local government; securing the current quantum of funding to 2020; and post-EU exit domestic regional aid. Cllr Roger Philips had attended the December meeting of the European Structural Investment Fund Growth Programme Board for England. Since the EU referendum the LGA had maintained pressure on the Government to commit to measures to ensure that maximum number of EU funding bids were agreed and signed by the time the UK exited the EU.

Decision
The Resources Board **noted** the updates in each priority work stream of the EU Funding Working Group.

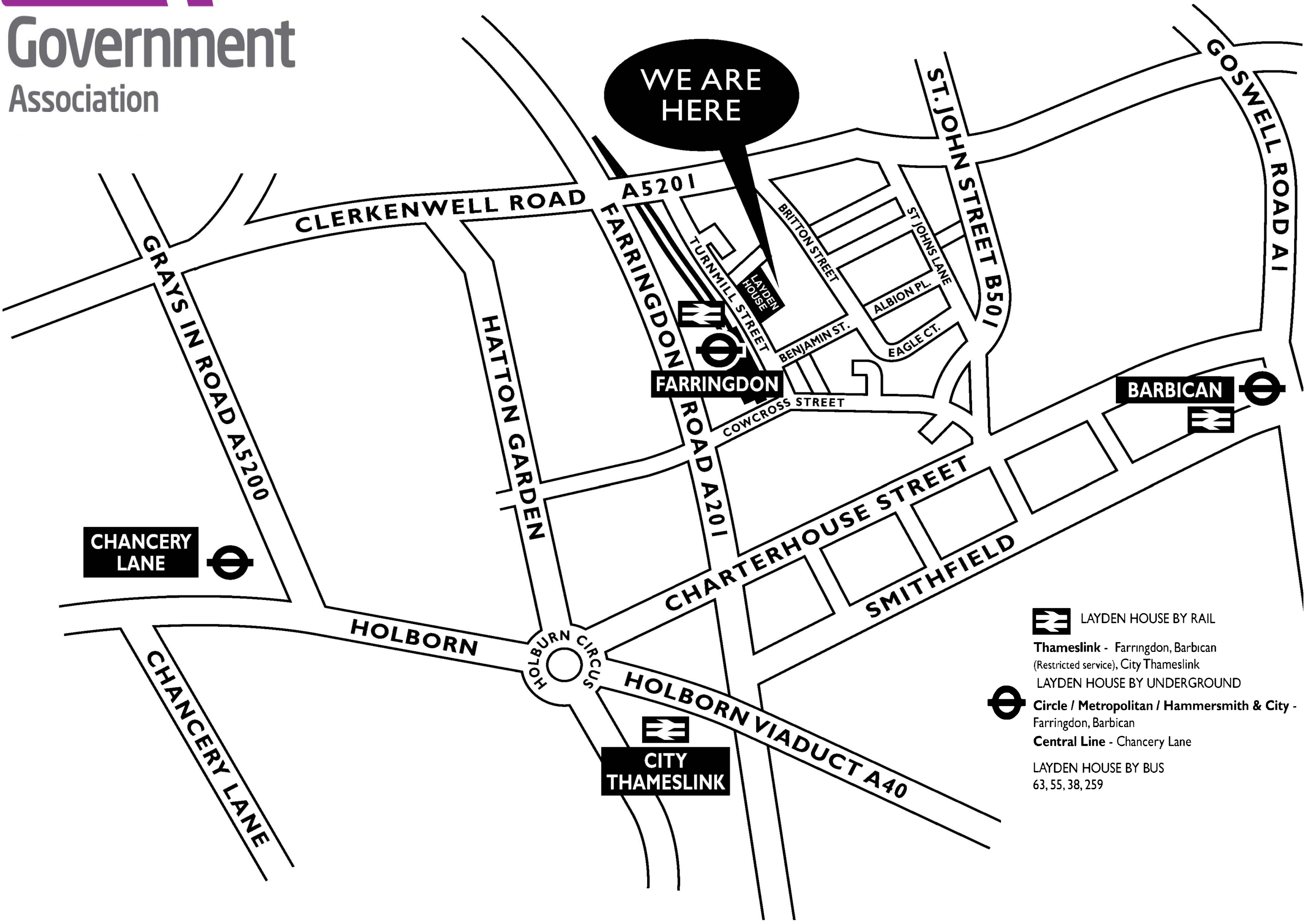
7 Minutes of the previous meeting held on 5 December 2016

Decision
The Board **agreed** the minutes of the previous meeting held on 5 December 2016.

<u>Appendix A -Attendance</u>

Position/Role	Councillor	Authority
Chairman	Cllr Claire Kober OBE	Haringey Council
Vice-Chairman	Cllr John Fuller	South Norfolk District Council
Deputy-chairman	Cllr Clarence Barrett	Havering London Borough Council
	Cllr Claire Hudson	Mendip District Council
Members	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 Sian Timoney	Luton Borough Council
	Cllr Peter Marland	Milton Keynes Council
	Cllr Linda van den Hende	Havering London Borough Council
	Cllr Simon Shaw	Sefton Metropolitan Borough Council
Apologies	Cllr Nigel Ashton	North Somerset Council
	Cllr Aaron Shotton	Flintshire County Council
	Cllr Tom Beattie	Corby Borough Council
	Cllr Sarah Hayward	Camden Council

Local Government Association



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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 Facilties
The nearest Santander Cycle Hire racks are on Theobold's Road.
For more information please go to www.tfl.gov.uk

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