

Note of last LGA Leadership Board meeting

Title: LGA Leadership Board
Date: Wednesday 24 January 2018
Venue: Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

Attendance

An attendance list is attached as [Appendix A](#) to this note

Item Decisions and actions

1 Apologies and Declarations of Interest

No declarations of interest were made.

Apologies for absence were received from Cllr Sean Anstee.

2 Provisional 2018/19 Local Government Finance Settlement

Nicola Morton, Head of Local Government Finance, introduced the report which set out the key announcements in the provisional local government finance settlement, as well as the key messages in the LGA's response to the settlement. Key announcements included an increase in the general council tax referendum limit from 2 per cent to 3 per cent, a forthcoming consultation on options to address the negative revenue support grant, and ten new 100 per cent business rates retention pilots for 2018/19. It had also been announced that 75 per cent business rate retention would be introduced for all councils from April 2020.

The LGA's response had expressed disappointment that the settlement did not tackle the funding gap which would reach £5.8 billion by 2019/20, and almost no new money had been included. Additional flexibility in setting council tax was welcomed, but new funding was required to protect services from further cutbacks. It was also welcomed that the Government had accepted the LGA's call not to make further changes to the New Homes Bonus, and that 10 new business rates retention pilots would be established. There remained a concern that the current four year deal would end in March 2020, and there was no clarity over funding levels after this which would impact on councils' ability to make financial plans.

In the discussion on the report, the following points were raised:

- There was a growing gap in the availability of capital funding for school expansion meaning that some councils are having to borrow substantial sums to fund essential expansions or new builds, often in academy schools where the council will not even own the property. Funding the borrowing adds to revenue pressures. There is a further issue in relation to schools overspending and a concern that overspenders in maintained schools could fall back to councils who would not be in a position to meet the funding gap if schools in their areas

overspent. There was also a growing special educational needs and disability (SEND) population in schools who require additional support and funding. Should the Government agree to take more refugee children it may be more difficult to find places to house them as there was currently a lack of clarity on Government funding. It was hoped that the Home Office would publish the grant regime, as the previous Immigration Minister had agreed that this would be done in January 2018.

- The LGA had been successful in previous years in campaigning for additional funding for adult social care, but there should now be a case made that lack of funding would have a profound impact on the services which were provided to individuals, communities, and other parts of the public sector.
- It was agreed that there should be certainty and clarity on funding sooner than at the end of the current four year deal period in 2020. This should be in place a year before the four year deal ended.
- In response to a question on the new system for dealing with business rates appeals, it was noted that it was currently too early in the process to examine if any impact had been made. Early statistics suggested a positive impact, but this would be reviewed in due course.

Decision

The LGA Leadership Board **noted** the report.

3 Fair Funding Review and Business Rates Retention

Aivaras Statkevičius, Senior Adviser (Local Government Finance), introduced the report which updated Members on progress of the LGA's work related to business rates retention and the Fair Funding Review, and in particular sought early views on the Government's recently published consultation on the Fair Funding Review relative needs assessment.

It was highlighted that, alongside the 2018/19 local government finance settlement, the Government had announced that it planned to implement the Fair Funding Review by April 2020. The results of the review would be used to form funding baselines as part of the move to 75 per cent business rates retention. In exchange some grant funding currently received by local authorities would end in its current form. 10 new pilots had been announced, as well as an expanded pilot for London.

The Fair Funding Review consultation, published by the Government alongside the provisional settlement, focusses on the design of the relative needs assessment. It does not cover the relative resources adjustment, transition or other technical matters, so further technical papers are expected to be published in due course. As part of considering the LGA's response officers were trying to establish clarity with the local government sector on the following issues: how much of the assessment could be based on a single 'foundation' formula; which services required specific formulae; cost drivers to be used in these particular formulae; and how to assign appropriate weightings to those cost drivers.

In the discussion on the report the following points were raised:

- Members highlighted a number of formulae and cost drivers for local authorities which were not included in the 'starter' list proposed by the consultation, including: the number of looked after children, numbers of students, fire and rescue factors (including national resilience), and a formula for public health.
- Regarding the impact of pilots on the overall amount of business rates available,

it was explained that the pilots were mostly an exercise on how money flowed around the system, so there would be no detriment to non-pilot areas. The only additional funding for pilot areas would be the growth in their local rates.

- It was noted that the drainage board precept is significant in some areas.
- It was agreed that the early thinking in the report was a good start, and members of the Board thanked officers for their work so far in seeking consensus. Engagement with Members would continue through a variety of fora through the consultation process. The points raised by members will be included in the draft consultation response.
- It was noted that the timescales to deliver the reform were very limited and that significant uncertainty remains regarding financial planning of councils beyond April 2020.

Decision

The LGA Leadership Board **noted** the report.

Action

LGA consultation response to be drafted in line with Members' comments and presented for final comments and clearance in the March meeting. (**Aivaras Statkevičius**)

4 Chief Executive's Report – January 2018

Mark Lloyd, Chief Executive, introduced the report which set out the LGA's main achievements against the Business Plan priorities since the last meeting in December 2017. He drew particular attention to: the recent Cabinet reshuffle and new ministerial teams at the Ministry of Housing, Communities and Local Government (MHCLG), the Department for Education, and the Department of Health and Social Care; local government pay negotiations; and the liquidation of Carillion, who provided various services to councils.

Dennis Skinner, Head of Improvement, updated Members on the LGA's work to support the 34 councils who had contracts with Carillion. Since Carillion had issued profit warnings in Summer 2017 the LGA had liaised with councils to ensure good contingency plans were in place. Carillion provided services including: facilities management, provision of school meals, road construction, library services, and maintenance of property estate. The LGA had been in contact with all affected councils, and were currently looking into other joint ventures or subsidiary companies of Carillion to ensure appropriate contingency was in operation. Officers are also supporting councils that potentially face substantial additional fees by Carillion's official receiver, and had raised this with MHCLG and the Cabinet Office.

Regarding pay negotiations it was noted that Unite has recommended rejection of the 2% pay offer for the next two years, and Unison had also voted to recommend rejection of the offer. GMB were currently balloting their members on the basis that the offer was the best that could be achieved.

In the discussion on the report the following points were raised by Members:

- The LGA had been instrumental in supporting councils when large companies had previously collapsed. The work which the LGA had undertaken in respect of the collapse of Carillion was commended, and this had also been recognised by the Government.
- Until a pay deal was agreed it would be for individual councils to make their own

budgets accordingly. Many may budget on the basis of the pay offer including the proposed adjustments at the lower end of the pay scale. The NJC will keep the situation under review and Members would be updated in due course.

- As it was 100 years since some women first got the vote in General Elections it was noted that there would be events to mark the occasion at the LGA's annual conference and exhibition in July 2018. It was suggested that it be highlighted that women were able to vote in council elections, and were able to stand for election as councillors, before they were able to vote in General Elections.

Decision

The LGA Leadership Board **noted** the Chief Executive's report for January 2018.

5 LGA Forward Plan

Decision

The LGA Leadership Board **agreed** the forward plan.

6 Note of the last meeting

Decision

The LGA Leadership Board **agreed** the minutes of the previous meeting on 7 December 2017.

7 Note of the last Commercial Advisory Board

Decision

The LGA Leadership Board **noted** the minutes of the previous Commercial Advisory Board held on 27 November 2017.

8 Update from the Commercial Advisory Board on Next steps to Develop an Insurance Venture

Sarah Pickup, Deputy Chief Executive, introduced the report, which updated the Leadership Board on the proposed arrangements for the LGA commercial company, LGA Commercial Services Ltd, to enter into an insurance joint venture. The report updated Members on work to date, and set out next steps for the commercial aspects of the project.

Members noted that the four Members of the Commercial Advisory Board and the Deputy Chief Executive formed the Board of Directors of LGA Commercial Services Ltd. The Board were meeting regularly with the LGA's partner organisation to oversee the provision of insurance support to the mutual. The Resources Board would lead the work on the establishment of the mutual itself.

There followed a confidential discussion.

Decision

The LGA Leadership Board:

1. **Agreed** the proposed arrangements for the LGA Commercial Services Ltd to enter into an insurance joint venture; and
2. **Authorised** the drawdown of funds to cover the LGA's part of the joint ventures start-up costs.

9 LGA 2018/19 Budget Assumptions

Jonathan Gratte, Strategic Finance Manager, introduced the report, which set out key assumptions and issues regarding the potential budget for the LG Group over the medium term to 20121/22.

Members noted that the report would form the basis of the 2018/19 budget setting process. The Leadership Board would consider the LGA Budget for recommendation to the LGA Executive at the next meeting in March 2018.

There followed a confidential discussion.

Decision

The LGA Leadership Board **reviewed** and **noted** the 2018/19 Budget key assumptions and issues, and the financial direction of travel over the course of the Medium Term Financial Plan.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Lord Gary Porter CBE	South Holland District Council
Vice-Chairman	Cllr David Simmonds CBE	Hillingdon London Borough Council
	Cllr Howard Sykes MBE	Oldham Metropolitan Borough Council
	Cllr Marianne Overton	Lincolnshire County Council
	MBE	
Deputy-chairman	Cllr Paul Carter CBE	Kent County Council
	Cllr Peter Fleming OBE	Sevenoaks District Council
	Cllr Izzi Seccombe OBE	Warwickshire County Council
	Cllr Peter Box CBE	Wakefield Metropolitan District Council
	Cllr Michael Payne	Gedling Borough Council
	Cllr Lib Peck	Lambeth London Borough Council
	Cllr Ruth Dombey OBE	Sutton London Borough Council
	Cllr Peter Reeve MBE	Huntingdonshire District Council
Apologies	Cllr Sean Anstee	Trafford Metropolitan Borough Council