

Note of last Resources Board meeting

Title: Resources Board
Date: Tuesday 21 July 2020
Venue: Via Zoom

Attendance

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

Item	Decisions and actions	Action
1	Welcome, Apologies and Declarations of Interest The Chair welcomed members to the meeting. Apologies were received from Cllr Tim Oliver (substitute Cllr David Leaf). Cllr Phillip Atkins confirmed that he would be acting as Board Vice-chairman in Cllr Oliver's absence. There were no declarations of interest.	
2	Local Government Finance - verbal update The Chair invited Bevis Ingram (Senior Adviser) to introduce the update. Bevis highlighted 3 areas of non-covid-19 related activity undertaken by the finance team since the previous Board meeting: <ol style="list-style-type: none">1. Consultation on Public Works Loans Board (PWLB) future lending. Bevis reminded members that the LGA response to the consultation had been agreed at the previous Board meeting and since then the Treasury had been holding workshops with Chief Finance Officers where the LGA's arguments had been put forward.2. Contributing to the Treasury review of the Green book.3. The National Audit Office had produced an auditor guidance note on the local code of practice and officers would be bringing this, and a draft response, to the Lead Members some time during August. Sarah Pickup (Deputy Chief Executive) reported that the Treasury had today made two major announcements which would impact member councils: <ol style="list-style-type: none">1. The Comprehensive Spending Review which would be a 3-year settlement for revenue and a 4-year settlement for capital, with a deadline for submissions of 24 September. Sarah said that the LGA's approach would be discussed in more detail at the Spending Review Steering Group meeting taking place this week.	

2. A call for evidence on the fundamental review of business rates. Sarah reported that the Executive Advisory Board had agreed that the Further Business Rates Retention and Fair Funding Review Task & Finish Group should be repurposed to look at the review of business rates and wider local government finance reform. A meeting in early August would be arranged if possible. Sarah added that alongside the call for evidence, the Government had confirmed that the business rates revaluation would be deferred until April 2023 (based on April 2021 valuations). Officers would report back to the Board in September with a progress update.

Decision

Members of the Resources Board **noted** the update.

3 Welfare reform and Universal Credit - verbal update

The Chair invited Rose Doran to introduce the update.

Rose reported on two non-covid related developments since the last Board meeting:

1. The Cabinet Office had announced a call for evidence on the fairness of debt recovery in the public sector with a deadline for submissions of 21 September. Rose said that this tied in very well with the LGA's Reshaping Financial Support work. This issue would be a difficult balance for local councils who on the one hand would want to recover as much debt as possible to shore up their perilous financial positions as a result of covid-19, but on the other hand would want to support vulnerable local residents.
2. DEFRA had allocated £63 million to councils on 10 July for assisting vulnerable residents purchase essential goods.

Decision

Members of the Resources Board **noted** the update.

4 Covid-19 update

The Chair invited Sarah Pickup (Deputy Chief Executive) to introduce the update.

Sarah picked out headlines from each of the 4 policy areas:

Local government finance. Sarah reiterated the LGA's position that councils should be fully compensated for additional costs and loss of income as a result of Covid-19. She said that the LGA were continuing to hold meetings with Government officials to set out their position and the latest Government rescue package had addressed some of the issues.

Sarah said that one of the biggest issues for members councils was how leisure centres would be able to operate in a covid-secure way and still remain financially viable. The LGA was lobbying hard on this and officials from MHCLG and DCMS were aware of the problems.

The LGA had commissioned two pieces of work in recent weeks. The first was for LG Futures to develop a model that would see councils fully

compensated for lost income. The second was from the Institute for Fiscal Studies to reflect the impacts of covid-19 on councils and which would feed into the Comprehensive Spending Review.

Workforce. Sarah highlighted the regular workforce surveys of councils that have evidenced the impact of COVID-19 across the local government sector. Based on the results of these surveys, the LGA would be working with councils to help them support their employees through the crisis.

Welfare. Sarah highlighted the LGA's work evidencing the need to maintain the temporary increase in the Local Housing Allowance rate at the 30th percentile or higher.

EU funding. Sarah highlighted the LGA's continued calls for the Government to urgently work with councils and combined authorities to ensure the remaining European Social Fund money be allocated quickly to support the national recovery from the pandemic.

Following the introduction there was a discussion during which the following points and queries were raised by members:

- Members agreed that leisure centres were a major concern for councils. It was pointed out that it would not be financially viable for many councils to take the running of contracted out leisure centres back in-house due to the VAT penalties. It was stated that leisure centres were more than just commercial enterprises – they provided a crucial role in the health and wellbeing of local communities and the Government needed to provide emergency funding, as they had done with the cultural sector, to help councils keep them open. Sarah agreed that this was a serious problem and one which the LGA had consistently been raising with Government. She urged members to include this on their financial returns to MHCLG. She added that the problem was compounded by the fact that the worst hit leisure centres financially were also the ones that were in the most deprived areas of the country. The LGA would be speaking to Public Health England about what could be done to help.
- Concern was expressed about lost income from commercial property during the pandemic and the fact that the Government was unsympathetic to this. Sarah said that they had made the point to Government consistently (including in the recent PWLB consultation) that for the vast majority of councils, commercial investments were being used for example to regenerate areas and not solely as a means of funding revenue spending. She said that the LGA would continue to emphasise this point.
- Members from borough councils expressed concern that Government funding for housing rough sleepers was not reaching them and there was a real risk that those people who had been temporarily housed during the crisis would end up back on the streets again. There was a plea for Local Housing Allowance rates to be permanently increased and for funding for more permanent accommodation and wrap around services to be provided. Sarah said she would ask officers to look into the issues around funding in two tier areas.
- The costs of local outbreak planning were not being taken into consideration by Government and this was absent from the last set

of financial returns. Could the LGA ask for this to be included? Sarah said that there was already a question about testing and tracing on the returns.

- The Government needed to take into account the fact that compared to many other countries, UK local government was reliant upon a small range of funding sources. It was also the only part of the public sector required to balance its budget on an annual basis. Was there scope for relaxing this during the crisis?
- It was pointed out that the NJC guidelines around workforce were last updated in mid-March but our understanding around risks, particularly in relation to virus transmission in care settings and the clinically vulnerable and extremely vulnerable groups, had moved on since then. This made things very difficult for councils when the NJC was the only source of guidance. Naomi Cooke, Head of Workforce, said that guidance was last updated on 12 June. She set out the criteria by which guidance was produced by the NJC and stressed that it had to be agreed by both the employers and trade unions, but they had endeavoured to issue it as quickly as possible. She added that discussions with the trade unions were ongoing as staff started to physically return to work.
- Increased home-working for many council staff and remote meetings were seen as a positive outcome of the crisis and this should continue into the future.
- It was suggested that councils would get reduced income from both council tax and business rates, not just for this year, but in all likelihood, for several years to come. How was the Government addressing this longer-term shift? Sarah said that longer term certainty could only be addressed through the Government's Spending Review which the LGA would be lobbying hard for.
- Where had discussions about the fate of the potential £600 million underspend on business support grants got to? Mike Heiser, Senior Adviser, said that the LGA had called on the Government to give councils access to this money but that the Department for Business, Energy and Industrial Strategy (BEIS) didn't want to close mandatory schemes at this stage. He added that both MHCLG and the Treasury were aware of the position and an announcement was likely in the near future.
- What work was the LGA doing about forecasting the demand for PPE during a potential second wave of the virus? Sarah said that they were working with organisations such as Association of Directors of Adult Social Services to address potential demand from a second wave.

The Chair concluded by saying that whilst the Government support so far was very welcome, it was clear from the discussion today that there were still many outstanding issues for councils which the Government needed to address. He thanked members for their clear steer to officers and the mandate to continue lobbying Government on these matters.

Decision

Members of the Resources Board noted the update and agreed that the LGA should lobby Government on the issues raised during the discussion.

The Chair thanked officers and members for their hard work during the year that had contributed to the many achievements against the priorities set last September. He suggested that, as the situation with covid-19 was still so volatile, the Board keep its work plan under continuous review. Members agreed with this approach.

Cllr Taylor requested that the highly successful LGA Equalities Conference be included in the End of Year report. This was agreed.

Decision

Members of the Resources Board:

- 1. Noted** the achievements against the board's priorities in 2019/2020, and
- 2. Noted** the board's proposed priority areas for 2020/21.

Action

Officers to add the LGA Equalities Conference to the End of Year Report.

6 Council tax reform

The Chair reminded members that Resources Board had been tasked by the Executive Advisory Board to examine alternative or additional ways of funding local government. During the discussion at the March Board meeting on business rates, members had requested a report on possible reform of the council tax and this was being brought to the Board today. He stressed that it was designed to start a conversation about reform rather than to take any concrete decisions at this stage. He therefore asked for members initial thoughts and said that the conversation would be continued in more detail at the reformed Task & Finish group.

Sarah Pickup added that Resources Board had rejected lobbying for reforms to council tax, such as revaluation, a couple of years ago but that times were now very different. Council tax needed to be looked at alongside other sources of local government funding.

Mike Heiser, Senior Adviser, then went through the detail of the report and highlighted Table 1 which set out the various potential reforms to council tax that the LGA could lobby for. He then laid out the two broad policy options for the LGA and asked for members views on them:

- Keep to existing policy supporting local rebanding, more discretion on the single person discount, the abolition of nationally set referendum limits and support for full funding of council tax support; or
- Argue for an option for the council tax to raise more and address the regressive nature of the tax, within the context of rebalancing local income alongside the reform of business rates.

There followed a discussion during which members raised the following points:

- Any new system of funding, or reform of existing systems, needed to be based on principles of fairness and public acceptability. Greater freedoms and flexibilities were also considered to be important in spreading the tax base more widely. Support was

expressed for removal of the single person discount but it was recognised that this might not suit all areas of the country.

- Some members urged the LGA to consider lobbying for more radical alternatives such as Land Value Tax which were said to work well in Denmark. Reforming council tax was considered to be tinkering around the edges when taking a more fundamental look at how local services were funded was required. This should tie in with the Government's forthcoming White Paper on Devolution. Any reform could not be effective without first sorting out the Adult Social Care funding issue and members urged the Government to publish its Green Paper as soon as possible.
- Other members felt that if a better alternative to council tax existed it would have been found by now. It was suggested that the problem with council tax was that it no longer reflected the actual value of properties and so more regular revaluations would resolve that. Other members expressed a preference for removing the referendum limits. Some of the unfairness in the current system could be resolved by reforming the housing elements of the benefits system. It was suggested that Land Value Tax wouldn't work in the UK.
- Most members agreed that the exemption of student accommodation from council tax liability needed to be looked at, as many residents considered it to be unfair. It was suggested that commercial student landlords should be charged council tax or business rates in some form. However, concern was expressed that these additional costs on landlords would be passed down to students in the form of higher rents.
- Support was expressed for the proposal to allow councils to charge developers full council tax on unbuilt developments as a means of disincentivising land banking. It was also suggested that this should apply to developers who sought to convert commercial properties to residential. Similarly, it was suggested that a levy should be introduced on developers converting commercial buildings to residential.
- Any reforms to council tax should not be rushed in as time would be needed to allow people to adjust by, for example, downsizing. The revaluation exercise in Wales was cited where one third of properties moved into a higher band.
- Reforming council tax would be complicated by the fact that councils, for various historical reasons, would all be starting off from different baselines.
- It was suggested that whilst the Board was able to agree that the current system was broken, it would be much more difficult to agree on a set of principles for reform, due to the political nature of the arguments involved.
- When council tax was introduced in 1991 it was not designed to be the main source of income for councils but it had developed into that over the years by default. A fundamental review of council funding was therefore considered necessary as reforming council tax would amount to endorsing a broken system that nobody had agreed.

In response, Sarah Pickup said that the report that was brought to the Board in March explored options for more fundamental reform, but members had requested the current paper on council tax as part of the

wider picture. She agreed that a property-based tax alone would not be able to fund all the demands upon councils, in particular Adult Social Care, in the future. She expressed optimism that members would be able to agree what a fair system should look like and said that there had been a great deal of agreement during the debate today.

The Chair thanked members for their contributions and said that this was just the beginning of a conversation. He agreed that it should be possible to get behind some key principles and said that any solution would need to involve a mix of household and business taxation together with a range of fees and charges. He said that the Board would be kept updated on the discussions that took place in the Task & Finish Group.

Decision

Members of the Resources Board noted the report and agreed that the comments from the debate should be taken into account by the reformed Task and Finish Group on Business Rates Retention and the Fair Funding Review, and the Executive Advisory Board.

7 EU Funding - verbal update

The Chair invited Paul Green, Adviser, to introduce the update.

Paul reported that since the last Board meeting, the European Regional Development Fund (ERDF) was now 97 per cent committed and the European Social Fund (ESF) was at 76 per cent. The ESF figure represented an improvement but was still disappointing with limited time left of the programme. The LGA continued to lobby Government about this and about the need for the replacement UK Shared Prosperity Fund to be a localised place-based fund.

Paul reported that discussions were now underway about the use of the ESF Reserve Fund where a number of ideas have been discussed, including tackling the digital divide, supporting people who were being made redundant and supporting homeless people into work. Members agreed that tackling the digital divide was vital as many deprived young people were at risk of falling further behind their peers in terms of education. Members stressed the importance of availability of WiFi. It was suggested that schools had a vital role to play in identifying those children and young people potentially at risk of getting left behind. Paul said that the proposal could link into existing networks and projects that were currently working on this and hopefully plug the gaps in provision.

Decision

Members of the Resources Board noted the update.

8 Workforce update

The Chair invited Naomi Cooke, Head of Workforce, and Jeff Houston, Head of Pensions, to introduce the update.

Naomi reported that the Government had today announced that public sector pay increases had been agreed for the following professions –

school teachers (3.1%), dentists and doctors (2.8%), police, prison officers and National Crime Agency staff (2.5%), armed forces (2%) and judiciary and senior civil servants (2%). She added that the rises for teachers would be 'bottom loaded' with newly qualified teachers receiving a 5.5% increase and all other teachers receiving 2.75%.

Jeff reported on two big pension announcements that had been made last week:

- The Treasury had launched a consultation seeking views on its proposed method of implementing changes to remedy the age discrimination identified in the McCloud case. Jeff said that members may have heard estimates of the potential costs to the Local Government Pension Scheme of as much as £2.5 billion but in reality, it was likely to be significantly lower than this.
- The Treasury had also published its response to the consultation on the proposed £95k public sector exit payments cap. Regulations were expected to be laid before Parliament today with debates taking place after the summer recess.

Members suggested that the £95k cap could have serious consequences for the capacity of local government to carry out reforms and reorganisations.

Cllr Taylor, as LGA Equalities Champion, proposed that, as a physical Equalities Conference wouldn't be possible this year, a virtual conference be held focussing on the equalities impacts of covid-19 on council staff and the wider population. This was agreed.

Decision

Members of the Resources Board noted the update and agreed that a virtual LGA Equalities Conference be held later in the year.

9 Minutes of the previous meeting

The Chair asked the members of the Board to approve the note of the previous meeting as an accurate record.

Decision

The members of the Resources Board approved the note of the meeting on 12th May 2020 as an accurate record.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chair	Cllr Richard Watts	Islington Council
Acting Vice-Chairman		Staffordshire County Council
Deputy-chair	Cllr Keith House Cllr Jason Zadrozny	Eastleigh Borough Council Ashfield District Council
Members	Cllr David Finch Cllr Daniel Humphreys	Essex County Council Worthing Borough Council

Cllr Roger Phillips
Cllr Richard Wenham
Cllr Sharon Taylor OBE
Cllr Tony Newman
Cllr Tom Beattie
Cllr Peter Marland
Cllr Erica Lewis
Cllr Adam Paynter
Cllr Phelim MacCafferty

Herefordshire Council
Central Bedfordshire Council
Stevenage Borough Council
Croydon Council
Corby Borough Council
Milton Keynes Council
Lancaster City Council
Cornwall Council
Brighton & Hove City Council

Apologies

Cllr Tim Oliver
Cllr Peter Jackson

Surrey County Council
Northumberland Council

In Attendance

Cllr Andrew Leadbetter
Cllr Terry Paul
Cllr John Merry CBE

Devon County Council
Newham Council
Salford City Council