

LGA Executive

Agenda

Thursday, 22 January 2015
1.45 pm

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

To: **Members of the LGA Executive**
cc: **Named officers for briefing purposes**

www.local.gov.uk

This meeting is



Guidance notes for visitors

Local Government House, Smith Square, London SW1P 3HZ

Welcome!

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

Security

All visitors (who do not already have an LGA ID badge), are requested to report to the Reception desk where they will be asked to sign in and will be handed a visitor's badge to be worn at all times whilst in the building.

Fire instructions

In the event of the fire alarm sounding, vacate the building immediately following the green Fire Exit signs. Go straight to the assembly point in Tufton Street via Dean Trench Street (off Smith Square).

DO NOT USE THE LIFTS.

DO NOT STOP TO COLLECT PERSONAL BELONGINGS.

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

Open Council

"Open Council", on the 1st floor of LG House, provides informal meeting and business facilities with refreshments, for local authority members/officers who are in London.



Toilets

Toilets for people with disabilities are situated on the Basement, Ground, 2nd, 4th, 6th and 7th floors. Female toilets are situated on the basement, ground, 1st, 3rd, 5th and 7th floors. Male toilets are available on the basement, ground, 2nd, 4th, 6th and 8th floors.

Accessibility

Every effort has been made to make the building as accessible as possible for people with disabilities. Induction loop systems have been installed in all the larger meeting rooms and at the main reception. There is a parking space for blue badge holders outside the Smith Square entrance and two more blue badge holders' spaces in Dean Stanley Street to the side of the building. There is also a wheelchair lift at the main entrance. For further information please contact the Facilities Management Helpdesk on 020 7664 3015.

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

Please don't forget to sign out at reception and return your badge when you depart.

LGA Executive
22 January 2015

There will be a meeting of the LGA Executive at:

1.45 pm on Thursday, 22 January 2015 in Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance Sheet

Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Apologies

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting, so that a substitute can be arranged and catering numbers adjusted, if necessary.

Labour:	Aicha Less: 020 7664 3263 email: aicha.less@local.gov.uk
Conservative:	Luke Taylor: 020 7664 3264 email: luke.taylor@local.gov.uk
Liberal Democrat:	Group Office: 020 7664 3235 email: libdem@local.gov.uk
Independent:	Group Office: 020 7664 3224 email: independent.group@local.gov.uk

Location

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

LGA Contact

Frances Marshall
0207 664 3220 / frances.marshall@local.gov.uk

Guest WiFi in Local Government House

This is available in Local Government House for visitors. It can be accessed by enabling "Wireless Network Connection" on your computer and connecting to LGH-guest, the password is Welcome2010LG.

Carers' Allowance

As part of the LGA Members' Allowances Scheme a Carer's Allowance of up to £6.50 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.

Social Media

The LGA is committed to using social media in a co-ordinated and sensible way, as part of a strategic approach to communications, to help enhance the reputation of local government, improvement engagement with different elements of the community and drive efficiency. Please feel free to use social media during this meeting. **However, you are requested not to use social media during any confidential items.**

The twitter hashtag for this meeting is #lgaexec.

LGA Executive – Membership 2014/2015

Councillor and Role	Authority / Representing
Labour (10)	
Cllr David Sparks OBE (Chair)	Dudley Metropolitan Borough Council
Cllr Jim McMahon (Vice-Chair)	Oldham Metropolitan Borough Council
Cllr Sharon Taylor OBE (Deputy Chair)	Stevenage Borough Council
Mayor Sir Steve Bullock (Deputy Chair)	Lewisham London Borough Council
Cllr Keith Wakefield (Deputy Chair)	Leeds City Council
Sir Richard Leese CBE (Board Chair)	Manchester City Council and City Regions Board
Cllr Claire Kober (Board Chair)	Haringey LB and Resources Board
Cllr Ann Lucas OBE (Board Chair)	Coventry City Council and Safer and Stronger Communities Board
Cllr Peter Box CBE (Board Chair)	Wakefield Metropolitan District Council and Economy, Environment, Housing and Transport
Cllr Judi Billing (Balancing Member)	North Hertfordshire District Council
Conservative (8)	
Cllr Gary Porter (Vice-Chair)	South Holland District Council
Cllr Mike Jones (Deputy Chair)	Cheshire West and Chester Council
Cllr Philippa Roe (Deputy Chair)	Westminster City Council
Cllr David Hodge (Deputy Chair)	Surrey County Council
Cllr Neil Clarke MBE (Deputy Chair)	Rushcliffe Borough Council
Cllr David Simmonds (Board Chair)	Hillingdon London Borough Council and Children and Young People Board
Cllr Izzi Secombe (Board Chair)	Warwickshire County Council and Community Wellbeing Board
Cllr Peter Fleming (Board Chair)	Sevenoaks District Council and Improvement and Innovation Board
Liberal Democrat (4)	
Cllr Gerald Vernon-Jackson (Vice-Chair)	Portsmouth City Council
Mayor Dorothy Thornhill MBE (Deputy Chair)	Watford Borough Council
Cllr Chris White (Balancing Member)	Hertfordshire County Council
Cllr Jeremy Hilton (Balancing Member)	Gloucestershire County Council

Independent (4)	
Cllr Marianne Overton MBE (Vice-Chair)	Lincolnshire County Council
Cllr Ian Stephens (Board Chair)	Isle of Wight Council
Cllr Peter Reeve (Balancing Member)	Cambridgeshire County Council
Cllr Robert Dutton OBE (Balancing Member)	Wrexham County Borough Council
Regional Representatives (10)	
Cllr John Hart	CON South West Councils
Cllr Tony Jackson	CON East of England Local Government Association (EELGA)
Cllr Gordon Keymer CBE	CON South East England Councils (SEEC)
Mayor Jules Pipe	LAB London Councils
Cllr Martin Hill OBE	CON East Midlands Councils
Cllr Roger Lawrence	LAB West Midlands LGA
Cllr Stephen Parnaby OBE	CON Local Government Yorkshire and Humber (LGYH)
Cllr Paul Watson	LAB Association of North East Councils
Cllr Barrie Grunewald	LAB North West Regional Leaders Board
Vacancy	WLGA
Named Substitutes	
Cllr Nicolas Heslop	CON Tonbridge & Malling Borough Council

Non-voting Members of LGA Executive

Councillor	Representing
Alderman Sir David Wootton	INDE Local Partnerships
Cllr Mark Hawthorne MBE	CON County Councils Network (CCN)
Cllr Gillian Brown	CON District Councils Network
Sir Stephen Houghton CBE	LAB SIGOMA

LGA Executive – Attendance 2014/2015

Councillors	11/09/14	23/10/14	11/12/14
Labour Group			
David Sparks OBE	No	Yes	Yes
Jim McMahon	Yes	Yes	Yes
Sharon Taylor OBE	Yes	Yes	Yes
Mayor Sir Steve Bullock	Yes	Yes	Yes
Keith Wakefield	Yes	Yes	Yes
Sir Richard Leese CBE	Yes	No	Yes
Claire Kober	No	No	Yes
Ann Lucas OBE	Yes	Yes	Yes
Peter Box CBE	Yes	Yes	Yes
Judi Billing	Yes	Yes	No
Conservative Group			
Gary Porter	Yes	Yes	Yes
Mike Jones	Yes	Yes	Yes
Philippa Roe	Yes	Yes	Yes
David Hodge	Yes	No	Yes
Neil Clarke MBE	Yes	Yes	Yes
David Simmonds	Yes	Yes	No
Izzi Seccombe	Yes	No	Yes
Peter Fleming	Yes	Yes	Yes
Lib Dem Group			
Gerald Vernon-Jackson	Yes	Yes	Yes
Mayor Dorothy Thornhill MBE	Yes	No	No
Chris White	Yes	Yes	Yes
Jeremy Hilton	Yes	No	Yes
Independent			
Marianne Overton MBE	Yes	Yes	Yes
Ian Stephens	No	Yes	Yes
Peter Reeve	Yes	Yes	Yes
Robert Dutton OBE	Yes	Yes	Yes
Regional Representatives			
John Hart	No	No	No
Tony Jackson	No	Yes	Yes
Gordon Keymer CBE	No	Yes	Yes
Mayor Jules Pipe	Yes	Yes	No
Martin Hill OBE	Yes	Yes	No
Roger Lawrence	Yes	Yes	Yes
Stephen Parnaby OBE	No	No	No
Paul Watson	Yes	Yes	Yes
Barrie Grunewald	No	No	Yes

Non-Voting Members			
Alderman Sir David Wootton	Yes	Yes	No
Mark Hawthorne MBE	Yes	No	Yes
Sir Stephen Houghton CBE	No	Yes	Yes
Gillian Brown	Yes	Yes	Yes
Substitutes			
Jason Ablewhite	Yes		Yes
Nicolas Heslop	Yes		
Daniella Radice	Yes		
Sue Murphy		Yes	
Anne Western		Yes	
David Neighbour		Yes	
Barbara Janke		Yes	
Harvey Siggs			Yes
Roger Begy			Yes

Agenda

LGA Executive

Thursday 22 January 2015

1.45 pm

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

Item	Page
1. Declarations of Interest	
2. Local Government Finance Settlement 2015/16	1 - 26
3. Notes of the last Leadership Board meetings	
a) 11 December 2014	27 - 30
b) 21 January 2015 - Tabled	
<hr/>	
CONFIDENTIAL	Page
4. Note of last LGA Executive meeting held on 11 December 2014	31 - 36
5. Independent Commission on Local Government Finance	37 - 44
6. The Future Governance of England	45 - 51

Date of Next Meeting: Thursday, 5 March 2015, 1.45 pm, Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ



The Local Government Finance Settlement 2015/16

Purpose

For Information.

Summary

This report outlines the LGA's activity on the 2015/16 Local Government Finance Settlement. The deadline for formal responses to the consultation on the 2015/16 settlement was 15 January 2015. The LGA's response, which is attached at **Appendix B**, was cleared by the Lead Members of the Resources Board.

Recommendation

That the LGA Executive note the LGA's response to the 2015/16 Local Government Finance Settlement.

Action

Officers to provide updates on any follow-up announcements and policy developments.

Contact officer: Nicola Morton
Position: Head of Finance Programmes
Phone no: 020 7664 3197
Email: nicola.morton@local.gov.uk

The Local Government Finance Settlement 2015/16

Background

1. The Local Government Finance Settlement 2015/16 was announced in Parliament on 18 December 2014 by Kris Hopkins, Parliamentary Under Secretary of State for Communities and Local Government and the Minister with responsibility for local government. This settlement is formally a consultation with responses required by 15 January 2015.
2. The LGA provided member authorities with an on-the-day briefing on the key announcements relevant to local government and has been following up with departmental officials on the detail of the settlement. The on-the-day briefing is attached to this report at **Appendix A** for information.
3. On 11 December 2014, the LGA Leadership Board agreed the key lines to be included in the response to the settlement, and that Lead Members of the Resources Board would sign off the consultation response. In line with this, the LGA's formal response to the consultation was submitted on 15 January 2015. This is attached at **Appendix B** for information.

Main points in the 2015-16 Consultation Settlement

4. The 2015/16 consultation settlement confirms that local government will continue to face significant spending reductions to April 2016, with the Settlement Funding Assessment, (which consists of funding from both the local share of business rates and revenue support grant) for 2015/16 falling by 13.9 per cent.
5. The Revenue Spending Power figures for 2015/16 showed a reduction of 1.8 per cent, but this was on the basis that the entire Better Care Fund was counted as part of local government revenue spending power. Without the contribution from council tax and without that element of the Better Care Fund which will not be spent on social care or commissioned from authorities the overall cut is 8.8 per cent. The difference between the 8.8 per cent cut and the 13.9 per cent is largely explained by the New Homes Bonus topslice as well as the cut to local welfare support funding and the fact that some grants, such as the ring-fenced public health grant, have been maintained in real terms.

Main points in LGA's response

6. The key points included in the LGA's response to the settlement are:
 - 6.1. We note that the 2015/16 Local Government Finance Settlement is largely unchanged from the illustrative settlement for 2015/16 published last year and confirms the reductions in local government funding announced in the 2013 Spending Review.
 - 6.2. The overall reduction in spending power of 1.8 per cent masks a larger fall in external income. Central government grant to run local services will fall by 3.7 per cent next year, when the Better Care Fund (BCF) is included in full. Without including that element of the BCF which will not be spent on social care or

commissioned by local authorities, the reduction is 8.8 per cent.

- 6.3. The consultation Local Government Finance Settlement for 2015/16 confirms that councils will continue to face funding cuts up to 2016. The total reduction in core funding from government to councils in the period of this Parliament is 40 per cent.
- 6.4. Councils have so far largely restricted the impact of the cuts on their residents. They have worked hard to save those services that people most value and have protected spending on social care for children and the elderly, but even these areas are now facing reductions. Continuing reductions of the same order to the end of the decade, as set out by the Office for Budget Responsibility in their Economic and Financial Outlook in December 2014 and by the Institute for Fiscal Studies, are unsustainable.
- 6.5. We welcome the statement that the business rates changes in the Autumn Statement will be fully paid for through s.31 grant, but the key concern for councils on business rates is the continuing high level of appeals from before 2013. In the Autumn Statement the Government moved to limit the time that an appeal, based on the 2010 valuation, can be backdated. We call on them to go further and to set off all appeal losses from before April 2013 against the old national business rates pool.
- 6.6. We note that council tax support funding has been included in the Settlement Funding Assessment which has been reduced by an average of 13.9 per cent for 2015/16. We call for council tax support funding to be made more transparent at individual authority level.
- 6.7. At a time when local authorities are contending with the biggest cuts in living memory, the introduction of the Better Care Fund and the Government's decision to reverse potentially costly changes to the New Homes Bonus will help the efforts of many local authorities in protecting vital services.
- 6.8. We are pleased that the Government has reduced the top-slice for the New Homes Bonus from £1 billion to £950 million, as the LGA urged in its response to the technical consultation. But we are concerned that the Government will still be going ahead with the £70 million top-slice from the London boroughs for the New Homes Bonus in 2015/16 and that this is not reflected in the revenue spending power figures of London boroughs.
- 6.9. We welcome the Government's commitment to continue to help authorities worst affected by the settlement through an Efficiency Support Grant and note that 19 authorities are eligible in 2015/16.
- 6.10. We note the Secretary of State has announced the level of Council Tax he will regard as excessive in 2015/16. Referendums on council tax are an unnecessary and costly burden that will put growth generating investment at risk.
- 6.11. We are concerned at the ending of the specific grant for local welfare support from 2015/16. Although it has been incorporated into the Settlement Funding Assessment, with a cut of £40 million, there is no new money.

- 6.12. We look forward to the Chancellor delivering on his commitment to provide a longer-term funding settlement for authorities and for there to be fewer in year announcements.
7. The final Local Government Finance Settlement is expected to be published at the end of January or early February 2015 and approved by Parliament during February. The LGA will issue a briefing to Members of Parliament for the debate in Parliament.

Next steps

8. Members are asked to note the report and the content of the attached briefing and submission.

Financial Implications

9. This is core work for the LGA and is budgeted for within the 2014/15 LGA budget.

Local Government Association (LGA) briefing: *Provisional Local Government Finance Settlement 2015-16*

18 December 2014



LGA KEY MESSAGES

- Today's Provisional Local Government Finance Settlement confirms that councils will continue to face significant spending cuts and huge financial challenges. Initial analysis by the LGA shows that:
 - Central government grant to run local services will fall by 3.7 per cent next year, when the Better Care Fund (BCF) is included in full. Without including that element of BCF which will not be spent on social care or commissioned by local authorities, the reduction is 8.8 per cent.
 - Savings of £2.6 billion will need to be found from council budgets for 2015-16.
 - The cut announced today brings the total reduction in core government funding to councils since 2010 to 40 per cent. Over this period councils will have made £20 billion worth of savings.
- Research carried out by the LGA earlier this year found 60 per cent of councils said they were considering stopping at least some services next year because efficiency savings are fast running out. This was based on the expected cut for 2015-16 set out in last year's Local Government Finance Settlement.
- By the end of this Parliament, local government will have to have made £20 billion worth of savings. Councils have so far largely restricted the impact of the cuts on their residents. They have worked hard to save those services that people most value and have protected spending on social care for children and the elderly, but even these areas are now facing reductions. Continuing reductions of the same order to the end of the decade, as set out by the Office of Budget Responsibility and by the Institute for Fiscal Studies, are unsustainable.
- By deciding not to lower the council tax referendum threshold, the Government has at least acknowledged councils' warnings about the significant additional strain this would have placed on services. However, it should not be the place of Whitehall to interfere in discussions between councils and their residents about how local services are paid for.
- It is hugely disappointing that the Government has not listened to councils and charities who have called for funding to support local welfare assistance. Instead of providing separate money for councils to help the vulnerable, the Government has instead suggested that councils will have to find this money from existing budgets, at a time when these are being cut by more than £2.5 billion.
- At a time when local authorities are contending with the biggest cuts in living memory, the introduction of the BCF will help the efforts of some local

Briefing

authorities in protecting vital everyday services. However it is double counting for the Government to include the whole of the BCF in local government's revenue spending power figures as at most £1.97 billion will be spent on social care or be commissioned by local authorities.

- Once again there has been a top-slice, this time of £50 million, to pay for the difference between income from the business rates levy and that from the safety net. This is because of provision from appeals, most of them from before 2013 when the business rates retention system was introduced. The LGA calls for the Government to meet the cost of appeals from before 2013 in full.
- It is unacceptable that once again, councils have had to wait until a week before Christmas to find out the centrally imposed referendum limit for the next year. This prevents local authorities from being able to properly consult with residents and deprives local areas of the long-term certainty needed to run important local services to a high standard.

KEY FACTS

- The Department for Communities and Local Government (DCLG) has announced the provisional [local government finance settlement for 2015-16](#).
- The closing date for responses to DCLG is 15 January 2015.
- There is a cut in net Aggregate External Finance of 13.9 per cent in 2015-16, on a like for like basis when compared with 2014-15
- There is an overall reduction of revenue spending power of 1.8 per cent in 2015-16. This includes the BCF in full. Excluding council tax income this is a cut of 3.7 per cent in 2015-16. This is a greater reduction than the 3.5 per cent reduction announced in December 2013's illustrative 2015-16 settlement.
- Confirmation that the Government will pay in full for the further business rates 2 per cent freeze and other changes announced in the Autumn Statement through a section 31 grant.
- The Government has announced that council tax increases of 2 per cent or over will be subject to a referendum.

THE SETTLEMENT IN DETAIL

This is a one year settlement covering 2015-16 only. It largely confirms the illustrative settlement announced last year. The Government has announced the following:

- Settlement Funding Assessment (SFA) figures for 2015-16. This is a cut of 13.9 per cent in 2015-16, or 14.6 per cent if the GLA is taken out of the figures.

- Revenue spending power (RSP) figures for 2015-16 for each council. These show an overall cut in RSP of 1.8 per cent in 2015-16. These figures include council tax income. If you leave council tax out, this is a cut of 3.7 per cent in 2015-16. After removing ringfenced and social care new burdens funding the reduction is 11.8 per cent.
- The main difference between RSP and SFA is explained by:
 - The RSP figures include the New Homes Bonus (NHB) grant which is top-sliced from the SFA.
 - An estimate of the revenue impact of the BCF of £3.46 billion in 2015-16 as well as Care Act new burdens funding of £285 million in addition to a £11.2 million grant for social care in prisons.
 - The effects of changes to business rates announced in the Autumn Statement, including the 2 per cent cap.
- The Government has confirmed that it will pay Efficiency Support Grant to councils which would otherwise have a RSP cut of more than 6.4 per cent. The grant is worth £2.29 million and 19 councils are eligible in 2015-16.
- They will also continue to pay a grant to the most sparsely populated authorities; this is estimated at £15.5 million in 2015-16. This is incorporated into the SFA. They have published research into funding in rural areas.

New Homes Bonus

The provisional amounts of £1,167 million for the NHB 2015-16 have been announced by DCLG. This will continue to be funded through £250 million in specific grant with the rest in top-sliced funding.

£32.7 million of returned new homes bonus funding will be paid as a separate grant in proportion to the SFA – this is included in the RSP figures.

As previously announced £70 million will be transferred from London Boroughs and the City to the Greater London Authority in 2015-16.

LGA View

- The NHB represents a considerable addition to funding for some authorities, mainly shire districts. However for many other authorities the effect of its being mainly funded through top-sliced funding is a net reduction in resources.

Business rates

There are no changes to the business rates retention scheme which is now in its third year, other than an announcement on pooling. DCLG is consulting on

28 proposals for pools in 2015-16, 4 more than in 2014-15.

Income from business rates will be affected by the measures announced in the 2014 Autumn Statement. These are:

- The 2.3 per cent RPI increase for 2014-15 will be reduced to 2 per cent.
- A £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 will be increased to £1500 for 2015-16.
- The doubling of Small Business Rate Relief will continue for a further year.

The Government will pay for this through a section 31 grant so that councils are fully compensated. Figures reflected in the settlement aggregate this grant into local business rates.

The multiplier will therefore be 49.3 pence, with the small business multiplier being 48.0 pence. Top-ups and tariffs will be uprated by 1.91 per cent; rather than the September Retail Price Index of 2.3 per cent.

The Government issued further consultations on [business rates administration](#) and [business rates avoidance](#) on 10th December. These close on 28th February 2015. More information on the review of the structure of business rates is expected early in the new year.

LGA view

- It is good news that councils will continue to be fully compensated for the loss of income from the business rate measures. However, this reduces the buoyance of the taxbase. We look forward to playing a part in the review on the structure of business rates.
- The extension of the small business rates relief extension and other measures to help small businesses is good news as is the Government's commitment to paying for this through the New Burdens Doctrine.
- The amount of holdbacks for the safety net has not changed since the proposals in the summer technical consultation. The Government should set all appeals up to 31st March 2013 against the old business rates pool, thus reducing the need for a safety net top-slice.

Council tax

The Provisional Local Government Finance Settlement announces the following on council tax:

- The freeze grant will be extended for 2015-16. This grant is equivalent to a one per cent increase in council tax.

- The Government has announced that council tax increases of 2 per cent or over will be subject to a referendum. The Government is asking for views on whether some parish and town councils should be subject to referendums.

LGA view

- **Referendums on council tax are an unnecessary and a costly burden that will put growth generating investment at risk.**

Local Council Tax Support

Funding for local council tax support schemes is now included in the SFA.

- As was the case in 2014-15, the funding for council tax support in 2015-16 is not separately identified. If councils decrease funding to their local council tax support schemes in line with the reduction in SFA over £1 billion will be taken out of external funding by the end of 2015-16.
- DCLG has also announced additional New Burdens funding for local council tax support of £12.47 million and this will go to billing authorities.

LGA view

- The National Audit Office has said that councils have implemented local council tax support schemes well. Nevertheless, we feel the way in which the support figures have not been identified at individual authority level in 2014-15 means that it is not clear how much of local schemes are being externally funded. **The Government should be more transparent about the level of external funding.**
- DCLG are paying for the changes to local council tax support through New Burdens money which is something the LGA has called for. **However, allowance should be made for the increased costs of enforcement.**

Local Welfare Assistance

The settlement announces that there is no additional funding for local welfare. Instead the Government has separately identified £129.6 million which will be incorporated into the SFA in 2015-16.

LGA view

- This announcement is disappointing as the LGA and charities had called for the Government to provide additional funding to support local welfare assistance. Separately identifying funding for local welfare from within the existing core grant (that is reducing by £42.5 million) effectively represents a cut that will put additional pressure on existing council services. As a result many councils will be unable to continue to run their local welfare schemes. LGA research shows that without additional

funding as many as three quarters of local welfare schemes will be scaled back or scrapped¹. The LGA will continue to urge the Government to reconsider its decision ahead of this settlement being finalised in February.

The Better Care Fund

The settlement confirms the Government has not adjusted its estimate of the revenue impact of the BCF on local authority finances, quantified at £3.46 billion.

LGA view

- The BCF is showing signs of success, with a net financial benefit to local government of up to £440 million in comparison to 2014-15 at this early stage of the integration journey. The benefits are non-financial too - increased cooperation and new ways of working will potentially improve service quality as well as result in financial gains. The Government must focus its efforts on allowing local areas to shape the next iteration of a bigger BCF over a longer period of time and with an accompanying transformation fund of new money. This must be free from Whitehall interference so that real transformation can be achieved on the basis of investing to save, rather than saving to invest.
- However, we call on the Government to be honest about its impact in the settlement. In its revenue spending power calculation, the Government included a BCF value of £3.46 billion. This is misleading as not all BCF spending is on social care services or commissioned by local authorities. We estimate the value of the BCF attributable to social care or local authority commissioning to be £1.97 billion at most before councils' own contribution in addition to the original specification of the Fund is taken into account. Adjusting the revenue spending power calculation accordingly means that the actual reduction in full revenue spending power for England is 4.8 per cent, or 8.8 per cent after stripping out council tax.

Social care funding for 2015-16

The settlement confirms the size of the 2015-16 adult social care new burdens grant remains £285 million, with an additional grant of £11.2 million for social care in prisons. However, individual council allocations for this funding have changed substantially since last year's indicative settlement as a result of reviews of the Care Act implementation impact assessment and the relative needs formulae.

LGA view

- Councils are already working to an extremely challenging timetable on the

¹ http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6583322/NEWS

Care Act so receiving confirmed funding allocations for the 2015-16 duties just four months before implementation – and less than three months before councils have to plan and set their budgets – only compounds this pressure.

- The pressure has already been exacerbated by the fact that some councils have had very little certainty on what level of funding to expect for the 2015-16 reforms. The difference between the 2014 exemplified allocations in the funding formulae consultation and the indicative allocations in the 2013 settlement ranged from growth of up to 51 per cent to reductions of up to 60 per cent.
- We welcome the recognition by the Department of Health that Care Act reforms on carer services constitute a constant and increasing burden, reaching almost £300 million by 2019-20, and look forward to seeing this burden addressed as part of the next Spending Review.
- Adult social care is facing a funding gap of £1.6 billion in 2015-16, rising to £4.3 billion by 2019-20, and in order to keep adult social care spending under control over the last four years departmental budget savings of 26 per cent have been made (equivalent to £3.53 billion) as well as £900 million 'cross-subsidy' savings from other council services. In this context – and given that some councils may have less funding for implementation than they were expecting – affordability of the Care Act in 2015-16 remains a principle concern for the LGA and councils. It is therefore essential that the Department of Health works with the LGA and others to monitor the cost of the Act next year. More importantly, where that monitoring shows that councils are incurring costs over and above their allocation, funding must be made available to compensate for the shortfall.
- It is extremely disappointing that the Autumn Statement and local government settlement have failed to recognise the additional cost pressure councils are facing as a result of the March 2014 Supreme Court judgment on deprivation of liberty safeguards. The LGA estimates that the cost to councils of this ruling will be £96.8 million in 2014-15. The Government must commit to funding this new burden; without this the sector can have little confidence that the Government will honour its commitment to fully fund the Care Act.

Schools and Children's Services Funding

Schools funding is through ring-fenced resources – the Dedicated Schools Grant and the Pupil Premium. Most Children's Services Funding is included within the SFA.

- Provisional figures for [Dedicated Schools Grant](#) for 2015-16 were published on 17 December, including the addition previously announced for the 69 councils which the Government considers to be the least well funded; for other councils the settlement is cash flat per pupil. The allocation to councils of Education Services Grant of £582 million has also been published, this

includes the cut of £200m on which the Department for Education consulted earlier in the year. The figures can be found on [the Department's website](#).

- Early Intervention funding within the SFA has been decreased by 8.9 per cent in 2015-16.
- £19.1 million has been announced for extended rights to free travel. However this is a decrease of 24 per cent on the £25 million which was paid in 2014-15.
- £31.7 million has been announced for funding SEN reform

LGA View

- Continuing cuts to education grants outside the DSG and to early intervention funding risk under-resourcing local authorities in their delivery of early support to children, young people and families. Cutting core funding is counter-productive and will lead to significant cost pressures in the longer term, due to increased demand for more costly longer-term/lifelong interventions. **Local authorities will be less able to provide support for children and families affected by disabilities or existing / potential development delays.**
- Continuing funding for SEN reform is welcome; councils need to be properly funded if parents' expectations are to be met. Councils will be working to ensure that all children get a good start in life and we will be monitoring closely to see whether DfE estimates are accurate in practice.'

Public health funding

It has been confirmed that the pre-existing public health grant has effectively been frozen in cash terms.

LGA view

- We are disappointed with the Department's decision not to protect the main public health grant in real terms for 2015-16 by making it inflation proof. Investing in prevention saves money for other parts of the public sector by reducing demand for hospital, health and social care services and it ultimately improve the public's health and wellbeing of our communities. Local government has so far borne the brunt of cuts to public spending; any reduction in the public health budget could prove counterproductive.

Police Funding

The [police grant report](#) for 2015-16 has been published. It confirms that there will be a headline reduction of 4.9 per cent in central government funding for the police; a total cash reduction of £299 million. Every police force will have a reduction in core funding of 5.1 per cent, the difference is explained by various

small grants such as the Police Innovation Fund, which will be increased from £50 million to £70 million.

LGA View

- These further reductions in police funding leave police and crime commissioners with difficult decisions about how to deliver on the priorities in their police and crime plans, sustain frontline policing and make the efficiencies and savings needed.
- Closer collaboration with councils and other partners to intervene early to prevent offending and re-offending will be crucial in reducing the demands on police time and resources going forward. The pooling of budgets and co-commissioning of services will also be vital to reduce for example domestic violence, and better support offenders with mental health or substance misuse problems.

Fire Funding

The settlement announced a decrease to fire SFA of 9.0 per cent in 2015-16. This reflects decisions taken as part of the Spending Round.

In addition, the government has announced that employer contributions to the Firefighters' Pension Schemes will be reduced to 18.9 per cent from the previous expected rate of 19.1 per cent. The resultant reduction in fire authority costs will be met by a £2.1 million reduction in SFA to make the change revenue neutral.

LGA view

- **The reduction in funding for fire services continues to put pressure on the delivery of fire services.** This will only be heightened by the additional reductions in 2014-15 and 2015-16 and the expectation that this trend will continue into subsequent years. Future resourcing for fire and rescue services and the application of cuts to that resourcing needs to be based upon a clearly understood risk assessment. The national and local impact of proposed changes to funding needs to be properly assessed against risk.

The LGA will continue analysing settlement figures in order to develop a deeper understanding of the effect on councils before replying to the consultation. We would welcome sight of responses from individual members councils and groupings. Please send to lqfinance@local.gov.uk

There will be a session on the local government finance settlement at the LGA's finance conference on 6 January 2015 which will provide in-depth analysis of the figures announced today. You can find out more about the event and book your place by [following this link](#).

Further Information

For further information on this briefing paper please contact Mike Heiser, Senior Adviser (Finance) (mike.heiser@local.gov.uk/ 020 7664 3265); or Tamsin Maddock, Public Affairs and Campaigns Adviser (020 7664 3171 / tamsin.maddock@local.gov.uk)

Annex A: Tables showing key numbers

Table 1. Change in revenue spending power by authority type

Authority type	Change in RSP, 2014/15 to 2015/16
England average*	-1.8%
Shire districts	-3.1%
Shire counties	0.8%
Met districts	-3.8%
London boroughs*	-3.4%
English unitaries**	-1.8%
Combined fire authorities	-2.9%

*Excludes the GLA

**Excludes the Isles of Scilly

Table 2. Composition of revenue spending power

	2014/15, announced December 2013, £m	2015/16, announced December 2013, £m	2014/15 adjusted, £m	2015/16, announced December 2014, £m
Council tax (net of council tax support)	20,221	20,356	20,580	20,738
Settlement funding assessment	22,627	19,498	22,948	19,605
plus Adjustment to reflect Section 31 grants for business rates cap	108	108	108	151
minus Council Tax Support Funding to Parishes	-40	-40	-40	-40
New Homes Bonus - prior year adjustment	34	86	33	33
New Homes Bonus - current year	916	1,164	917	1,167
Public health grant	2,794	2,794	2,794	2,801
Efficiency Support Grant	9	10	-	2
Adult Social Care New Burdens	285	285	285	285
Pooled NHS and LA Better Care Fund	1,645	3,460	1,665	3,460
Department of Health revenue grant	-	-	43	44
Commons Pioneer Authorities/Commons Registration Authorities	-	-	0	0
Inshore Fisheries Conservation Authorities	3	3	3	3
Lead Local Flood Authorities	15	10	15	10
Fire Revenue Grant (FireLink and New Dimension elements)	28	29	27	27
Community Right to Challenge	3	-	3	-
Local Welfare Provision (Admin + Programme funding) 2014-15	172	-	-	-
Local Council Tax Support and Housing Benefit Administration Subsidy	-	-	363	329
Council Tax Support New Burdens Funding	35	-	35	12
LA Social Housing Fraud	5	-	5	-
City of London Offset	11	11	11	11
Community Right to Bid	3	-	3	-
Council Tax Freeze Grant 2014/15	235	235	-	-
Council Tax Freeze Grant 2015/16	-	236	-	239
Local Reform and Community Voices	43	43	-	-
Total revenue spending power	49,152	48,288	49,796	48,877
Change in spending power from 2014/15 to 2015/16		-1.8%		-1.8%
Change in spending power less council tax from 2014/15 to 2015/16		-3.5%		-3.7%

Annex B – Glossary of Local Government Finance Technical Terms

Aggregate External Finance	Government grant (including specific grants) and business rates together.
Better Care Fund	Previously known as the integration and transformation fund, this is a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities
Central Share	The percentage share of locally collected business rates that will be paid to central government by billing authorities. This will be set at 50 per cent. The central share will be re-distributed to local government through grants including the Revenue Support Grant.
Dedicated Schools Grant	The Dedicated Schools Grant was introduced in 2006-07, and is the principal source of funding for schools and related activities in England. The grant was introduced in place of funding previously allocated via the Formula Grant and a number of smaller specific grants.
Education Services Grant	This replaced the LA block of LACSEG (local authority central support equivalent grant) and the corresponding element of local government revenue funding from 2013-14. The ESG is allocated on a simple per-pupil basis to local authorities and academies according to the number of pupils for whom they are responsible. It has been cut by £200 million in 2015-16.
Efficiency Support Grant	A revenue grant which will help those authorities most affected by reductions in spending power to support long term changes to bring costs down whilst continuing to deliver the services that their citizens expect.
Local Council Tax Support	In April 2013 the national system of Council Tax Benefit was replaced by local support schemes in each billing authority. Authorities receive a fixed amount of funding and are free to design schemes as they wish, as long as pensioners' entitlement is protected.
Local share	The percentage share of locally collected business rates retained by local government. This is set at 50 per cent. At the outset, the local share of the estimated business rates aggregate will be divided between billing authorities on the basis of their proportionate shares (This is the percentage of the national business rates yield which a billing authority has collected - on the basis of the average rates collected by authorities over the two years 2010-11 and 2011-12).
New Burdens Doctrine	The Cabinet agreed that all new burdens on local authorities must be properly assessed and fully funded by the relevant department.
New Homes Bonus	A grant paid to local councils for increasing the number of homes and their use, paid each year for 6 years. It's based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes

brought back into use. There is also an extra payment for providing affordable homes.

Pupil Premium	The pupil premium was introduced in April 2011 and is allocated to schools to work with pupils who have been registered for free school meals at any point in the last six years ('Ever 6 FSM'). Schools also receive funding for children who have been looked after continuously for more than six months, and children of service personnel.
Revenue Spending Power	Broadly speaking, spending power from council tax, Government revenue grants and NHS funding for social care.
Safety Net	A mechanism to protect any authority which sees its business rates income drop, in any year, by more than 7.5 per cent below their baseline funding level.
Section 31 Grant	A grant paid to local councils under Section 31 of the Local Government Finance Act 2003, under such conditions as the minister may determine.
Settlement Funding Assessment	Previously known as start-up funding assessment, this is a local authority's share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
Small Business Rate Relief	Until 31 March 2016 businesses receive 100 per cent relief (doubled from the usual rate of 50 per cent) for properties with a rateable value of £6,000 or less. This means business rates are not payable on properties with a rateable value of £6,000 or less. The rate of relief gradually decreases from 100 per cent to 0 per cent for properties with a rateable value between £6,001 and £12,000.
The (business rates) multiplier	The business rates multiplier when multiplied by the rateable value of a property determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business multiplier is updated annually by the retail prices index (although exceptionally a lesser increase may be imposed) and the other multiplier adjusted accordingly.
Top-ups and Tariffs	The difference between an authority's business rates baseline (the amount expected to be collected through the local share of business rates) and its baseline funding level (the amount of SFA provided through the local share). Tariff authorities make a payment and top-up authorities receive a payment. Tariffs and top-ups are self funding at the outset of the scheme and updated by inflation each year.

Appendix B: Local Government Finance Settlement 2015-16 Consultation

15th January 2015



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

Key points

3. The settlement confirms the reductions in local government funding announced in the 2013 Spending Review. Councils will continue to face public sector spending cuts up to at least 2016. The total reduction in core funding from government to councils in the period of this Parliament is 40 per cent. Councils have so far largely restricted the impact of the cuts on their residents. They have worked hard to save those services that people most value and have protected spending on social care for children and the elderly, but even these areas are now facing reductions. Continuing reductions of the same order to the end of the decade, as set out by the Office of Budget Responsibility in their Economic and Financial Outlook in December 2014 and by the Institute for Fiscal Studies, are unsustainable and will threaten the local authority front line services that local people most value.
4. At the same time not all councils are in the same place. Many of the most affected will point out that they have a higher reduction in revenue spending power. There needs to be an awareness of the different financial positions of individual councils. Cutting across London Borough, County, Metropolitan, Unitary and District councils there are councils with low and minimum levels of reserves, in different places on the cycle of cuts to date and dealing with different levels of pressure. Using a single measure of spending power is misleading.
5. The overall reduction in spending power of 1.8% masks a larger fall in external income. Central government grant to run local services will fall by 3.7 per cent next year, when the Better Care Fund (BCF) is included in full. Without including that element of BCF which will not be spent on social care or commissioned by local authorities, the reduction is 8.8 per cent. Revenue Spending Power ought to be a reflection of resources at councils' disposal it should not include resources which are going to front line health care.
6. Local government needs a finance system where incentive is not outweighed by risk and one where councils have maximum flexibility. Whilst we understand government priorities, local councils need more freedom to decide their own priorities in their areas. Unfortunately the 2015-16 Local Government Settlement, largely confirming the illustrative settlement published last year has not taken the opportunity to reduce some of the risks for local government, for example that of business rates appeals.

Submission

7. We welcome the statement that the business rates changes in the Autumn Statement will be fully paid for through s.31 grant. But the key concern for councils on business rates is the continuing high level of appeals from before 2013. The government moved to limit the time that an appeal can be backdated in the Autumn Statement; we call on them to go further and to set off all appeal losses from before April 2013 against the old national business rates pool.
8. We note that council tax support funding has been included in the Settlement Funding Assessment which has been reduced by an average 13.9 per cent for 2015-16. We call for council tax support funding to be made more transparent at individual authority level.
9. At a time when local authorities are contending with the biggest cuts in living memory, the introduction of the Better Care Fund and the government's decision to reverse potentially costly changes to the New Homes Bonus will help the efforts of many local authorities in protecting vital services.
10. It is positive that the Government has reduced the top-slice for the New Homes Bonus from £1 billion to £950 million, as the LGA urged in its response to the technical consultation. But we are concerned that the Government will still be going ahead with the £70 million top-slice from London boroughs for the New Homes Bonus in 2015-16 and that this is not reflected in the revenue spending power figures of London boroughs.
11. We welcome the Government's commitment to continue to help authorities worst affected by the settlement through an Efficiency Support Grant and note that 19 authorities are eligible in 2015-16.
12. We note the Secretary of State has announced the level of Council Tax he will regard as excessive in 2015-16. Referendums on council tax are an unnecessary and a costly burden that will put growth generating investment at risk. The level of council tax should be a matter for local decision.
13. We are concerned at the ending of the specific grant for local welfare support from 2015-16. Although it has technically been incorporated into the Settlement Funding Assessment no money at all has been provided. In our response to the consultation on local welfare support we called on the government to restore local welfare support funding to its 2014-15 level by providing additional funding within the settlement; we repeat this call.
14. We look forward to the Chancellor delivering on his commitment to provide a longer-term funding settlement for authorities and for there to be fewer in year announcements.

Detail

The overall settlement

15. The Local Government Finance Settlement for 2015-16 confirms that councils will continue to face significant reductions. Although the Government highlight reductions in Revenue Spending Power of 1.8% in 2015-16, if the contribution from council tax and the element of the BCF which will not be spent on social care or commissioned by local authorities is removed, the reduction is 8.8%. Revenue Spending Power ought to be a reflection of resources at councils' disposal it should not include resources which are going to front line health care.
16. We do however welcome the reduction in the holdback for the New Homes Bonus of £50 million. We are pleased that some of the concerns of the LGA and the sector have been listened to.
17. However there are other measures which our response to the Summer technical consultation proposed which have not been adopted. In particular

the £200 million cut in Education Services Grant (ESG) is not within revenue spending power, meaning that this pressure is not recognised. We would urge the government to include the provisional sums for education services grant in the ESG baseline for authorities.

18. Even with the lower New Homes Bonus (NHB) holdback the reduction in the Settlement Funding Assessment is 13.9%% in 2015-16. Because of the Government's policy of reducing Revenue Support Grant it means that Revenue Support Grant will fall by 40% in the three years from April 2013 to March 2016. Continuing reductions of the same order to the end of the decade, as set out by the Office of Budget Responsibility in their Economic and Financial Outlook in December 2014 and by the Institute for Fiscal Studies, are unsustainable and will threaten the local authority front line services that local people most value.

Business Rates

19. The LGA notes the Government's decision to cap the increase in business rates for 2015-16 to 2%. The Settlement confirms that the measures in the 2014 Autumn Statement will once again be compensated for by a s.31 grant. We hope that this will be paid quickly to authorities.
20. The settlement confirms that the safety net will be £50 million in 2015-16, in recognition of the fact that the call on the safety net is likely to be larger than initially forecast, at least, partly to the greater provision for appeals against business rates valuations.
21. Councils are expressing concern about the possible effects of some business rates appeal decisions pending, for example those on gas fired power stations.
22. As we said in our response to summer technical consultations in 2013 and 2014, because business rates appeals are taking longer to resolve than first thought, amounts which could have been set against the 2012-13 national non-domestic rates pool are instead having an effect on the local share of business rates. We welcome the efforts of the Valuation Office Agency to provide more information but ultimately this is not a matter within the control of local authorities. We repeat our call for the Government to revisit its previous decision about appeals and instead decide that the net effect of any appeals for 2012-13 and before be set against the 'old' national pool.
23. We look forward to playing a full part in the review of the structure of business rates announced in the Autumn Statement. We also look forward to further work on the business rates administration review and on business rates avoidance. We will be responding to the further consultations in due course.

Council tax support

24. The settlement confirms that council tax support (CTS) funding will not be separately identified in 2015-16, since there is no separate element within the Settlement Funding Assessment. This means that the funding for CTS schemes has fallen by around £1 billion since schemes were localised. LGA research on council tax support suggests that this has led to increases in household bills for some of the poorest households, and further increases are likely in future years as councils strive to protect frontline services.
25. This treatment contrasts sharply with the treatment of council tax freeze funding where the element has been specifically protected within authority amounts.

26. We repeat our call in the summer technical consultation for the amount of central support for local council tax support schemes to be separately identified and protected, allowing councils to make decisions about their local schemes in full possession of the facts, and increasing democratic accountability.

New Homes Bonus

27. We welcome the fact that the top-slice for New Homes Bonus has been reduced by £50 million as we proposed in our reply to the 2014 summer consultation. This means that the total top-slice for 2015-16 is £950 million.
28. We are concerned that £70 million will still be top-sliced from London authorities to go to the GLA. Given the fact that most New Homes Bonus is top-sliced from the main settlement, this is reducing resources originally destined for the Boroughs to give to the GLA. The Government has not fully explained why London is being treated differently in this respect and London members of the LGA have made strong representations about this. We also call on the Government to set out exactly how any contractual commitments of NHB revenues will be accounted for in London.
29. 2015-16 will be the fifth year of the New Homes Bonus scheme and the future of the scheme is not clear after year 6. Some councils, particularly districts, would say that they have come to rely on the income stream, particularly as it is currently the only way that some form of population growth is reflected within government grant figures. Others would point out that they are losing more in the holdback from Revenue Support than they are gaining in NHB.

NHS Funding and the Better Care Fund

30. The Better Care Fund is showing early signs of success, with a net financial benefit to local government of up to £440 million in comparison to 2014-15 at this early stage of the integration journey. The benefits are non-financial too - increased cooperation and new ways of working will potentially improve service quality as well as result in financial gains. The Government must focus its efforts on allowing local areas to shape the next iteration of a bigger BCF over a longer period of time and with an accompanying transformation fund of new money. This must be free from Whitehall interference so that real transformation can be achieved on the basis of investing to save, rather than saving to invest.
31. However, we call on the Government to be honest about its impact in the settlement. In its revenue spending power calculation, the Government included a BCF value of £3.46 billion. This is misleading as not all BCF spending is on social care services or commissioned by local authorities. We understand the priority, but the way in which this has been done means that there is little flexibility and the way in which this is being funded is masking the significant reductions elsewhere.
32. We estimate the value of the BCF attributable to social care or local authority commissioning to be £1.97 billion at most before councils' own contribution, in addition to the original specification of the Fund, is taken into account. Adjusting the revenue spending power calculation accordingly means that the actual reduction in full revenue spending power for England is 4.8 per cent, or 8.8 per cent after stripping out council tax.

Care Act Implementation

33. Councils are already working to an extremely challenging timetable on the Care Act so receiving confirmed funding allocations for the 2015-16 duties just four months before implementation – and less than three months before councils have to plan and set their budgets – only compounds this pressure.

34. The pressure has already been exacerbated by the fact that some councils have had very little certainty on what level of funding to expect for the 2015-16 reforms. The difference between the 2014 exemplified allocations in the funding formulae consultation and the indicative allocations in the 2015-16 settlement ranged from growth of up to 51 per cent to reductions of up to 60 per cent.
35. We welcome the recognition by the Department of Health that Care Act reforms on carer services constitute a constant and increasing burden, reaching almost £300 million by 2019-20, and look forward to seeing this burden addressed as part of the next Spending Review.
36. Overall, adult social care is facing a funding gap of £1.6 billion in 2015-16, rising to £4.3 billion by 2019-20, and in order to keep adult social care spending under control over the last four years departmental budget savings of 26 per cent have been made (equivalent to £3.53 billion) as well as £900 million 'cross-subsidy' savings from other council services. In this context – and given that some councils may have less funding for implementation than they were expecting – affordability of the Care Act in 2015-16 remains a principle concern for the LGA and councils. It is therefore essential that the Department of Health works with the LGA and others to monitor the cost of the Act next year. More importantly, where that monitoring shows that councils are incurring costs over and above their allocation, funding must be made available to compensate for the shortfall.
37. It is extremely disappointing that the Autumn Statement and local government settlement have failed to recognise the additional cost pressure councils are facing as a result of the March 2014 Supreme Court judgment on deprivation of liberty safeguards. The LGA estimates that the cost to councils of this ruling will be £96.8 million in 2014-15. The Government must commit to funding this new burden; without this the sector can have little confidence that the Government will honour its commitment to fully fund the Care Act.

Local Welfare Support

38. Last year's illustrative settlement announced that the Welfare Support Grant of £172m would come to an end. The provisional settlement does not reinstate this cut of £172m; Instead the Government has separately identified £129.6 million in the SFA in 2015-16. This is at the expense of other elements in the SFA.
39. This announcement is extremely disappointing as the LGA and charities had called for the Government to provide funding to support local welfare assistance. Separately identifying funding for local welfare from within the existing SFA (and reducing it by £42.5 million) effectively represents a complete cut of all funding for local welfare assistance which will put additional pressure on existing council services.
40. As a result many councils will be unable to continue to run their local welfare schemes. LGA research shows that without additional funding as many as three quarters of local welfare schemes will be scaled back or scrapped. The LGA urges the Government to reconsider its decision ahead of the settlement being finalised in February. In our response to the consultation on local welfare support we called on the government to restore local welfare support funding to its 2014-15 level by providing additional funding within the settlement; we repeat this call.

Council tax referendum limits

41. Councils work hard to keep council tax down and many have chosen to take the Government freeze grants. Referendums on council tax are an unnecessary and a costly burden that will put growth generating investment at risk. Council tax should be a local decision.

42. Having said that we welcome the fact that the centrally imposed referendum threshold is not lower than it was last year; any lower limit would have caused severe pressure to some councils.

Local Government Association
January 2015

Annex

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

Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with local welfare provision funding in 2014-15 ?

Please see paragraphs 38-40 above.

Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16 ?

Yes

It is important that funding is set aside at the national level to support improvement in the sector. It enables councils to do things that they would not be able to do on their own or things that it would be costly for individual councils to undertake.

The funding also attracts additional resources from the sector in the form of respected and highly experienced member and officer peers who are used to provide direct support to councils and who also make up the peer challenge teams.

The independent evaluation of sector led improvement has demonstrated that it has been a huge success. 93% of councils have said that the support they have received has had a positive impact on their authority.

The amount proposed for 15/16 will mean that the funding has been reduced by over 50% in real terms since 2010/2011 which is in excess of the reductions to council's budgets. Nevertheless the IDeA is confident that the proposed grant of £23.4m will allow them to deliver their ambitious programme for councils including:

- a) delivering at least 100 peer challenges
- b) training and developing over 500 councillors
- c) helping councils save at least a further £150m through the productivity programme
- d) recruiting and developing over 100 graduates as part of the national graduate and development programme
- e) developing LG inform the sectors benchmarking service which has now also been made available to the public
- f) delivering national negotiations on pay and supporting councils to transform their workforces.

Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m ?

Yes, as indicated above, this is in line with the LGA's response to the summer technical consultation.

Question 4 Do you agree with the Government's proposal to increase the rural funding element from £11.5m, as previously proposed, to £15.5m ?

Those members of the LGA which receive this funding will welcome this additional money. However as no more money has been provided for the overall settlement there is bound to be suspicion that this has been top-sliced from all authorities' settlement funding.

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority ?

We understand that this is in line with the changes in fire pensions. We would expect fire and rescue authorities not to lose any resources because of this change.

Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15 ?

Yes, we agree that any cap in the multiplier should be fully funded so that councils do not lose out from the Government decision to cap business rates.

Question 7: Do you have any comments on the impact of the 2015-16 settlement on persons who share a protected characteristic, and on the draft Equality Statement?

As we said in our response to the last year's settlement, we note the widespread concern in the sector that the settlement has a disproportionate effect on the most deprived authorities and on protected groups. The Government's Equality Assessment notes the measures that have been taken to build in protection in 2013-14 settlement but also notes that the reductions are likely to have had a disproportionate effect on the most deprived authorities and that there is correlation with protected groups. The LGA is aware that these authorities would urge the Government to scale RSG back in a way that has less of a disproportionate effect and to protect spending on council tax support and resource equalisation in a similar way to the council tax freeze grant. Other authorities would sympathise with this in principle but would be concerned if they were to lose more RSG as a consequence.

Note of last LGA Leadership Board meeting

Title:	LGA Leadership Board
Date:	Thursday 11 December 2014
Venue:	Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

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

Item	Decisions and actions	Action
------	-----------------------	--------

Declarations of Interest

There were no declarations of interest.

1 The Local Government Finance Settlement for 2015/16

The Leadership Board received a report outlining what was expected in the forthcoming Settlement and seeking agreement on the proposed approach to responding.

Decisions

*The Leadership Board **agreed***

- *the main areas set out in the report; and*
- *that lead members of the Resources Board sign off the LGA's response to the 2015-16 Local Government Finance Settlement.*

Action

Officers to proceed as set out in the report.

**Nicola
Morton**

2 LGA Political Balance - City of London and Isles of Scilly

Claire Holloway, Head of Corporate Governance, introduced a report proposing an amendment to the process of calculating the LGA's political balance to include the election results of the City of London and the Isles of Scilly.

Councillor Marianne Overton MBE, Leader of the Independent Group, paid tribute to officers who contributed to this piece of work.

Decision

The Leadership Board **agreed** to include the election results of the City of London and the Isles of Scilly in the LGA's annual proportionality calculations.

Action

Officers to amend the process for calculating the LGA's political balance to include the City of London and the Isles of Scilly from the 2015 elections.

**Claire
Holloway**

3 LGA Associate Membership Scheme

Claire Holloway introduced a report setting out proposals for the expansion of LGA membership beyond its current local authority base. Claire explained that the commercial review undertaken by Ernst & Young earlier in the year had identified the potential to expand membership. The General Assembly, at its July meeting, had agreed amendments to the Constitution to enable any public body to be admitted to LGA membership.

Mayor Sir Steve Bullock, Chair of the Commercial Advisory Board, highlighted the potential benefits to the LGA and informed members that a report on the work of the Advisory Board would be brought to the Leadership Board in due course.

Decision

The Leadership Board **agreed** the proposals set out in paragraphs 5-7 of the report.

Action

Officers to take forward in accordance with the Board's decision.

**Claire
Holloway**

4 Chief Executive's Monthly Report - December 2014

Decision

The Leadership Board **noted** the Chief Executive's report for December 2014.

5 LGA Executive Agenda

Decision

The Leadership Board **noted** the Executive agenda for the following day.

6 LGA Forward Plan

Decision

Members **noted** the Forward Plan, subject to the following changes:

LGA Executive

22 January 2015 Add: *Peace Commission on Economic Growth.*

5 March 2015 Move: *LGA Corporate Peer Challenge, currently scheduled for January 2015 Executive, to the March 2015 meeting.*

Councillors' Forum

5 March 2015 Add: *First 100 Days - presentation by the LGA's Group Leaders on the Political Parties' positions on the First 100 Days of a new government.*

Action

Officers to amend the Forward Plan.

Cathy Boyle

Part 2: Confidential

7 Note of the Last Meeting

Decision

*The Leadership Board **agreed** the note of the last meeting.*

8 LGA Banking Services Contract

Decisions

*The Leadership Board **agreed** the recommendation set out in the report.*

Helen Platts

9 LGA Corporate Peer Challenge - self assessment

Decision

*The Leadership Board **endorsed** the LGA self-assessment, subject to their comments/amendments.*

Action

Officers to draft the final self-assessment based on Leadership Board's comments and amendment and forward to the Peer Challenge team.

Claire Holloway

Appendix A - Attendance

Position/Role	Councillor	Authority
Chairman	Cllr David Sparks OBE	Dudley Metropolitan Borough Council
Vice-Chairman	Cllr Gary Porter	South Holland District Council
	Cllr Gerald Vernon-Jackson	Portsmouth City Council
	Cllr Marianne Overton MBE	Lincolnshire County Council
Deputy-chairman	Cllr Jim McMahon	Oldham Metropolitan Borough Council
	Cllr Sharon Taylor OBE	Stevenage Borough Council
	Mayor Sir Steve Bullock	Lewisham London Borough Council
	Cllr Keith Wakefield	Leeds City Council
	Cllr Mike Jones	Cheshire West and Chester Council
	Cllr Philippa Roe	Westminster City Council
	Cllr David Hodge	Surrey County Council
	Cllr Neil Clarke MBE	Rushcliffe Borough Council
Apologies	Mayor Dorothy Thornhill MBE	Watford Borough Council

Document is Restricted

Document is Restricted



Independent Commission on Local Government Finance

Purpose

For discussion and direction.

Summary

Darra Singh, Chair of the Commission, will present the draft final conclusions of the Independent Commission on Local Government Finance in advance of the publication of its final report in February 2015.

Recommendation

That the LGA Executive considers and comments on the Independent Finance Commission's draft conclusions.

Action

Officers to take forward in line with Members' direction.

Contact officer: Eamon Lally / Nicola Morton
Position: Senior Adviser / Head of Programmes
Phone no: 020 7664 3132/020 7664 3197
Email: Eamon.lally@local.gov.uk / Nicola.morton@local.gov.uk

Independent Commission on Local Government Finance

Background

1. The Independent Commission on Local Government Finance was established by the Local Government Association and the Chartered Institute of Public Finance and Accountancy in May 2014.
2. The Commission is chaired by Darra Singh OBE, Partner at Ernst and Young (EY). Other members of the Commission are: Alan Downey; Anita Charlesworth; Bridget Rosewell OBE; Jonathan Portes; Paul Gray CB; Stephen Hughes; Stephen Lewis and Professor Tony Travers. Biographies for all the Commissioners are attached at **Appendix A**.

Commission's Terms of Reference

3. The Commission's Terms of Reference are to:
 - 3.1. Identify the strengths and weaknesses of the local government finance system;
 - 3.2. Bring forward practical options for reform in the next Parliament; and
 - 3.3. Develop and test those proposals against the key challenges facing the country – growth, housing supply, effective welfare provision, affordable health and social care, and early support to families and children.

Commission's Call for Evidence

4. The Commission received over 80 submissions to its initial call for evidence which closed on 3 September 2014. The content of those submissions, together with the outcomes of a range of meetings which have taken place with local authority leaders, chief executives and treasurers informed the Commission's initial findings.

Commission's Initial Findings

5. The Commission's interim report, *Public money, local choice*, was published on 30 October 2014. It can be found at <http://www.cipfa.org/iclgf-home/documents/interim-report>. The interim report set out: what the Commission had been told; the Commission's vision for the local government finance system; emerging conclusions; and areas that it was keen to explore further.
6. The Commission's vision is for a finance system that:
 - 6.1. Promotes self-reliance and self-sufficiency;
 - 6.2. Encourages entrepreneurialism and innovation;
 - 6.3. Promotes local decision-making on service delivery; and
 - 6.4. Maintains support for the most vulnerable.

7. The interim report established a second consultation round and the Commission received a further 30 submissions.
8. In addition, the Commission held roundtable discussions on the five priority challenges: growth; housing supply; effective welfare provision; affordable health and social care; and early support to families and children. The roundtable discussions were invitation events and brought together experts and key stakeholders in the relevant policy areas.

Next steps

9. The Commission's last meeting will be held on 9 February 2015, at which the final report will be agreed.
10. Comments by the LGA Executive will be considered by the Commission as it finalises its conclusions and recommendations.

Appendix A: Commissioner Biographies

Darra Singh, OBE – Chair

Darra is a member of EY's leading local public sector advisory team. In his role as partner he leads in advising local authorities on how to achieve efficient and enhanced services in the face of financial and delivery challenges. Darra is also a member of the Advisory Government leadership team leading on strategy.

Darra was previously Chief Executive at Job Centre Plus, also of Ealing and Luton Councils, and chaired the government-appointed Communities and Victims Panel, which investigated the London riots.

Before joining the DWP, in November 2009, Darra had been the Chief Executive Officer of Ealing Council for four years and prior to that had been the Chief Executive of Luton Council.

He started as a housing case worker in Tyneside and London in 1984, and then worked for a variety of housing bodies in the voluntary sector before becoming a director of the North British Housing Association in 1991. He was later appointed Chief Executive of the Asra Greater London Housing Association, which specialises in housing ethnic minority tenants, and then worked for Hexagon, another London-based housing association.

In 2004 Darra was awarded an OBE for services to local government.

Alan Downey

Alan Downey began his career in 1981 as a fast-stream civil servant at the Department of the Environment, where he worked in a number of policy areas, including local government finance, housing, inner cities and environmental protection, and was private secretary to successive Ministers of Local Government.

He left the civil service in 1989 to join KPMG, spending the next 25 years as an adviser to numerous public sector clients, including government departments, arm's length bodies, local authorities and NHS trusts. He became a partner in 1997 and held various leadership positions, including Chief Operating Officer of the Management Consulting practice and latterly Head of Public Sector for Europe, Middle East & Africa.

He retires from KPMG in June 2014 and is taking up a number of non-executive positions on the boards of public sector and charitable organisations.

Anita Charlesworth

Before joining the Health Foundation Anita worked at the Nuffield Trust as Chief Economist from 2010. She led the Trust's work on health care financing and market mechanisms.

Previously Anita was Chief Analyst and Chief Scientific Advisor at the Department of Culture, Media and Sport and Director of Public Spending at the Treasury, where she led the team working with Sir Derek Wanless on his reform of NHS funding in 2002. Anita has a Masters in Health Economics from York University and has worked as an

Economic Advisor in the Department of Health and for SmithKline Beecham pharmaceuticals in the UK and USA.

Anita is a non-executive director of the Whittington NHS Trust and a Trustee of Tommy's, the baby charity (charity number: 1060508).

Anita is a member of the Outcomes Framework Technical Advisory Group, the Social Investment Advisory Group and the Economics of Social and Health Care Research Unit Advisory Group.

Bridget Rosewell, OBE

Bridget is a professional economist and business woman.

She has founded several economic consultancies, all of which are still successfully operating, and also has several non-executive roles with major organisations.

Her interests include risk and risk management, infrastructure and its funding, public and private sector co-operation, planning policy and corporate management. She publishes and presents in these areas as well as working with clients.

Bridget's current business interests include chairing Volterra Partners, Chair of Audit for Network Rail, Chair of Risk for Ulster Bank, With Profits Committee for the Co-operative Bank, and providing professional assistance to a variety of clients.

Bridget was the Consultant Chief Economic Adviser to the Greater London Authority from 2009 to 2012 and between 2002 and 2008 she was the Chief Economist to the GLA.

Her research interests focus on the economic performance of local economies, the role of infrastructure, the performance of markets, and business organisations. She is especially interested in the application of the tools of complex systems analysis to these issues.

Bridget was awarded an OBE in the 2013 Birthday Honours list for services to the economy.

Jonathan Portes

Jonathan is the Director of the National Institute of Economic and Social Research (NIESR).

Previously, he was Chief Economist at the Cabinet Office, where he advised the Cabinet Secretary, Gus O'Donnell, and Number 10 Downing Street on economic and financial issues.

Since joining HM Treasury in 1987, he has held various positions in the civil service and the private sector. He was Chief Economist at the Department for Work and Pensions and Chief Economist at the Cabinet Office before becoming the director of the National Institute of Economic and Social Research (NIESR) in February 2011.

His main areas of interest include fiscal policy, labor markets and immigration.

Paul Gray CB

Paul Gray CB, currently the Chair of the Social Security Advisory Committee, is a retired Civil Servant who was formerly Executive Chairman of HM Revenue and Customs and, before that, the Second Permanent Secretary in the Department for Work and Pensions.

He originally trained as an economist, and his earlier career included a wide range of posts in HM Treasury and periods as the Economic Affairs Private Secretary to the Prime Minister and as a corporate planner in the private sector.

Paul is now an associate of Praesta Partners LLP, an executive coaching and mentoring firm. He also serves as Chair of Governors of a comprehensive secondary academy, and as a member of the Council, and its Strategy and Resources Committee, at the University of Essex.

Stephen Hughes

Stephen Hughes is a strategic adviser to CIPFA on local government after leaving the post of Chief Executive at Birmingham City in February which he held for eight and half years.

At Birmingham he led the ambitious Business Transformation process and drove the Council's commitment to the local economy. Prior to that, Stephen's career was in finance, having led the Finance function at Islington and Brent councils and gone to Birmingham as Director of Resources. He has also been a finance policy officer at two local authority associations and spent a year on secondment managing Council Tax and Business rates policy for the then DETR. Apart from CIPFA, Stephen has a number of other roles including as a Board Member of Housing and Care 21.

Stephen Lewis

Steve Lewis became CEO, UK & Western Europe, RSA in January 2015. Previously he was CEO of Zurich's UK General Insurance business,

Steve is a Fellow of the Chartered Association of Certified Accountants, having qualified in 1990.

Professor Tony Travers

Tony Travers is Director of LSE London, a research centre at the London School of Economics. He is also a Visiting Professor in the LSE's Government Department. His key research interests include local and regional government and public service reform.

He is currently an advisor to the House of Commons Children, Schools and Families Select Committee and the Communities and Local Government Select Committee. He has published a number of books on cities and government, including Failure in British Government, The Politics of the Poll Tax (with David Butler and Andrew Adonis), Paying for Health, Education and Housing: How does the Centre Pull the Purse Strings (with Howard Glennerster and John Hills) and The Politics of London: Governing the Ungovernable City.

Document is Restricted

Document is Restricted

LGA location map

Local Government Association

Local Government House
Smith Square
London SW1P 3HZ

Tel: 020 7664 3131

Fax: 020 7664 3030

Email: info@local.gov.uk

Website: www.local.gov.uk

Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at www.tfl.gov.uk

Public transport

Local Government House is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are

St James's Park (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone.

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

Car parks

- Abingdon Street Car Park (off Great College Street)
- Horseferry Road Car Park
- Horseferry Road/Arneway Street. Visit the website at www.westminster.gov.uk/parking

