

Resources Board

Agenda

Wednesday, 7 January 2015
11.00 am

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

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Resources Board
7 January 2015

There will be a meeting of the Resources Board at **11.00 am on Wednesday, 7 January 2015** Westminster Suite, 8th Floor, Local Government House, Smith Square, London, SW1P 3HZ.

A sandwich lunch will be available at 1.00pm.

Attendance Sheet:

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

Political Group meetings:

Please contact your political group as outlined below for further details.

Apologies:

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

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: Vanessa.Chagas@local.gov.uk

Location:

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LGA Contact:

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

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Resources Board – Membership 2014/2015

Councillor	Authority
Labour (7)	
Cllr Claire Kober (Chair)	Haringey Council
Cllr Sue Murphy	Manchester City Council
Cllr Aaron Shotton	Flintshire County Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Chris Shaw	North East Lincolnshire Council
Cllr Sian Timoney	Luton Borough Council
Cllr Tom Beattie	Corby Borough Council
Substitutes	
Cllr Norman Keats	Knowsley Metropolitan Borough Council
Cllr Michael Mordey	Sunderland City Council
Conservative (7)	
Cllr Roger Phillips (Vice-Chair)	Herefordshire Council
Cllr James Jamieson	Central Bedfordshire Council
Cllr John Osman	Somerset County Council
Cllr Nigel Ashton	North Somerset Council
Cllr Melvyn Caplan	Westminster City Council
Cllr Adrian Hardman	Worcestershire County Council
Cllr John Fuller	South Norfolk District Council
Substitutes	
Cllr Rodney Rose	Oxfordshire County Council
Cllr Johanna Churchill	Lincolnshire County Council
Cllr Rory Love	Shepway District Council
Cllr Robert Saunders	East Hampshire District Council
Liberal Democrat (2)	
Cllr Claire Hudson (Deputy Chair)	Mendip District Council
Cllr Barbara Janke	Bristol City Council
Substitutes	
Cllr Simon Shaw	Sefton Metropolitan Borough Council
Independent (2)	
Cllr Clarence Barrett (Deputy Chair)	Havering London Borough Council
Cllr Linda van den Hende	Havering London Borough Council
Substitutes	
Cllr Robert Dutton OBE	Wrexham County Borough Council
Cllr Adrian Naylor	Bradford Metropolitan District Council
Non-Voting (3)	
Cllr Harvey Siggs	National Association of Regional Employers
Cllr Denny Vitty	Northern Ireland Local Government Association (NILGA)
Cllr David Phillips	Welsh Local Government Assoc. (WLGA)

Resources Board – Attendance 2014/2015

Councillors	17/10/14
Labour Group	
Claire Kober	Yes
Sue Murphy	Yes
Aaron Shotton	Yes
Sharon Taylor	No
Chris Shaw	Yes
Sian Timoney	No
Tom Beattie	Yes
Conservative Group	
Roger Phillips	Yes
James Jamieson	Yes
John Osman	Yes
Nigel Ashton	Yes
Melvyn Caplan	Yes
Adrian Hardman	Yes
John Fuller	Yes
Lib Dem Group	
Claire Hudson	Yes
Barbara Janke	Yes
Independent	
Clarence Barrett	Yes
Linda van den Hende	Yes
Non-voting	
Harvey Siggs	No
Denny Vitty	No
Substitutes	
Norman Keats	Yes
Michael Mordey	Yes
Jo Churchill	Yes

Agenda

Resources Board

Wednesday 7 January 2015

11.00 am

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

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Date of Next Meeting: Friday, 27 March 2015, 11.00 am, Smith Square 3&4, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

Note of last Resources Board meeting

Title: Resources Board
Date: Friday 17 October 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
1	Welcome and Introductions The Chair opened the meeting with a round of introductions and noted the apologies that had been received.	
2	Declarations of Interest No declarations of interests were made.	
3	Independent Commission on Local Government Finance Darra Singh (Chair of the Independent Commission on Local Government Finance) provided a verbal update on: the role, remit and approach of the Commission; the work it had undertaken; the feedback it had received thus far; and the timescale for reporting its findings. In doing so, he paid particular attention to the range of views that had been received in the feedback to the consultation and welcomed Members' input. There followed a detailed discussion in which Members raised a number of issues which they felt a new local government finance system needed to address and discussed potential reforms which the Commission might wish to consider further. Comments included: <ul style="list-style-type: none">• The Board highlighted the unique opportunity the national debate on the Scottish Referendum presented to make an ambitious and compelling case for greater financial and decision-making freedoms for English and Welsh localities.• There was unified support for adopting an asymmetric approach to devolution that allow for differential devolution. In doing so, Members emphasised the importance of ensuring that all areas have access to the same tools and opportunities, and cautioned against a 'one model fits all' approach.	

- Members emphasised the appetite and ambition of the sector for sustainable financial independence and discussed the importance of ensuring the Commission's findings gain traction, both within the sector as well as beyond. Particular reference was made to the importance of meaningful partner engagement in the consultation process and the steps being taken to deliver this.
- Members asked that the themed engagement workshops be open for Resources Board Members to attend.
- Suggestions for the Commission's consideration included: devolving greater freedoms to councils to set rules, regulations and revenue raising powers at a local level; improving incentivisation and providing the flexibility to apply incentives differently according to local circumstances; supporting long term financial planning through less frequent business rates revaluation; developing a sophisticated means of managing the transfer of risk from central government to local authorities; assessing authorities' financial sustainability in terms income and pension liabilities in addition to budget; and safeguarding against the transfer of revenue raising services to central government.

Decision

That the Board's comments feed into the Independent Commission on Local Government Finance's review.

4 Resources Board Membership, Terms of Reference and Work Programme

Michael Lockwood (Executive Director of Finance and Policy) briefly introduce the report which set out the Board's membership, terms of reference, Lead Member Portfolio Holders and suggested priorities for the Board's focus over the next nine months. He invited Members' views on the suggested work programme which was set out for the Board's comment and agreement.

The report was agreed without further comment.

Decisions

That the Board:

- i. agreed its priorities and work programme for the 2014/15 meeting cycle as set out in the report; and
- ii. noted its Membership, Terms of Reference and Lead Member Portfolio Holders for 2014/15.

5 Local Government Finance Update

The Chair introduced the report which outlined the main local government finance priorities for the LGA, not covered elsewhere on this agenda. She made particular reference to: the 2015/16 Local Government Finance Settlement; the Care Act New Burdens; the implementation of the Single Fraud Investigation Service; and an LGA survey on business rates retention and council tax support.

In the discussion that followed, Members made a number of comments, including:

- Serious concerns were expressed regarding the financial implications on local authorities as a result of an increasing number of business rates appeals, particularly those by large organisations that seek to backdate claims.
- Concerns were expressed regarding the detrimental impact of changes to the treatment of student council tax exemptions - included in the Local Government Finance Settlement consultation - with particularly reference to councils with a high student population.
- Members strongly emphasised the importance that Government revisit the overall funding envelope to ensure that the Care Act is fully funded, with no new financial burdens on councils.
- A Member noted the role of many coastal areas as financial trading centres and highlighted the need for a mechanism to ensure a proportion of the wealth generated through these activities to be invested in the local area.

Decisions

That the Board noted the update and asked that their comments inform the development of the Board's finance work stream.

6 Autumn Statement 2014: LGA Submission [Confidential]

The Chair introduced the report which set out the LGA's draft Submission to Her Majesty's Treasury in advance of the Autumn Statement expected on 3 December 2014. The Board were invited to comment on and approve the introduction and sections on financial freedoms and reforms.

The Board welcomed and endorsed the submission, subject to the following comments being incorporated:

- that the narrative on the detrimental impact of funding reductions on council services be strengthened;

- that the case for greater freedoms and flexibilities appear more prominently in the submission;
- that the financial and resource implications of complex bidding processes – such as around CityDeals – be clearly articulated;
- that the rules regarding deprivation of liberty safeguards be challenged; and
- that future submissions include specific examples to provide a more local context and compelling evidence base.

Decision

That the Board approved the LGA's Autumn Statement Submission, subject to inclusion of their comments, to be published and sent to Her Majesty's Treasury.

Actions

Officers to update the LGA's Autumn Statement Submission in line with Members' comments and submit to Her Majesty's Treasury.

That a technical note be provided to Cllr Jamieson on the Housing Revenue Account Cap. **Paul Raynes.**

7 Municipal Bonds Agency Update

Cllr Clarence Barrett introduced the report which updated on progress in establishing a Municipal Bonds Agency, following the Executive's approval in July to move the project into full mobilisation phase. In doing so, he highlighted the project's success in securing investment from a diverse range of 38 councils; however he encouraged Members to continue to promote the project as its success would be contingent upon councils being willing to take advantage of the borrowing and investment opportunities.

In the discussion that followed, Members made a number of comments, including:

- Members commended the success, progress and ambition of the project thus far. In doing so, they emphasised the importance of publicising this good new story more widely and noted their role in promoting the project within their peer group. With this in mind, the Board stressed the importance of an effective communications plan to maximise opportunities to promote the project within the sector and beyond.
- It was suggested that incentives for early repayment of loans be considered.

Decision

That the Board noted the progress and supported efforts to identify further

investors in, and borrowers from, the Agency.

Action

Circulate to Board Members the promotional leaflet on the Municipal Bonds Agency that was circulated at the LGA Conference. **John Wright.**

8 Developing the Sector-Led Improvement Finance Offer

The Chair briefly outlined the report which updated on work being undertaken to develop the sector-led improvement offer with respect to financial issues and asked for Members' guidance.

In the discussion that followed, Members made a number of comments, including:

- Members emphasised the importance that the pool of 'Peers' and 'Associates' include a diverse and broad range of experience and skills. To this end, they suggested that the selection criteria be broader than exclusively CIPFA qualifications, so as to include those candidates that possessed the requisite skills and experience, but were not CIPFA qualified.
- It was suggested that a more sophisticated manner of neutrally assessing and classifying authorities' financial sustainability be developed.
- Members noted the importance of joining up this work with the LGA's wider activities on devolution.

Decision

That the Board's views inform the development of the LGA's approach to financial issues within sector-led improvement.

9 Workforce Board Legacy

Cllr Roger Phillips briefly outlined the report which summarised the governance context of the former Workforce Board and its key areas of responsibility which transferred to the Resources Board. In doing so, he drew particular attention to the achievements of the former Board in securing reforms to the Local Government Pension scheme. With reference to the LGA's role in funding this work, he highlighted the importance that this be recognised as part of the promotional work around the Fund's Annual Report.

Decision

That the Board note the report.

10 Workforce Update Paper [Confidential]

Cllr Roger Phillips briefly introduced the report which updated on: pay; negotiations; pensions; workforce strategy; and consultancy. On pensions, he expressed frustration at the short timescale for councils to make the requisite constitutional changes as required by the new Local Government Pension Scheme (LGPS) governance regulations. In relation to pay, he updated Members on key developments in pay negotiations for mainstream local government services, with an offer due to be consulted on imminently.

In the discussion that followed, a number of comments were made, including:

- With reference to the impact of inflation on real wages and the close proximity of the National Minimum Wage and living wages, Members discussed ways in which to address the issue of low pay within the sector. Whilst tackling low pay was a shared ambition of the three main political parties, Members stressed the importance that central government funding be provided to enable the sector to meet these commitments.
- In discussing the increase in number of councils paying the living wage, it was noted that this did not always apply to the workforces of councils' suppliers and contractors. It was also noted that many authorities paid a 'local living wage' due to the complex standards associated with the National Living Wage Commission's accreditation.

Decision

That the Board noted the report and that their comments inform the development of the Board's workforce work stream.

11 Social Worker Recruitment and Retention

Sarah Messenger (Head of Workforce) briefly introduced the report which updated on the work of a joint Resources Board and Children and Young People Board task and finish group looking at improving the recruitment and retention of social workers.

Members welcomed the work of the task and finish group and highlighted the need to encourage all local authorities to invest in providing opportunities to newly trained social workers. In discussing tackling the issue of retention, Members' highlighted the need to address the financial disincentive of training new staff as well as making social work a more attractive profession, both in terms of minimising risk and by improving terms and conditions.

Decision

That the Board noted the report and that their comments inform the work of the task and finish group.

12 European Employer Bodies Membership [Confidential]

Sarah Messenger (Head of Workforce) briefly introduced the report which updated on the LGA's membership of and input to employer bodies within the European Union.

Decision

That the Board note the report.

13 EU Funding 2014-2020 Update

Cllr Sue Murphy introduced the report which provided background on LGA activity to influence EU funding for 2014 – 2020 and the Board's views on next steps. In doing so she: noted the activities still to be undertaken and issues to be resolved prior to the funds going live in January 2015; emphasised the importance that the role of local partners should not be diluted; and drew attention to lobbying activities to ensure that the successor to the shadow Growth Programme Board (GPB) be a decision making body.

In the discussion that followed, Members made a number of comments, including:

- The important role of the GPB and the need for robust governance arrangements to scrutinise performance and spend. The need to review the LGA's membership and ensure political balance was also discussed. Given the critical stage in the process and the need for continuity, it was agreed that a membership review take place when the successor body to the shadow Board took form.
- There was a strong feeling that whilst Technical Assistance should be held and used locally, the financial burden should not fall on local partners.
- With reference to a current council-run ESF cofinancing programmes, a Member asked that the LGA put on record its support for their continuation within LEP arrangements in the 2014-2020 round, but that given securing match funding will be difficult, national agencies could be encouraged to provide match.

Decision

That the Board noted the report and that their views inform the direction of the Board's EU funding work stream.

14 Welfare Reform Update

Paul Raynes (Head of Environment, Localism and Welfare) introduce the report which updated on the latest developments on welfare reform, including: Local Welfare Assistance fund; housing benefit administration subsidy; discretionary housing payment; and Universal Credit (UC).

In the discussion that followed, Members made a number of comments, including:

- With reference to the creation of the Single Fraud Investigation Service, concerns were expressed regarding the resourcing of the remaining non-benefit fraud cases which councils would continue to manage.
- Members highlighted the need for a robust process to be put in place – including providing incentives to local authorities - to deal with cases where a UC recipient relocates to a local authority outside of the pilot areas.
- With reference to the number of UC pilots conducted, a Member suggested that the sector take a more robust approach in their discussion with Government regarding the role of local government in the UC delivery plans and emphasis the vital importance of data sharing.
- In discussing recent welfare reform changes, concerns were expressed that homogenisation of welfare services would lead to less people centred provision.

Decision

That Board noted the update and that their views inform the development of the Board's welfare reform work programme.

15 Order of the Agenda

It was moved and agreed that the order of the agenda be amended so as to take the Item 3, the 'Independent Commission on Local Government Finance' first on the agenda.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Cllr Claire Kober	Haringey Council
Vice-Chairman	Cllr Roger Phillips	Herefordshire Council
Deputy-chairman	Cllr Claire Hudson	Mendip District Council
	Cllr Clarence Barrett	Havering London Borough Council
Members	Cllr Sue Murphy	Manchester City Council
	Cllr Aaron Shotton	Flintshire County Council
	Cllr Chris Shaw	North East Lincolnshire Council
	Cllr Tom Beattie	Corby Borough Council
	Cllr James Jamieson	Central Bedfordshire Council
	Cllr John Osman	Somerset County Council
	Cllr Nigel Ashton	North Somerset Council
	Cllr Melvyn Caplan	Westminster City Council
	Cllr John Fuller	South Norfolk District Council
	Cllr Barbara Janke	Bristol City Council
	Cllr Linda van den Hende	Havering London Borough Council
Apologies	Cllr Sharon Taylor OBE	Stevenage Borough Council
	Cllr Sian Timoney	Luton Borough Council
	Cllr Adrian Hardman	Worcestershire County Council
	Cllr Harvey Siggs	National Association of Regional Employers
	Cllr Denny Vitty	Northern Ireland Local Government Association (NILGA)

Document is Restricted

Document is Restricted

Workforce Update

Purpose

For information and discussion.

Summary

This report updates on activity in the core workforce team work areas of pay negotiations, pensions, workforce strategy and consultancy.

Recommendation

That the Board notes the content of the report and offers comments as necessary.

Action

Officers to continue with the work programme and report as necessary.

Contact officers: Sarah Messenger
Position: Head of Workforce
Phone no: 020 7187 7342
E-mail: sarah.messenger@local.gov.uk

Workforce Update

Pay negotiations

Local Government Services and Craft

1. In November agreement was reached on a deal that saw the majority of pay points increase by 2.2 per cent from 1 January 2015, with no backdating to April 2014. There was some bottom-loading on the lowest 6 pay points. The agreement also included some non-consolidated lump sums and covers the period up to 31 March 2016. A similar agreement was reached that covers Craftworkers.

Senior Managers

2. An offer has made that covers the two negotiating bodies that relating to Chief Executives and Chief Officers. The offer is 2% on guaranteed FTE basic salaries of £99,999 or less (as at 31 December 2014) with effect from 1 January 2015. No offer has been made to those earning £100,000 or more. The offer covers the period to 31 March 2016. We are awaiting a formal response from the relevant union sides.

School teachers

3. The School Teachers' Review Body (STRB) has received a remit to consider what adjustments should be made to the salary and allowance ranges for classroom teachers, unqualified teachers and school leaders to reflect the average of up to 1 per cent pay award for public sector workers, to apply from September 2015.
4. Having consulted authorities the LGA submitted a National Employers' Organisation for School Teachers (NEOST) response and followed this up with oral evidence in December. The review body must report by February 2015.

Soulbury and Youth & Community Workers

5. At the time of writing the detail of pay offers to be made to both of these groups is under consideration. It is likely that offers will be made early in the New Year.

Fire Service

6. Sir Ken Knight's Review, published in 2013 highlighted a number of areas in the fire service which could be reformed. He found that the conditions of service of firefighters could be an actual or perceived barrier to changes. DCLG responded to the Knight Review in July and announced that it was setting up an independent review (undertaken by Adrian Thomas) with an objective is to look at the conditions of service of chief fire officers and firefighters and the processes by which they are determined to consider whether they present barriers to reform, improvement and efficiency. The review covers England only, while national bargaining machinery for Fire is UK-wide.
7. The LGA submitted a response to the review. Mr Thomas has met with the National Employers' Chair on two occasions to date. At the most recent meeting Mr Thomas was clear that as he is still in the evidence gathering stage his views may be subject to

change. However he did touch upon issues such as: employer/employee interaction at local level; management of change: extent of employee buy-in to the wider corporate team; management capability and recruitment. He expanded upon his thoughts on these matters at the December meeting of the Fire Services Management Committee. Mr Thomas is due to report back to DCLG in February.

Employment law advice

8. The employment relations team has provided advice and guidance through its Advisory Bulletin and regional seminars on how to manage the consequences of an important case on the calculation of holiday pay under the provisions of the EU Working Time Directive, as well as on the new shared parental leave scheme.

Pensions

LGPS Governance

9. Further draft regulations on governance and cost management for the LGPS were published on 10th October. The response attached as **Appendix A** was agreed at the meeting of the Local Government Pensions Committee on 21 November following circulation to political group offices. Subject to confirmation of funding the committee also agreed to continue to offer to provide the secretariat for the national LGPS Scheme Advisory Board.

Transfers to Defined Contribution Schemes

10. Work continues with HM Treasury and DCLG to provide protections for the scheme in the event of significant numbers of LGPS members transferring to DC schemes in order to take advantage of the increased flexibilities announced by the Chancellor in the budget and extended in the Autumn statement. In particular this work has included discussions on the basis for reducing transfers in the event of an impact on local taxpayers due to negative cash flows forcing the untimely disposal of fund assets.

Academy schools deficits and contributions

11. DCLG, LGA and the LGPS fund actuaries are close to agreeing a set of principles to ensure academy schools are treated in a consistent manner across the 80 LGPS funds in England. These principles will include deficit repayment periods no less than the ceding council together with the same funding target and discount rate as the council. The principles will also provide for a consistent method of allocating deficit both within and across LGPS funds in relation to academies.

Local Government Pension Scheme: opportunities for collaboration, cost savings and efficiencies

12. The above consultation which closed in July proposed changes to the style and structure of the £200b invested in the LGPS in England and Wales. Such proposals included a wholesale shift from active to passive management of listed assets, a move away from fund of fund vehicles and the creation of Collective Investment Vehicles (CIVs) for alternative assets.

13. A statement from the government is expected early in the new year. It is understood that DCLG ministers support an approach that encourages rather than mandates a move to passive investment and the creation of CIVs, however discussions continue at cabinet level with other departments seeking a more regulatory approach.

Deficit management

14. LGA in its role within the Scheme Advisory Board is working with other stakeholders to develop a set of recommendations to DCLG that will seek to ensure LGPS deficits are robustly managed and eliminated in a reasonable period whilst recognising the unprecedented financial constraints currently faced by councils. In support of this the work plan attached **as Appendix B** was agreed at the Board meeting of 8 December.

Workforce strategy and consultancy

Careers Guide

15. The LGA has launched a new career guide aimed at encouraging young people to think about a career in local government. The changing nature and design of public services within a context of ongoing financial pressures means that councils will want to position themselves well in the battle for talent especially amongst young people. The guide describes the important work that councils do within the places that young people live, work, learn, socialise and exercise and highlights the huge variety of interesting and meaningful jobs that councils have to offer. The Chairman of the LGA, Cllr David Sparks, has taken a personal interest in the guide as a former careers adviser in the West Midlands, and has provided the foreword.

Public health

16. The LGA continues to work closely with partner organisations on initiatives to promote the development of the public health workforce across the new public health system. The partners include Public Health England, the Association of Directors of Public Health, the Royal Society of Public Health and Department of Health. The pilots of the Talent Management Programme are proceeding well in the North West and London identifying key individuals and the skills they need to work flexibly across the system. The Public Health skills framework is about to be refreshed to make it more relevant for new ways of working. The public health workforce strategy itself will be refreshed in 2015.
17. The LGA continues to provide bespoke advice to councils on issues around recruitment and the appropriate use of different terms and conditions for public health specialists. The national working group on terms and conditions will produce further advice linked to the changes in terms and conditions which can be expected to follow the end of the two year period of protection next April. Many councils continue to need advice on pensions issues also.

Social work

18. A range of products designed to support the recruitment and retention of experienced social workers was launched successfully at the National Children's and Adult's Services conference recently. The products included a toolkit, case studies of innovative practice,

an organisational health check, a podcast and an explanation of the refreshed Employer Standards for Social Work. Since then a special report on pay and rewards and the recruitment market for social workers has been launched by the national Epaycheck database in which the LGA is a partner. Discussions with PPMA and SOLACE have resulted in a proposal to develop a guide on social work issues aimed specifically at members, which is now in development.

Decision-making Accountability

19. The Workforce team continue to deliver Decision-making Accountability (DMA) reviews for councils as a way of helping them create efficient workforce structures to deliver the services of the future. Recently, we have worked with Buckinghamshire, Epsom and Ewell and Belfast City councils and work is about to commence in Birmingham and Redbridge.

Employment issues for senior staff

20. The team continues to provide direct support to local authorities dealing with complex and contentious employee relations cases relating to senior managers. Councils we have supported recently include Cornwall, Pembrokeshire, Wirral, Rotherham and Hinckley and Bosworth DC.

Mr Robert Ellis
LGPS Governance Regulations 2014
Department for Communities and Local Government
Workforce Pay and Pensions
2nd Floor
South East Quarter
Fry Building
2 Marsham Street
London
SW1P 4DF

21st November 2014

Dear Robert

Local Government Pension Scheme

Please find attached to this letter the LGA's response to the consultation:

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 - Better Governance and Improved Accountability in the Local Government Pension Scheme.

Please feel free to get in touch if you have any questions.

Yours sincerely



Jeff Houston
Head of Pensions

Mobile: 07786 681 936 Office: 020 71877346
Email jeff.houston@local.gov.uk

Response

Local Government Association (LGA)

Response to the consultation: Better Governance and Improved Accountability in the Local Government Pension Scheme

Summary Response

This paper sets out the LGA's response to the above consultation issued by the Department for Communities and Local Government (DCLG) in respect of the Local Government Pension Scheme (LGPS). In summary the response is as follows:

Local Pension Boards

- **Membership - regulation 107(3):** The LGA seeks clarification on the restriction on elected members and officers of an administering authority who are responsible for the discharge of any function under the LGPS 2013 Regulations. We believe that such individuals should only be precluded from being on the local pension board for that administering authority, rather than being precluded from sitting on any local pension board in England and Wales and the regulation should make this clear (i.e. an elected member or officer from fund A should be able to sit on the local pension board of fund B).
- **Membership - Otherwise appointed members:** The nature and number of other members of a local pension board should be spelt out and their number limited to ensure they cannot out-vote the employer and scheme member representatives on a board.
- **Membership - Chair:** The appointment of a chair from outside of the local pension board membership should be subject to confirmation by the membership of the local pension board.
- **Timeframe for implementation:** The very restricted timescale remaining before 1 April 2015 may result in flawed structures being hastily created which may not provide for an effective employer voice.
- **Joint Pension Boards and also provisions for specific cases (closed funds):** Provision for joint boards where there is a joint discharge of the function across two or more scheme managers should be expressly provided for in the regulations. In addition the regulations should make provision for flexibility in the case of closed funds with a small employer base, providing more dynamic ways in which these atypical administering authorities can establish a local pension board.

Scheme Advisory Board

- **Funding:** Clarity on the amount of, and arrangements for, Scheme Advisory Board funding should be forthcoming as soon as possible.

Cost Management

- **Interaction between two cost management processes:** We are concerned over the silence in the regulations with regard to the interaction between the two cost

management processes but welcome the letter from the Minister inviting the Scheme Advisory Board to set out proposals for such interaction.

Response in Detail

Local Pension Boards

1. Membership - Regulation 107(3)

1.1 Regulation 107(3) states:

No officer or elected member of an administering authority who is responsible for the discharge of any function under these regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of a local pension board.

1.2 It is not explicitly clear whether this regulation is restricting an officer or elected member (who is responsible for the discharge of the pension function) from being a member of any local pension board in England and Wales or only the local pension board of the Fund in which they are discharging any function under these regulations.

1.3 The LGA would expect that officers or elected members of an administering authority (with a responsibility for the discharge of the pensions function) would only be restricted from membership of the local pension board for that administering authority.

1.4 The LGA would welcome clarity that there is no restriction on an elected member or officer of the Fund (who is responsible for the discharge of the pension function) from being a member of a local pension board in another fund i.e. an elected member or officer from Fund A should be able to sit on the local pension board of Fund B.

2. Membership - Otherwise appointed members

2.1 The regulations no longer make specific reference to 'otherwise appointed members' of a local pension board. In the previous iteration of these regulations there was a provision to ensure that "the number of members appointed under paragraph (2) [i.e. employer and member representatives] must exceed the number of members otherwise appointed to a local pension board". Whilst there is nothing within the draft regulation to preclude the inclusion of members other than those appointed as employer and member representatives there is also nothing within the regulations to limit the number of 'otherwise appointed members' to a local pension board.

2.2 With no provision within regulations as to the number of 'otherwise appointed members' there is a risk that, potentially, the local pension board's main membership of equal representation from both employers and scheme members could be less than the number of members appointed outside of these two cohorts. If this were to occur it would seem to be counter to the spirit of the overriding legislation (Public Service Pensions Act 2013) and could result in situations arising where the core membership of the Board (employer and scheme member representatives) are out-voted by members who have been appointed in another capacity.

2.3 The LGA would like to see the regulations include provision for 'otherwise appointed members'. Regulations should provide for the maximum number of 'otherwise appointed members'. Given that the Public Service Pensions Act 2013 gives equal representation to both employer and scheme members it would seem counterintuitive to have a potential scenario where the 'otherwise appointed members' could out-vote the employer and scheme member representatives on a local pension board. Therefore, the LGA would like to see provision in the regulations to limit the number of 'otherwise appointed members' to ensure there is no potential for them to out-vote the employer and member representatives.

2.4 It would also be helpful if statutory guidance alluded to the nature of who the category of 'otherwise appointed members' could include, and also confirmed whether they are subject to the same requirements for relevant experience and capacity as regulation 107(2) imposes on employer and scheme member representatives.

3. Membership - Chair

3.1 The draft regulations do not make specific provision for the appointment of a chair on a local pension board. Whilst regulation 106(6) offers overarching power for the local pension board to fully discharge its function, which would include the potential for the terms of reference for a local pension board to include the role of Chair and potentially a deputy, there are some more specific concerns which the LGA would like addressed in the regulations.

3.2 Each administering authority can decide firstly whether to appoint a chair and secondly how to make that appointment to the local pension board. The appointment could be made from the membership of the Board, for example rotating the chair role between both the employer and scheme member representatives on the Board. The chair could also be selected independently from the membership of the Board.

3.3 The LGA would like to see provision in the regulations, or certainly in statutory guidance, that where the appointment of a chair is made from outside the board's membership (i.e. an independent chair), such an appointment would be subject to confirmation by the membership of the local pension board. This will ensure that the role of chair has the full backing of the local pension board membership and that no potential barriers are in place to prevent the effective working of the local pension board. The need for this can be emphasised by considering a situation where, for example, the chair of the board has a casting vote.

4. Timeframe for implementation

4.1 Regulation 106(1) requires that *"each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board")"*. The LGA would like to highlight concerns regarding the length of time remaining to establish local pension boards.

4.2 The diminishing time left to establish local pension boards is becoming increasingly problematic. Administering authorities are making preparations based on current draft regulation but, without final laid regulations in place, it is not possible for administering authorities to obtain final approval for the constitution and terms of reference of their local pension board via their chosen method of approval (e.g. full council approval).

4.3 The LGA are concerned that the restricted timescale may result in hastily created local pension boards which may not provide an effective platform for employers' voices. The constitution of the board needs full consideration by both employer and member sides to ensure that both groups' appointments to the board can be properly considered.

4.4 The LGA wish to see laid regulations in place as soon as possible after the close of this consultation to give as much of the remaining time to 1 April 2015 as possible to administering authorities to establish their local pension boards and to allow for ample consultation with their employer and scheme member base to ensure a robust local pension board is created.

5. Joint Pension Boards and also provisions for specific cases (closed funds)

5.1 In the earlier consultation on the first iteration of these regulations (*the LGPS (Amendment) Regulations 2014 - Draft Regulations on Scheme Governance*) there was reference in the 'connected policy issues' section to the potential for shared local pension boards (i.e. joint pension boards).

5.2 The LGA in our [response to that consultation](#) (dated 15 August 2014) indicated that we would welcome provision within regulations for joint pension boards in cases where the scheme manager function is being delivered wholly or mainly via a joint committee. We continue to hold that view and would like to see regulations made which enable this option for joint pension boards.

5.3 Furthermore there are other circumstances where it is becoming apparent that increased flexibility would be welcomed. Specifically this is in respect of administering authorities who only have a closed LGPS fund and who have a very small employer base¹.

5.4 A number of potential practical issues are becoming evident in terms of the establishment and operation of local pension boards for such administering authorities. These include the difficulty in recruiting employer and member representatives given the very small base of employers and scheme members in that fund.

5.5 Such funds, with their own delegated administration function (i.e. a separate section 101 pension committee) often share an administration function with a larger administering authority.

5.6 Given the very specific composition and also management of such closed funds, it would be helpful if regulations could provide for an element of flexibility in such cases (where this is sought locally by the administering authority).

5.7 For example provision could be included to allow for the creation of a joint pension board, i.e. where the local pension board to be established by the administering authority of the closed fund and the local pension board to be established by the administering authority for the other larger fund (which shares its administration function) are merged.

¹ E.g. the South Yorkshire and West Midlands Passenger Transport Authorities.

5.8 That local pension board would then be required to assist both scheme managers in the areas set out in regulation 106(1). That board would contain membership from employers and scheme members from both administering authorities but would not be required to have a minimum of 4 members from each of the administering authorities. Statutory guidance should indicate how best to achieve appropriate representation across both administering authorities.

5.9 Such flexibility would allow for more appropriate structures to be created given the differing circumstances under which those administering authorities that only have a closed fund have to operate.

Scheme Advisory Board

6. Funding

6.1 Regulation 113 makes provision for the funding of the Scheme Advisory Board with regulation 113(2) requiring that:

*(2) The Local Government Pension Scheme Advisory Board must identify the amount to be paid by each administering authority towards its annual costs based on—
(a) its annual budget approved by the Secretary of State; and
(b) the number of persons for which the administering authority is the appropriate administering authority.*

6.2 It is important that decisions relating to the funding of the Scheme Advisory Board's annual budget are taken and communicated to administering authorities as quickly as possible. This is to ensure they are in a position to budget for the costs associated with the Scheme Advisory Board from April 2015 onwards.

Cost Management

7. Interaction between two cost management processes

7.1 The cost management process for the LGPS shall be a dual process which consists of:

- An LGPS Future Service Cost process managed by the Scheme Advisory Board and the Department for Communities and Local Government with input from the Government Actuary's Department, which is subject to
- A public service pension cross schemes Employer Cost Cap process managed by HM Treasury and GAD.

7.2 The LGA are concerned that the regulations are silent in respect of the interaction between the two cost management processes listed above. It would also appear that regulation 63 of the LGPS Regulations 2013 may need amendment to deliver the LGPS Future Service Cost process.

7.3 The LGA welcomes the Minister's letter inviting the Scheme Advisory Board to set out proposals for such interaction and would like to see that any interaction between both processes is clearly provided for in legislation.

The LGA, and in particular its pensions team, is available to discuss and answer any questions the department may have on this response.

ANNEX to agenda item 3a - Deficits management workstreams

Key	Regulatory change
	Commissioning required
	Other

Deficit report recommendations	Desc	Type	To be completed by	Timescale	Budget requirement	Linked workstream
1 to 6	Recommend regulation change requiring actuaries to calculate standard funding levels by 30th September	Regulations	Secretariat	By end of March 2015	No	Annual Report phase 3
1 to 6	Recommend regulation change requiring SAB to set assumptions for standard funding valuations	Regulations	Secretariat	By end of March 2015	No	Annual Report phase 3
1 to 6	SAB to commission standard funding calculations for 2013 data	Commissioning	External provider (actuarial)	From April 2015 (following the establishment of the statutory advisory board)	Yes	Annual Report phase 3/Cost Management Process
1 to 6	SAB to recommend extent of centrally determined assumptions	Report to SAB	Secretariat and Cost Management & Contributions sub-committee	By end of March 2015	No	Annual Report phase 3/Cost Management Process
7,9 and 13	Recommend that regulations are changed to a) clarify the stability requirement in respect of primary, secondary, and common contributions, b) set a minimum employer rate.	Regulations	Secretariat	By end of March 2015	No	
7,9 and 13	Further research and recommendation for mandation of cash amounts for deficit contributions	Commissioning	External provider (actuarial)	From April 2015 (following the establishment of the statutory advisory board)	Yes	
7,9 and 13	Recommend an appropriate application of the stability and sustainability requirements to future service rate and deficit contributions	Regulations	Secretariat	By end of March 2015	No	
10	Collation of standard funding data into annual report	Analysis	Secretariat	In time for inclusion in the 2014/15 scheme annual report	No	Annual Report phase 2
10	Commissioning of new data for change of asset allocation and manager churn	Commissioning	External provider (investment)	From April 2015 (following the establishment of the statutory advisory board)	Yes	Annual Report phase 2
11,12 and 14	Recommend change to regulations to require publication of recovery plan methodology in Funding Strategy Statement	Regulations	Secretariat	By end of March 2015	No	Annual Report phase 2
11,12 and 14	Develop best practice guidance on employer management	Commissioning	External provider (actuarial)	From April 2015 (following the establishment of the statutory advisory board)	Yes	

	Recommend change to regulations to explicitly allow for prefunding of exit payments	Regulations	Secretariat	By end of March 2015	No	
15-17	Consult on revised exit payment calculation and greater flexibility on recovery of exit payments	Consultation	Secretariat	By end of February 2015	No	
18	Develop recommendations for action as a result of primary metrics being triggered	Commissioning	External provider (legal)	From April 2015 (following the establishment of the statutory advisory board)	Yes	Annual Report phase 3
19-20	Develop guidance and information on LDI	Commissioning	External provider (investment)	From April 2015 (following the establishment of the statutory advisory board)	Yes	
19-20	Commission further work on FLF and other options	Commissioning	External provider (investment)	From April 2015 (following the establishment of the statutory advisory board)	Yes	

Document is Restricted

Document is Restricted

The Local Government Finance Settlement for 2015-16

Purpose

For information and direction.

Summary

The 2015-16 consultation Local Government Finance Settlement was published on 18 December 2014. An on the day briefing (attached at **Appendix A**) was sent to all member authorities.

Recommendations

Members are asked to discuss the key lines to be included in the response to the 2015-16 consultation Local Government Finance Settlement.

Action

Officers to proceed as directed.

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Local Government Finance Settlement 2015-16

Background

1. The 2015-16 consultation Local Government Finance Settlement was announced on 18 December 2014.
2. In December last year, as part of a two year settlement, illustrative figures for 2015-16 were issued. The figures issued this year are broadly similar although not identical.

The 2015-16 consultation settlement

3. 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.
4. 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 8.8per 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.

Key issues in the LGA draft response to the 2015-16 settlement

5. The consultation on the Local Government Finance Settlement will run until 15 January 2015. On 11 December 2014, Leadership Board agreed the key lines to be included in the response to the settlement, and that lead members of Resources Board sign off the consultation response.
6. The key points to be 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 again fully paid for through s.31 grant. 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.

Conclusion and next steps

8. Members of the Resources Board are asked to discuss the key lines to be included in the response to the 2015-16 consultation Local Government Finance Settlement.

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.

European Structural and Investment Funds 2014-2020 Update

Purpose

For information and comment.

Summary

This report provides Members with background on LGA activity to influence EU funding for 2014 – 2020 and invites a steer on next steps.

Recommendation

That Resources Board notes the report and recommend the further actions listed at paragraph 18.

Action

Officers to take forward in line with Members' direction.

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European Structural and Investment Funds 2014-2020 Update

Summary

1. LGA lobbying in Whitehall and Brussels secured a commitment from Ministers to devolve spending decisions for England's £5.3 billion 2014-2020 EU Structural and Investment Funds (ESIF) allocation to the 39 Local Enterprise Partnerships (LEP) areas.
2. This includes the European Regional Development and Social Funds (ERDF and ESF), which will form a large proportion of any new public resources available for local regeneration, infrastructure, employment and skills activity.
3. The live running of the programme is now significantly delayed, with the bulk of commissioning not expected to start until mid-2015. Some strategic and operational decisions have yet to be made, which will determine how the funds are delivered and managed in England.
4. This paper updates on progress and invites a steer on next steps. Cllr Sue Murphy (Manchester) is the Resources Board Lead Member on European Structural and Investment Funds (ESIF), however she is unable to attend this Board meeting.

Background

5. Four Whitehall departments (DCLG, BIS, DWP and DEFRA) are involved in the funds' management and negotiation with the European Commission. DCLG and DWP are accountable to the EU for ERDF and ESF spend respectively. DCLG is the lead department for implementation.
6. The LGA is at the forefront of efforts to ensure local partners in the 39 LEP areas to have maximum discretion over how, when, and on what the devolved funds are deployed. Ensuring the roles of local partners (LEPs, councils and other partners) is clearly defined in key European, national and local ESIF strategies, is critical.
7. LGA elected members' have done this primarily through the Ministerial-led National Growth Programme Board (GPB), established in September 2013. Members include Cllr David Sparks (LGA Chair), Cllr Sir Albert Bore (Birmingham) and Cllr Ian Stewart (Cumbria). LEP Network members include Cllr Sir Richard Leese (Greater Manchester LEP) and Chris Pomfrett (Cornwall & Isles of Scilly LEP), with whom the LGA works closely.
8. LGA officers are also represented on a range of working groups to take ensure GPB decisions are taken forward.
9. From the outset, we pressed Her Majesty's Government (HMG) to use of EU mechanisms (Intermediate Body status and Integrated Territorial Investments) to allow areas to have formal delegated powers to manage aspects of the programme locally. Ministers were reluctant to take this approach.

Recent developments

10. The last GPB meeting took place on 9 December 2014. It was attended by DCLG Minister Lord Ahmad. Negotiations between HMG and the European Commission (EC) focus on what ESIF will fund and how it will be managed.
11. On the what, HMG indicated activity is likely to start in June 2015. To ensure contingency plans are in place in case of significant delays, it may extend projects funded under the 2007-2013 programme to June 2015, and initiate project calls from March 2015 for ERDF type activity (business support for SMEs, and innovation etc).
12. On the how, the LGA and LEP members raised a number of concerns. Cllr Roger Phillips (Herefordshire) attended in place of Cllr David Sparks, and may wish to update the Board.

LGA minimum expectations

13. In the absence of formal delegated functions, and to safeguard local partners' strategic role, the LGA and LEP Network negotiated a 'business process' with HMG to set out the **role of LEPs, councils and local partners (which form a local sub committee) vis a vis the Government** (Managing Authority – MA). The local role includes the ability to:
 - 13.1. develop a pipeline of operations;
 - 13.2. agree the scope and timing of calls;
 - 13.3. work with the MA to co-design commissioning and bidding arrangements, agree bids to be prioritised, select operations which meet the local ESIF strategy, monitor performance, hold providers to account; and
 - 13.4. a 'dual key' so no project is approved for funding without local partners' consent.
14. HMG are using this as the basis for a negotiation with the EC. We made clear that these are the LGA's minimum expectations for all areas, and it should not be diluted. Our offer to HMG to assist with negotiations was never taken up.
15. The EC confirmed it cannot agree these arrangements because of blurred lines of responsibility between local partners and the MA. HMG has submitted a revised negotiating position to the EC which 'locks in local partners'. While it agreed to an LGA request to share this as submitted, it now prefers to delay dissemination until the New Year. The LGA has expressed its concern.
16. The local role now risks being 'advisory' rather than a decision making, unless HMG can negotiate this with the EC, or it formally delegates responsibility to local areas. Cllr Sparks discussed this with The Rt Hon Greg Clarke MP (also responsible for ESIF at BIS). Cllr Sparks asked for his support in maintaining the strategic role of local partners, and highlighted that the dilution of local partners' role to 'advisory' would be a huge setback for devolution, reducing local areas' ability to influence spend and generate local growth.

Powers to manage the programme locally

17. Alongside our efforts to maintain a strong local role across all areas, the LGA and LEP Network submitted a **proposal to DCLG** (27 November 2014) **for a small number of areas - who have the capability - to be given limited 'Intermediate Body' status to 'select projects'** while respecting the Government's technical and contracting role, and show how this can be carried out. Lord Ahmad explained that DCLG's preferred route is to secure the local role agreed through the business process. He did however agree it was in his gift to award Intermediate Body status, but he could not give explicit commitment to award it at this stage, but would not rule it out. This issue is now given more importance now that local partners risk having an advisory function.

Next steps

18. We will need to continue lobbying to ensure:

- 18.1. The **primacy of local partners and their local sub-committees is intact** to make decisions on the design, commissioning and procurement of activity.
- 18.2. The local role is adequately resourced through **Technical Assistance**.
- 18.3. The **future national Programme Monitoring Committee (PMC)**, to replace the GPB allows LGA / LEPs to have a strategic debate with Ministers, and is not confined to operational issues only.

19. Cllr Sparks will meet Lord Ahmad to discuss these issues on 20 January 2015. The GPB will next meet on 23 January, at which many of these issues are expected to be discussed.

Welfare Reform Update

Purpose of report

For discussion.

Summary

This report updates Members on the latest developments on welfare reform.

Recommendation

That Resources Board note the update and offer any further steer on the issues covered.

Action

Officers to take forward in line with Members' direction.

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Welfare Reform Update

Local Welfare Assistance update

Background

1. The Crisis Loans community support grants elements of the Social Fund were localised from 2012/13 as the Local Welfare Assistance fund. The government had indicated it would decide on funding for the third year of the Local Welfare Assistance fund (2015/16) based on a review of local welfare schemes. However a decision to remove funding as a distinct grant in 2015/16 was made before the review had been completed. This decision was the subject of legal challenge that required the government to publish the review and reach a new decision about future funding following a consultation.

Government review and consultation

2. The Government has now published its review of local schemes¹ and completed its consultation on funding in 2015/16. The LGA responded to the consultation in two ways:
3. Firstly, through a formal consultation response highlighting the important role of local welfare assistance funding and the successful and innovative schemes councils have set up. The response outlines the impact that withdrawal of funding will have on vulnerable residents based on research that shows that three quarters of councils will scale back or cancel their schemes unless they are funded. As a result **the LGA called for separately identifiable and additional funding in 2015/16 in order that councils can continue to provide this important safety net to residents in need.**²
4. The second intervention was to send a joint letter to ministers (attached at **Appendix A**) with a small group of charities (Child Poverty Action Group, Crisis and Children's Society) to raise concerns and highlight the need for separately identifiable and additional funding in 2015/16.

Local Government Finance Settlement

5. The Local Government Settlement included the result of the consultation and announced that there will be no additional funding for local welfare. Instead the government has separately identified £129.6 million which will come from within existing budgets in 2015/16, which are being cut by £2.5 billion.
6. The decision is disappointing following the call made by the LGA for the Government to provide additional funding to support local welfare assistance. Separately identifying funding for local welfare from within the existing core grant 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

¹ Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370763/local-welfare-provision-review-nov-2014.pdf

² The LGA consultation response: http://www.local.gov.uk/web/guest/welfare-reform/-/journal_content/56/10180/6031824/ARTICLE

without additional funding as many as three quarters of local welfare schemes will be scaled back or scrapped³.

7. The LGA will continue to urge the Government to reconsider its decision ahead of this settlement being finalised in February. The LGA press release responding to the Settlement is at **Appendix B** (with the response to the local welfare announcement at the end).

Discretionary Housing Payment update

8. An announcement is expected to be made in early January on Discretionary Housing Payment (DHP) funding in 2015/16 on which an additional update paper will be circulated ahead of the Board meeting.

Universal Credit

TUPE

9. The Department for Work and Pensions (DWP) has written to the LGA confirming their current position around TUPE. The letter (attached at **Appendix C**) highlights that the spending review is the current key timetable driver for the department. Due to this they expect to be in a better position to help councils plan their 2016-17 staffing and service requirements from autumn 2015. Therefore no change to housing benefit admin grant arrangements will be made before 2016-17.
10. The DWP has further confirmed that this situation means no decision on the transfer of staff has been taken. They have also recognised that there is a further conversation to be had around the future plans for pension age housing benefit which may also have an impact on council staffing.

Housing benefit IT suppliers

11. The LGA has previously communicated to all councils that in the future they may be having conversations with their IT suppliers about changes to their systems to share Universal Credit (UC) related data with the DWP. In principle, the DWP should pay costs related to UC, which are technically a “new burden”. The DWP are putting an approvals process in place to deal with this.
12. The LGA has been pursuing discussions with the DWP about an issue relating to historic IT costs relating to UC. An oral update about this will be provided at the meeting.

National Expansion

13. The DWP has begun preparing for the national expansion of UC. Rollout will commence from February 2015 for single claimants previously eligible for Jobseekers Allowance. This means that a number of new councils will be going live with UC from as soon as February 2015. The DWP has had preliminary discussions with all councils who have been grouped within the first tranche of rollout. These discussions have provided an opportunity for councils to share any views they have about national expansion. A list of the councils in the first tranche can be found at **Appendix D**.

³ LGA survey results: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6583322/NEWS

14. A draft copy of the Delivery Partnership Agreement (DPA) between Jobcentre Plus and Local Authorities has been shared with councils including all those who sit on Transition Working Group (TWG). This will be the vehicle for funding all national expansion activity. Further scope exists for locally negotiating the details of the DPA to reflect the specific local circumstances of each council. LGA officers will continue to keep in close contact with councils in the first tranche of rollout. All councils in tranche 1 have been invited to send an elected member to a private meeting with Cllr David Sparks and Lord Freud in early January, to discuss national expansion.
15. The DWP have completed the rollout of UC for single claimants across the North West. Work has now begun to rollout the expansion to families in the North West and live sites.

Digital expansion

16. DWP have begun to test out the future digital service for UC. The test of the enhanced digital service began on 26 November in Sutton. Claims are currently being taken from a single postcode in Sutton. All eligible claimant types inside the postcode can apply. The digital service consists of one online account for everything – payments, report changes and to view information. A further oral update will be provided at the meeting.

Universal Credit Trial Sites

17. The UC trial sites are all up and running. Cllr Sparks and Lord Freud both visited the Lambeth, Lewisham and Southwark trial in early November. The visit flagged up the success of the trial with all partners working well together and being able to operate in a flexible manner across organisational boundaries. Cllr Sparks was keen to flag up that as we move towards further co-location and co-commissioning there are issues around governance which need to be reviewed. LGA officers are working on these issues with the DWP. An interim report from the trials will be available in March 2015.

Appendix A: LGA Local Welfare Assistance joint letter with Child Poverty Action Group, Crisis and Children's Society

Chancellor of the Exchequer, UK Treasury
Secretary of State for Work and Pensions
Secretary of State for Communities and Local Government

20 November 2014

Dear Ministers

Local Welfare Assistance

We write to you to raise our shared concerns about the funding of local welfare assistance in 2015/16 and beyond.

Local welfare assistance provides the last line of support to people with nowhere else to turn. It provides basic essentials for vulnerable residents and their children who face an unforeseen personal crisis or are in need of help to re-establish themselves in society after illness or a period in residential care.

The localisation of key elements of the Discretionary Social Fund gave responsibility to councils for establishing Local Welfare Assistance schemes. In a context of exceptionally high levels of demand for crisis support, many councils have designed schemes that have responded to local needs in an innovative and successful way.

The withdrawal of separately identifiable funding for local authorities in 2015/16 on top of a £3.13 billion reduction¹ in core grant will lead to three quarters of council schemes being scaled back or abolished altogether.² This will have an acute impact on vulnerable residents and their children and will mean they have nowhere to turn in their time of greatest need.

To ensure this provision continues to be available **it is imperative that the government provides clear and separately identifiable funding that is in addition to the existing planned local government core grant funding in 2015/16.**

Yours sincerely



Cllr David Sparks
Chairman
Local Government Association



Alison Garnham
Chief Executive
Child Poverty Action Group

¹ This represents a 13 per cent reduction on 2014/15 local government core grant settlement

² LGA survey of upper tier councils in September 2014: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6583322/NEWS



Matthew Reed
Chief Executive
Children's Society



Jon Sparkes
Chief Executive
Crisis

Copied to:

Steve Webb MP, Minister of State for Pensions, Department of Work and Pensions

Kris Hopkins MP, Parliamentary Under Secretary of State, Department of Communities and Local Government

Danny Alexander MP, Chief Secretary to the Treasury

Rachel Reeves MP, Shadow Secretary of State for Work and Pensions

Hilary Benn MP, Shadow Secretary of State for Communities and Local Government

Ed Balls MP, Shadow Chancellor of the Exchequer

Chris Leslie MP, Shadow Chief Secretary to the Treasury

Clive Betts MP, Communities and Local Government Committee Chair

Dame Anne Begg, Work and Pensions Committee Chair

Andrew Tyrie MP, Treasury Select Committee Chair

Appendix B: LGA RESPONSE TO THE LOCAL GOVERNMENT FINANCE SETTLEMENT

Today's Local Government Finance Settlement confirms that councils across England will receive 8.8 per cent less funding from government to run local services in April 2015.

Initial analysis by the Local Government Association, which represents councils, shows that:

- 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.

Responding to today's settlement, LGA Chair Cllr David Sparks said:

"Today's settlement confirms the huge financial challenge local services now face.

"Councils have spent the past four years finding billions of pounds worth of savings, while working hard to protect the services upon which people rely.

"But those same efficiency savings cannot be made again. The savings of more than £2.5 billion councils need to find before April will be the most difficult yet. We cannot pretend that this will not have an impact on local government's ability to improve people's quality of life and support local businesses.

"It is individuals who have paid the price of funding reductions, whether it is through seeing their local library close, roads deteriorate or support for young people and families scaled back.

"If the services which underpin people's daily lives are to survive the next few years then it will be essential that this and the next government commit to a much faster and bolder approach to English devolution.

"We need a better way of funding public services which shares public money more fairly and gives people a greater say over how it is spent in their local area. All the evidence shows that greater local decision making improves outcomes and saves money. With further public spending cuts expected in the next Parliament, the current overly centralised system is unsustainable. For some areas it's now devolution or bust."

On the 2 per cent council tax referendum threshold, Cllr Sparks said:

"Councillors know how important it is to keep council tax down and are well aware that they will be held to account for these decisions at the ballot box.

“By deciding not to lower the threshold government has at least acknowledged councils’ warnings about the significant additional strain this would have placed on services at a time when these are already dealing with billions of pounds worth of cuts.

“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.

“The 40 per cent cut in funding from central government, combined with the cap on council tax increases and restrictions on raising income in other ways, has left local government with few options in dealing with the rapidly-rising cost of adult social care. Keeping the referendum threshold will place a further limit on those options.

“With only a few weeks remaining until next year’s budgets need to be finalised, councils are unlikely to go through the costly process of staging a referendum, which itself would need to be paid for by local taxpayers.”

On the announcement that government will not be providing additional money for Local Welfare Assistance schemes in 2015/16, Cllr Sparks said:

“It is hugely disappointing that government has not listened to councils and charities which have been urging it to provide funding to support local welfare assistance.

“Instead of providing separate money for councils to help the vulnerable, 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.

“This would be robbing Peter to pay Paul, and would effectively amount to an additional £130 million cut for other vital services like fixing the roads, collecting the bins and caring for the elderly.

“We will continue urging government to reconsider its decision ahead of this settlement being finalised in February and note that the minister promised on the floor of the house to consider further responses on this issue.”

Appendix C

DWP letter confirming TUPE arrangements associated with Universal Credit



Department
for Work &
Pensions

www.dwp.gov.uk

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11 December 2014

1. Following approval of the Strategic Outline Business Case, I am writing to confirm future planning arrangements regarding Universal Credit, and to provide some reassurance for Local Authorities.
2. I am grateful to the Associations for leading this on behalf of Local Authorities and for the on-going contribution to the development of Universal Credit. I look forward to working together to ensure the Government's long-term transformation of welfare to make work pay is a success.
3. As you know, the Government has agreed the Business Case and plan to deliver Universal Credit. The next step will be the national expansion of Universal Credit for single claimants who would be eligible for JSA from February 2015 building on delivery experience to date; reassured by positive early results that those on UC are doing more to find work, responding to improved financial incentives and flowing into work faster to earn more.
4. National expansion will be followed by the commencement of transition from 2016, with the Universal Credit caseload building naturally as claimant circumstances change until the Universal Credit service is established for all claimant types across GB by the end of 2019. Further, managed, migration will follow thereafter closing access to legacy benefits, (including Housing Benefit for working age claimants). We will continue to work with local authorities as we refine integrated delivery plans.

5. The process of planning for transition and migration of UC is likely to be driven by the spending review which means UC and councils can expect to begin and plan their staffing and service requirements post 2016-17 in the autumn of next year. We consider that would also be the right time for decision-making about our respective resource requirements and potential for staff transfers in light of the fact that no decision on the transfer of staff has been taken.
6. We recognise that UC does not represent the the whole HB picture and we continue to develop plans taking full account of future plans for pension age HB.
7. So, no change to HB admin arrangements will be made before 2016-17. In addition to this for 2015 expansion, funded Delivery Partnership Agreements (DPAs) will be established locally to support claimants who may need additional help. This provides an important alignment opportunity for Local Authorities, Jobcentre Plus, landlords, employers and other partners to adjust to the requirements of UC under controlled volumes ahead of further scale and complexity in transition from 2016.
8. Two additional strands of work are underway to inform longer-term plans further:
 - the Universal Support trials will report emerging experience in the Spring of 2015; with final results in the autumn of the same year. This will inform further development of local Delivery Partnerships, building on the encouraging innovation underway across local communities;
 - to inform ongoing development of the Universal Credit Operating Model, the team will undertake further Test & Learn activity building on the continuous improvement experience of Alternative Payment Arrangement trials, Housing verification and Personal Budgeting Support trials in the North West of England.
9. These trials will ensure the longer-term operating model for managing complex cases through transition and migration works to support vulnerable households into UC, and will help us to refine our approach, based on evidence and sustained operating experience.
10. We will continue to communicate developments as fully and openly with as possible with councils as our plans develop. As always, I am grateful for the contribution of the Partnership Forum and Local Authority Delivery Partners; and I look forward to working with you to ensure Universal Credit fulfils the potential whereby households are always better off in work.
11. I am copying this letter to Rory Mair at COSLA, Steve Thomas at WLGA, Andrew Campbell at DCLG, Jamie MacDougall SG and Kate Cassidy WG.



Neil Couling
Director General, Universal Credit Programme

Universal Credit national expansion

Following the successful roll out of Universal Credit in the north-west of England, the Department for Work and Pensions (DWP) can provide details of the first tranche of national expansion to local authorities and jobcentres.

Universal Credit will roll out to new claims from single people, who would otherwise have been eligible for Jobseeker's Allowance, including those with existing Housing Benefit and Working Tax Credit claims.

The list below is a provisional planning assumption for the tranche one roll out sites that will begin to deliver Universal Credit between February and April 2015. We are committed to working closely with local authorities before confirming or announcing further details about the roll out schedule.

Once tranche one is complete Universal Credit will be available in 1 in 3 jobcentres across Great Britain with more jobcentres to roll out in subsequent tranches until national expansion is complete in spring 2016.

This list is in alphabetical order by local authority.

Local authority	Jobcentre
Ashford Borough Council	Ashford JCP
Barnsley Metropolitan Borough Council	Barnsley JCP Goldthorpe JCP Wombwell JCP
Basildon Council	Basildon JCP
Bassetlaw District Council	Retford JCP Worksop JCP
Bedford Borough Council	Bedford JCP
Birmingham City Council	Broad Street JCP Birmingham City JCP Erdington JCP Handsworth JCP Kings Heath JCP Washwood Heath JCP Perry Barr JCP Sutton Coldfield JCP Selly Oak JCP Birmingham South West JCP Sparkhill JCP

Local authority	Jobcentre
Birmingham City Council	Yardley JCP
Boston Borough Council	Boston JCP
Breckland Council	Dereham JCP Thetford JCP
Brentwood Borough Council	Brentwood JCP
Calderdale Council	Brighouse JCP Halifax JCP Todmorden JCP
Chesterfield Borough Council	Chesterfield JCP Staveley JCP
City of Edinburgh Council	Edinburgh City JCP High Riggs JCP Leith JCP Wester Hailes JCP
City of London Corporation	City Tower JCP
City of York Council	York Monkgate JCP York Stonebow JCP
Colchester Borough Council	Colchester JCP
Corby Borough Council	Corby JCP
Craven District Council	Skipton JCP
Daventry District Council	Daventry JCP
Dudley Metropolitan Borough Council	Dudley JCP Halesowen JCP Stourbridge JCP
Dumfries & Galloway Council	Annan JCP Dumfries JCP Stranraer JCP
East Lothian Council	Musselburgh JCP
East Staffordshire Borough Council	Burton JCP
Erewash Borough Council	Ilkeston JCP Long Eaton JCP
Flintshire County Council	Flint JCP

Local authority	Jobcentre
Forest Heath District Council	Bury St. Edmunds JCP Milldenhall JCP Newmarket JCP
Hambleton District Council	Northallerton JCP
Harborough District Council	Market Harborough JCP
Hartlepool Borough Council	Hartlepool JCP
Hastings Borough Council	Hastings JCP
Herefordshire Council	Hereford JCP Leominster JCP Ross-On-Wye JCP
Highland Council	Dingwall JCP Fort William JCP Invergordon JCP Portree JCP Wick JCP
Hinckley & Bosworth Borough Council	Hinckley JCP
Litchfield District Council	Litchfield JCP
London Borough of Barnet	Barnet JCP Edgware JCP Hendon JCP Finchley JCP
London Borough of Brent	Harlesden JCP Kilburn JCP Wembley JCP Willesden JCP
London Borough of Hammersmith and Fulham	Fulham JCP Shepherds Bush JCP
London Borough of Hounslow	Hounslow JCP
London Borough of Tower Hamlets	Poplar JCP
London Borough of Wandsworth	Wandsworth JCP
Maidstone Borough Council	Maidstone JCP
Melton Borough Council	Melton Mowbray JCP
Mendip District Council	Frome JCP

Local authority	Jobcentre
Mendip District Council	Wells JCP
Midlothian Council	Dalkeith JCP Penicuik JCP
Neath Port Talbot County Borough Council	Neath JCP Port Talbot JCP
Newcastle City Council	Newcastle City JCP Newcastle East JCP Newcastle West JCP
Newcastle-under-Lyme Borough Council	Kingsgrove JCP Newcastle-under-Lyme JCP
North Ayrshire Council	Irvine JCP Kilbirnie JCP Saltcoats JCP
North Lanarkshire Council	Airdrie JCP Bellshill JCP Cumbernauld JCP Motherwell JCP
North Somerset Council	Clevedon JCP Weston Super Mare JCP
Oxford City Council	Oxford JCP
Redditch Borough Council	Redditch JCP
Rother District Council	Bexhill JCP
Rugby Borough Council	Rugby JCP
Ryedale District Council	Ryedale JCP
Scottish Borders Council	Eyemouth JCP Galashells JCP Hawick JCP
Sedgemoor District Council	Bridgwater JCP
Shropshire Council	Bridgnorth JCP Market Drayton JCP Oswestry JCP Shrewsbury JCP Whitchurch JCP
Southampton City Council	Southampton JCP

Local authority	Jobcentre
Southend-on-Sea Borough Council	Southend JCP
South Kesteven District Council	Grantham JCP Stamford JCP
South Oxfordshire District Council	Didcot JCP
South Somerset District Council	Yeovil JCP
Stratford-on-Avon District Council	Stratford-upon-Avon JCP
Suffolk Coastal District Council	Felixstowe JCP Leiston JCP Woodbridge JCP
Swale Borough Council	Sheerness JCP Sittingbourne JCP
Swindon Borough Council	Swindon JCP
Tamworth Borough Council	Tamworth JCP
Taunton Deane Borough Council	Taunton JCP
Tendring District Council	Clacton JCP Harwich JCP
Thurrock Council	Grays JCP
Torfaen County Borough Council	Cwmbran JCP Pontypool JCP
Vale of White Horse District Council	Abingdon JCP
Waveney District Council	Beccles JCP Lowestoft JCP
West Dunbartonshire Council	Alexandria JCP Clydebank JCP Dumbarton JCP
West Oxfordshire District Council	Witney JCP
West Somerset District Council	Minehead JCP
Wiltshire Council	Chippenham JCP Devizes JCP Salisbury JCP Trowbridge JCP
Wrexham County Borough Council	Wrexham JCP

LGA location map

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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

