

Finance Panel – report from Cllr Sharon Taylor OBE (Chair)

Final local government finance settlement for 2014/15

1. The final local government finance settlement for 2014/15 was agreed on 12 February 2014. There are no substantial changes to the draft settlement as published in December 2013. The council tax referendum threshold has been set at 2 per cent, meaning that any increase in the total bill up to but not including 2 per cent is allowable before the referendum clause is triggered. This limit now includes all levies and the low-tax authority power to raise council tax by up to £5 has been removed as well. No referendum principle was set for parish and town councils, however it was indicated that this decision will be reviewed for 2015/16.
2. The LGA believes that it should be for councils and their residents to decide how local services are paid for, not Whitehall. The local elections allow people to pass judgement on their councils. No other tax increase is subject to the extra cost of a referendum, as all other taxes are rightly seen to be within the mandate of the elected government. The same should apply for council tax.

2014 Budget

3. Our Budget submission was sent to the Treasury on 14 February. Our key message is that financial sustainability is the greatest challenge facing local public services. In the period of the current Parliament, local government's core funding will fall by 40 per cent. We said that the picture will vary from council to council and in some cases the reductions are much higher. The position is not uniformly bleak. Some authorities will cope with further cuts but some are at real risk of failing. It is however clear that, for many in local government, the financial year 2015/16 will be a crunch year.
4. The proposals in our budget submission focused on what could be done in this Parliament to:
 - 4.1. give councils greater financial flexibility to make savings during 2014/15 and 2015/16;
 - 4.2. promote growth across the UK; and
 - 4.3. increase the pace at which councils can protect and improve local services.
5. To see the submission please visit the LGA website:
<http://www.local.gov.uk/documents/10180/5533246/LGA+Budget+submission+28+Feb+2014/6080d300-983f-4d6f-b6b0-971f420f1292>

Business Rates Appeals Consultation

6. There are currently around 165,000 business rates appeals outstanding. Since the introduction of business rates retention in 2013, local government has to bear 50 per cent of the risk of all unresolved appeals. In response to concerns, the Government ran a consultation on proposals to reform the business rates appeals system, for example requiring ratepayers to give more information when a formal challenge is made, and separating the challenge of a decision by the Valuation Office Agency to a formal appeal to the Valuation Tribunal. The government also aim to clear 95 per cent of currently outstanding appeals by summer 2015. The consultation closed on 3 March and the Government plan to implement the changes in October 2014.

7. The LGA Executive on 20 February discussed the LGA's response, which is generally favourable to the proposed changes. However, it says that there should be clear targets on clearing the backlog of appeals and reiterates the point, already made in our response to the Local Government Finance Settlement, that Government should allow appeals from before April 2013 to be set off against the old business rates pool.

Icelandic Banks

8. The majority of councils which had money tied up in the failed Icelandic bank Landsbanki have now recouped the lion's share of their deposits by selling their claims. The sale of most councils' remaining claims against LBI (formerly Landsbanki Islands hf) in the Winding Up proceedings was organised through a competitive auction to ensure the highest possible price was achieved. These authorities will, on average, recover more than 95 per cent of the money they originally deposited with LBI.
9. Councils had just under £1.05 billion deposited in the four failed Icelandic banks at the time of the collapse in 2008. Following this settlement the total amount recouped by local authorities is expected to be just over £1 billion. Those councils that did not settle their claims by competitive auction are continuing to receive support from the LGA.

Fraud

10. Following confirmation that the Government intends to implement the Single Fraud Investigation Service (SFIS), we are representing councils' interests in the transition. We are pressing for urgent clarity on TUPE and the rollout timetable, and ensuring that once SFIS is operational, councils have the necessary levers, powers and access to data they need to be able to tackle corporate fraud, and work jointly and prosecute jointly with SFIS investigators.
11. The LGA is currently consulting with councils on how best to deploy the £16.6 million corporate fraud fund, recently announced by the Department for Communities and Local Government (CLG). The intention is that this fund not only replaces capacity lost to SFIS but enables a wider push on corporate fraud. We are continuing to press the Department for Work and Pensions and CLG to join-up conversations on SFIS implementation and the CLG fraud fund.

Universal Credit

12. Following on from last month's report, I can now confirm that Lord Freud will be meeting with the Chairmen of all 3 Local Government Associations and a group of Chief Executives this month to discuss the next phase of work around the Local Support Services Framework. It is anticipated that this discussion will help to shape how the trialling process will progress and help to ensure that the sector remains plugged in to the broader welfare reform debate. We will update you in due course about how the trialling process will be rolled out.

Municipal Bonds Agency

13. The Lead Adviser on our Municipal Bonds Agency project, Aidan Brady, has begun work to revalidate the original municipal bonds agency outline business case. His starting point has been an analysis of council borrowing over the past five years and their likely future borrowing requirements. This has run in parallel with conversations on the agency with the credit rating agencies and banks. He has started talking to a selection of councils, including some of the larger borrowers from the Public Works Loans Board (PWLB) and those that

have already expressed an interest in being founder investors in the agency. We aim to be in a position to publish a revised outline business case in March.

14. Meanwhile there is still time for your council to sign up to be a founder member and shareholder in the agency. If you are interested and would like to know more please get in touch with John Wright on 020 7664 3146.

Flooding

15. In the wake of the floods and Winter storms across large parts of the country, the Government announced over £200m worth of measures to aid the emergency effort, support communities and individuals and prepare the country for further future events. We have been working with Government departments to help them develop schemes which will deliver these objectives without imposing an undeliverable burden on local authorities at a time when they are already stretched.

Contact officer: Alan Finch
Position: Head of Finance
Phone no: 020 7664 3085
E-mail: alan.finch@local.gov.uk