

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

2014 Budget

1. Since the last Councillors' Forum, the Chancellor made his Budget announcement. The Budget included a number of measures that councils will find helpful, including: additional money for potholes and to repair damaged flood defences; the freeze on landfill tax in 2015-16; further progress on city deals; and a change to the VAT treatment of combined authorities. However, it did not change the overall financial position of councils, the risk to public services in the next few years, or the ability of councils to make major inroads to the housing shortage.
2. The LGA published an '*on the day briefing*' paper which can be read in full on the LGA website at: <http://www.local.gov.uk/documents/10180/5533246/On+the+day+briefing+-+Budget+2014/43f95661-380b-4d72-9c3c-6d586bb7b925>.

Funding of the Flooding Relief Effort

3. In the wake of the floods and winter storms across large parts of the country, the Government responded with a number of different funding announcements and schemes aimed at assisting businesses, communities and local authorities affected by the flooding.
4. Although final allocations for these funding streams were not all available at the time of writing, it is evident that the Government has allocated well over £300 million through these schemes, many of which are to be administered by local authorities. We have been advised that local authorities' full costs will be reimbursed. The LGA has been part of continued discussions with the relevant departments on the detail of these funding initiatives to make sure that the interests of local communities and councils are appropriately addressed.
5. Additionally, the LGA has argued for some time that the Bellwin scheme, predominantly aimed at assisting councils dealing with severe weather incidents, is inadequate in its current form. The Government has now also recognised this and has announced that it will be undertaking a full review. I will keep you up-to-date as this develops.

Impact of Funding Cuts on Fire Service

6. The "AnyFire" report was published at the LGA's Annual Fire Conference in Cardiff at the beginning of March. The report considers how the principles of *Rewiring Public Services* could be applied in the context of an average Fire and Rescue Authority which is using a mix of the strategies that are being used in fire and rescue authorities across the country.
7. We highlighted the innovative savings already being made by fire services, but warned of the widening gap in funding and the potential impacts on services if funding cuts continue. Additionally, we called for adequate funding to allow Fire and Rescue Services to continue to play a key role in national resilience, and called on the Government to work with us to remove barriers to greater collaboration and mergers, to help drive innovations and to remove restrictions on setting tax levels locally. The analysis received extensive coverage in national press and BBC news bulletins.

Universal Credit

8. Councils from across Great Britain and the three Local Government Associations, including the LGA Chairman on behalf of the LGA, met with Lord Freud MP (Minister for Welfare Reform) on 25 March to discuss the steps for councils' role in supporting Universal Credit claimants.
9. The Minister has been strongly persuaded by evidence from the local authority led face-to-face pilots that councils can and should have a crucial role in Universal Credit; this will be explored in further detail through a programme of trialling and testing with councils, some of which will receive funding from the Department for Work and Pensions (DWP). We will update you in due course about how the trialling process will be rolled out.

Local Welfare Support

10. The LGA Chairman wrote to Stephen Webb MP at the DWP on 14 March to express our concerns about the proposal for quarterly monitoring of Local Welfare Schemes in the coming financial year. We received a constructive reply from the Minister on 20 March, offering assurances that the process was not intended to impose new burdens and proposing further discussions between DWP and LGA officials.
11. Disappointingly Government has not shifted on its decision to end separately identified funding for Local Welfare Schemes altogether in 2015/16. DWP and the Department of Communities and Local Government (DCLG) are planning to conduct their promised review of the fund; we will contribute to those discussions and also undertake our own work with councils to identify how the fund has been used since it was localised in April 2013, and the potential consequences of its removal.

Fraud

12. On 17 March, I gave evidence to a Work and Pensions Select Committee hearing on "fraud and error in the benefits system". This was an opportunity for us to press our key messages, particularly in relation to the implementation of the Single Fraud Investigation Service (SFIS). These included our concerns about staff transfers and the need for DWP and DCLG to join-up conversations on SFIS implementation and the £16.6 million DCLG fraud fund.
13. We made the point that councils will still have a very strong interest in benefit fraud after the introduction of SFIS, because of our continuing role for now in the benefits system and also because of the value to the public purse of catching multiple fraud. Councils need to retain the ability to combine prosecutions for different offences if there is more than one.
14. We also emphasised the importance of ensuring that central and local government work together effectively to design out error from the Universal Credit interface in order to minimise the scope for claimant error, which might otherwise have a significant impact on people's lives, as well as a cost to the public purse.

Municipal Bonds Agency

15. On 20 March, the LGA Executive endorsed a revised business case for the establishment of a Municipal Bonds Agency and decided to proceed with the project. The project offers not only the prospect of cheaper borrowing for councils, but also an investment opportunity for both councils and council pension funds. The full revised Business Case together with a two page summary can be accessed on the LGA website at: http://www.local.gov.uk/finance-/journal_content/56/10180/3684139/ARTICLE.
16. We are now beginning a six month mobilisation phase, initially focused on getting the investment commitment we need to establish the Agency. Without in the first instance identifying the investment required to establish the Agency, and, secondly, finding committed borrowers for the capital raised from the first bond, it won't be possible to go further.
17. If the revised business case encourages you to think that your council might like to become either a founder investor or an early borrower from the Agency we would like to hear from you. We would be happy to arrange for Aidan Brady, the Lead Adviser, to come and talk to you. If you are at all interested or have any questions, please contact either Paul Raynes, paul.raynes@local.gov.uk or John Wright, john.wright@local.gov.uk.

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