Local Government Association

Councillors' Forum

7 June 2018

Resources Board – report from Cllr John Fuller (Vice-Chairman)

Fair Funding Review and Business Rates Retention

1. We are continuing our work on business rates retention in conjunction with MHCLG. The Business Rates Retention Steering Group (officers) met on 14 May 2018 and considered papers on the Fair Funding Review consultation outcomes, the safety net, levy and tier splits, and spreading the risk of valuation losses across the local government sector to reduce volatility. On this last point, MHCLG is suggesting that there is concern about the level of complexity within the business rates retention system and that, though addressing appeals losses is desirable, the level of complexity created will need to remain a consideration. MHCLG is seeking views from the sector on this point with a deadline of 1 July 2018. As the impact of appeals on local authorities is one of the key concerns with the current business rates retention system this could have significant financial consequences for the sector and Resources Board will consider the LGA's response at its next meeting later this month.

2. Officers have also continued work on the local and central rating lists and possible changes in the run-up to the implementation of 75 per cent business rates retention in April 2020 and in the longer term when a slot for primary legislation becomes available. Leadership Board has agreed an LGA template for assessing future Fair Funding Review proposals. The Officer Group have seen work by the University of Essex, advised by the LGA, on updating the data in the current formulae and have also considered public health formulae, and a draft summary of the responses to the Government's last consultation which closed in March

3. The member led LGA Fair Funding Review and Business Rates Retention Task and Finish Group is due to meet later this month and will consider these issues further. The Group will continue to advise LGA Leadership Board and Executive on LGA policy in this area.

4. As reported to the last Forum, LGA's Vice Chairman, Councillor David Simmonds, gave evidence to the Housing, Communities and Local Government Select Committee inquiry into business rates retention along with myself (in my capacity as Chair District Councils Network), Cllr Paul Carter (County Councils Network) and Cllr David Finch (Essex County Council and member of Resources Board). The Select Committee has since published its report and this backs our call for councils to be able to use extra business rates income to plug the funding gap facing local government. The Committee suggests that that any new responsibilities placed on councils from further business rate retention should be linked to stimulating and promoting economic growth. The report follows the LGA's lines on business rates retention very closely.

NAO report on Financial Sustainability, Reserves and Public Accounts Committee inquiry

5. The NAO published its latest report into the Financial Sustainability of local authorities in March including some stark messages about the funding of local government. We provided evidence during this study and responded to the report with a media statement and briefed MPs for a debate in Parliament on this on 20 March.

6. We also produced a briefing on council reserves in response to comments made about these at Treasury questions in the House of Commons and in the media.

7. The LGA Chief Executive, Mark Lloyd, gave evidence to the Public Accounts Committee as part of their inquiry into the NAO report and the LGA also submitted written evidence. During

the session, the Chief Executive praised the work of councils in managing £16 billion of central government funding reductions over this decade. He also highlighted the over £5 billion funding gap facing the sector by 2019/20, alongside the pre-existing pressure to stabilise the adult social care provider market. Our evidence called for further business rates retention to be implemented without new duties to allow councils' funding gaps to be plugged.

8. The LGA Chief Executive, Mark Lloyd, gave evidence to the Public Accounts Committee as part of their inquiry into the NAO report and the LGA also submitted written evidence. During the session, the Chief Executive praised the work of councils in managing £16 billion of central government funding reductions over this decade. He also highlighted the over £5 billion funding gap facing the sector by 2019/20, alongside the pre-existing pressure to stabilise the adult social care provider market. Our evidence called for further business rates retention to be implemented without new duties to allow councils' funding gaps to be plugged.

9. We have backed up our Parliamentary work on local government funding with further media activity, including interviews with national media such as Radio 4.

Capital flexibilities

10. We have continued to call for councils to be able to invest in all asset classes, including shopping centres, when they can demonstrate a return to the taxpayer and support the local economy without taking on disproportionate risk. I discussed this issue in national media appearances.

Insurance Mutual

11. The new mutual company was incorporated by the LGA on 1 May 2018 as LGAM Limited. Ian Rogers (Chief Actuary at Government's Actuary Department) and Brian Roberts (Former CIPFA President) are directors. James Alexander is company secretary. The seventeen councils which have been working with the LGA to develop the proposals will be able to formally join the mutual over coming months.

12. The mutual now needs to appoint a service provider to provide professional support including business development, underwriting and a range of other work to prepare to open for business. It is using an OJEU compliant neutral vendor to appoint a mutual manager.

EU Funding

13. To date we are still awaiting details on how, or when, the Governments UK Shared Prosperity Fund (UKSPF) will be administered, the allocation principles, or the overall quantum of funding. A major consultation is expected later this year, preceded by a period of pre-consultation, which the timetable has not been announced. The LGA is pressing Government to provide clarity of the detail of UKSPF to best equip local areas following the UK exiting the European Union. More details can be at the Beyond Brexit discussion document.

Workforce - Pay Negotiations

14. The two-year local government NJC pay award was agreed on 10 April. The LGA's Workforce Team will soon publish advice to councils on issues related to moving employees on to the new pay spine next April.

15. The one-year, one per cent pay offers to Chief Executives and Chief Officers are the subject of further discussion between the two Sides. Members will be advised of developments in due course.

Contact Officers: Sarah Pickup
Position: Deputy Chief Executive
Phone no: 020 7664 3109
E-mail: Sarah.pickup@local.gov.uk