

Resources Board - End of Year Board Report

Background and Context

1. The LGA's Resources Board shapes and develops the Association's policies and programmes in line with the LGA priorities in relation to Local Government Finance; Strategic Finance; Welfare Reform; and Workforce issues.
2. Members are asked to consider the achievements of the board over the last year against the use of allocated resources and to reflect on whether the board is continuing to meet its purpose in response to the emerging priorities of metropolitan areas.

Priorities and Achievements for 2017/18

Local Government Finance

Local Government Funding

3. The general council tax referendum threshold was increased to 3 per cent as part of the 2018/19 Local Government Finance Settlement. In addition, the LGA secured a further £150 million adult social care support grant and were successful arguing against late changes to the new homes bonus in 2018/19 settlement. Our on-the-day-briefing on the settlement was well received by member authorities. Members of Resources Board cleared the LGA's official response to the settlement.
4. The LGA held a sold out annual finance conference in January 2018, with the then-Secretary of State of Communities and Local Government and his Shadow counterpart both addressing the delegates.
5. The funding gap analysis has continued to be influential, featuring in LGA Parliamentary briefings and press work. It is now widely quoted across the media.
6. With contributions from the LGA and local authorities, the National Audit Office produced a report on the financial sustainability of local authorities which was in line with LGA lines on the cuts to local government and their impact on authorities.
7. LGA funding projections have recently been updated and extended to 2025 and will be launched alongside a number of other documents at the LGA annual conference in July 2018 as a starting point for the LGA's 2019 Spending Review campaign.

Business Rates Retention

8. The Government work programme on further business rates retention, which was due to be implemented in April 2019, was paused following the announcement of the general election last year. The LGA has been successful in ensuring that business rates retention reform continues albeit with the retained share now planned to rise to 75 per

cent rather than 100 per cent as the latter require primary legislation. In the longer term the Government's intention is to implement 100 per cent retention.

9. Officers and politicians continue to be engaged with the Government and other stakeholders as part of the reforms. The LGA continues to ensure that there are plenty of opportunities for member authorities to engage directly with the MHCLG and the LGA on Business Rates Retention and the Fair Funding Review.
10. The LGA contributed with written and oral evidence to a MHCLG select Committee Inquiry into Business Rates Retention and the Fair Funding Review. This led to a positive report which was in line with LGA policy including a recommendation that income from greater business rates retention be used to meet the funding gap facing local government.
11. While the work is being led by the LGA Leadership Board, Executive and the Business Rates Retention and Fair Funding Review Task and Finish Group, members of Resources Board continue to be updated. The Chair of the Resources Board also chairs the Task and finish Group and the other resources board lead members also sit on the group. This work is a priority for the LGA.

Other Business Rates Issues

12. Check, Challenge and Appeal was introduced by the Valuation Office Agency in April 2017 with the intention of reducing the number of speculative appeals. It is too early to tell whether this is has been successful but we continue to monitor this and engage closely with the VOA.
13. In January 2017 the then Secretary of State for DCLG, Sajid Javid MP, agreed to work with the LGA to help stamp out aggressive forms of business rates avoidance. We have been liaising with MHCLG on this and have shared our work on avoidance with civil servants.
14. We worked closely with MHCLG officials following the announcement of the business rates reliefs in the 2017 Spring Budget. This led to more positive MHCLG announcements than were expected and pressure on software supplier to produce software updates that were needed to deliver the reliefs.

Fair Funding Review

15. The Government work programme on the Fair Funding Review, which was due to be implemented in April 2019, was paused following the announcement of the general election last year. The LGA has been successful in ensuring that the Review continues with a view to being implemented at the same time as greater business rates retention in April 2020.
16. The LGA continues to co-chair with MHCLG officials a technical working group of local authority finance officers. Through this group, consensus is being built on what services

should have specific relative needs assessments, common cost drivers that could be used in the funding formulae, and other important aspects.

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Local Government Finance Contributions to set pieces

19. The Resources Board continues to provide significant input into LGA work on the Government's set pieces. For example, it was contributed to developing and clearing the 2017 Autumn Budget submission. The LGA's on-the-day briefing on the Autumn Budget was well received by member authorities.
20. With input from the Resources Board, the LGA Leadership Board and Executive have agreed a set of high level messages to be employed as part of the LGA's 2019 Spending Review campaign.
21. The Resources Board will continue to advise LGA Leadership Board and Executive throughout the Spending Review campaign period in the 2018/19 LGA political year.

Capital Funding

22. The Government announced that the flexibility to use capital receipts to help meet the revenue costs of transformation programmes will continue for a further three years. This followed a call for an extension in our autumn budget submission.
23. This year saw the review of the Prudential Code for Local Authority Finance and the Treasury Management Code by Cipfa and the Government. Resources Board led the LGA's input to this, with submissions to a number of consultations and commentary on the new code. As part of this the Government published new guidance for local authority investments and Minimum Revenue Provision and Resources Board Lead Members approved an LGA briefing on the new guidance to help councils.
24. The Financial Conduct Authority's (FCA) policy statement on the Markets in Financial Instruments Directive II (MiFID II) included improvements to the rules following our and councils' concerns about the potential costs, loss of value and restrictions to investments that could follow from the original proposals. Councils and pension funds then had to comply with the directive by 3 January 2018. The LGPS Scheme Advisory Board, working with the LGA and Investment Managers, produced a standard opt up process for pension funds to follow to comply with the directive and Resources Board lead members

agreed a more general guidance note for councils for their Treasury Management activities.

Insurance Mutual

25. The LGA has been working with a group of local authorities to explore options to develop a cost effective alternative to the conventional insurance market products and services available to local government, as well as improved ways of sharing best practice in risk management.
26. 17 local authorities agreed in late 2017 to work with the LGA to develop the mutual. There have been four meetings of the founding members, and the Chair of the Resources Board represents the LGA and chairs the group.
27. The new mutual company was incorporated by the LGA on 1 May 2018. Ian Rogers (Chief Actuary at Government's Actuary Department) and Brian Roberts (Former CIPFA President) are directors. James Alexander is company secretary. There have been two meetings of the board.
28. At time of writing the mutual is undertaking a process to appoint a mutual manager to provide professional support through Bloom, an OJEAU compliant neutral vendor. The procurement process should be complete in July 2018.

Workforce

29. Most of the workforce team's priorities are established by the memorandum of understanding with MHCLG which sets out funded improvement programmes. The overall objective for the team in the current memorandum is "*Councils are supported to address future workforce changes associated with public sector reform, the practical implementation of current employment legislation etc. and to modernise and transform the way they work, developing workplace cultures that motivate and value staff at all levels.*"
30. Under this general objective, the main achievements undertaken within the remit of the Resources Board over the year has been:
 - 29.1 Successful negotiation of a two-year pay deal for mainstream local government staff, including implementation of a new pay spine to accommodate the National Living Wage.
 - 29.2 Successful piloting of a return to social work programme designed to bring back those who have left the profession and make them ready for employment.
 - 29.3 Launch of a new outline workforce strategy and consultation exercise.

- 29.4 Begun expansion of the support programme on apprenticeships, particularly with the appointment of a dedicated member of staff.
- 29.5 Launch of the Employer Standards for Public Health.
- 29.6 Joint development with DHSC and others of a guide to challenges and good practice in health and care workforce integration.
- 29.7 Launch of analysis of gender pay gap data for the sector and podcast on gender pay issues.
- 29.8 Providing advice and support to Councils to assist with the successful resolution of complex employee relations cases.
- 29.9 Provided health and wellbeing initiatives for councils.
- 29.10 Continued organisational effectiveness reviews, and Decision Making and Accountability (DMA – assessing managerial spans of control).
- 29.11 Conducted a health check for employers of Adult social workers.
- 29.12 Launched inclusive employer tool for managers to recruit and retain people with disabilities.
- 29.13 Developed and grown a national network of academies and Multi-Academy Trusts under the Employer Link brand, to enhance our employer influence on workforce issues in all publicly funded schools.

Welfare

- 31. The Board agreed the need for the LGA to continue to press Government on the financial impacts of welfare reform and Universal Credit (UC) for councils. Members also advised that now was the time to consider more fully whether the reforms were having the intended policy impacts in terms of improving outcomes for low income households. Stronger links were made with both the City Regions Board's work on Employment and Skills and the EEHT Board's work on Housing and homelessness in particular.
- 32. LGA undertook a piece of work with councils and DWP analysts to review the cost to councils of administering Housing Benefit, which led to a revised figure for the Universal Credit savings that the Department withdrew from councils, and was the impetus for a new DWP Local Authority Funding Group.
- 33. The LGA commissioned research on the current and future impacts of welfare reform on low income households in Autumn 2017. Alongside research commissioned by the

EEHT Board on the impact of the LHA rate freeze this has supported effective lobbying on the Homelessness Reduction Act, and informed amendments to key aspects of UC roll-out including the removal of Temporary Accommodation from UC.

EU Funding

34. The board has focused on the continuation of £5 billion of investment in local areas from the European Structural and Investment Funds (ESIF) until 2020 through the LGA's membership of the Growth Programme Board. As part of the draft agreement between the UK and the EU in December, the UK will continue to participate in ESIF and other programmes until the end of the current 2020 programme period. The LGA has played a key lobbying role to ensure councils continue to access these funds.

Financial Implications

35. All work programmes are met from existing LGA budgets and resources.