

## **Resources Board – report from Cllr Richard Watts (Chair)**

### **Local Government Finance**

#### 2020/21 final Local Government Finance Settlement

1. On 6 February 2020 the Government published the 2020/21 [final local government finance settlement](#). The LGA [welcomed](#) the fact that the final settlement had been published quickly, however, we were disappointed that the Government had not used the final settlement to provide the £220 million needed to pay for the higher than expected rise in the National Living Wage (NLW). We look forward to working with the Government to ensure its forthcoming Budget and Spending Review provide a funding settlement that allows councils to improve services. The final settlement was [debated](#) in Parliament on 24 February, when the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, confirmed that the settlement would include a £49.2 billion 'funding package' for local councils, including an extra £1 billion of grant funding for children and adults social care. The Secretary of State also announced that a [£40 million surplus on the levy account](#) would be returned to local government. The LGA issued a [briefing](#) for the debate. Our full response to the provisional settlement is [here](#).

#### 2020 March Budget

2. The Chancellor announced that the Budget will take place on 11 March 2020. The LGA's [submission](#) in advance of the Budget focusses on infrastructure investment, climate change and the environment, the UK's exit from the European Union and devolution, local government finance (with a primary focus on business rates reform) and sustainable funding for local services to set the stage for our 2020 Spending Review work. Officers will prepare an on-the-day briefing summarising the key announcements of the Budget as usual.

#### Business rates avoidance

3. Last month we published our [Business Rates Avoidance Survey](#) where we estimated that avoidance stood at £250 million in 2017/18, 1 per cent of total business rates yield. In a [written answer](#) to a Parliamentary Question on 21 January, the Minister for Local Government and Homelessness, Luke Hall stated that his Department welcomed our Business Rates Avoidance Survey and would work with the LGA to evaluate its findings and better understand the causes of business rates avoidance. We look forward to working with MHCLG on this and will continue to press for measures to be taken in line with those planned in Wales and Scotland.

#### Fair Funding Review

4. On 24 January, the LGA [published its illustrations](#) of the potential percentage change to the relative needs shares of individual councils under the [proposed adult social care relative needs formulas](#). The LGA's aims were:
  - 4.1. to provide a high-level indication of the impact of these two new formulas on individual councils on the basis of best available information, with clear caveats

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around the limitations of the analysis and making clear that no conclusions should be drawn about the overall impact of the Fair Funding Review;

- 4.2. to reinforce the point that the results of the Review need to be introduced alongside additional funding to avoid any individual council losing out; and
- 4.3. to encourage Government to publish official exemplifications as soon as possible to allow councils to meaningfully plan their future budgets.

#### Audit issues

5. The Board has been pursuing a number of strands of work relating to audit. A response was submitted to PSAA's [consultation](#) on the scale of audit fees for the 2020/21 financial year.
6. The Board has also been active in following up on delays to the completion of the 2018/19 audits by raising concerns with both Ministers and with PSAA. In February, the Minister for Local Government responded to the Board's concerns acknowledging that that this is an important issue and that MHCLG are monitoring the situation and liaising with other Government departments affected, notably the Department of Work and Pensions (DWP). We called for the audit deadline to be put back to September. The Minister said he would review this in the light of recommendations made by the [Redmond Review](#) of local authority financial reporting and external audit which we would expect to report later this year.
7. In February, the Chief Executives of the Institute of Chartered Accountants of England and Wales (ICAEW) and the Chartered Institute of Public Finance and Accountancy (CIPFA) wrote a joint letter to the Minister on the issue of audit delays. In this letter they also called for the audit deadline for local authorities to be put back to September.

#### NAO report on local authority commercial property investments

8. The National Audit Office (NAO) has published a [report](#) on investment in commercial properties by local authorities. The report recognises that councils are using these investments to help generate income to meet funding shortfalls and to contribute to their local economy and environment. The report includes useful data about the scale of investment and estimates of related borrowing undertaken by councils. We issued a [press release](#) in response, in which we reiterated that councils follow strict rules to ensure they invest wisely.

#### Public Works Loans Board (PWLB) Commissioners

9. On 11 February the House of Lords formally approved the [Public Bodies \(Abolition of Public Works Loan Commissioners\) Order 2019](#). This planned change ([consulted](#) on in 2016) abolishes the PWLB Commissioners as their role, as described in the [Lords debate](#), had become largely "ceremonial". It is not anticipated that this will have any practical impact on councils' ability to borrow from the PWLB.

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## **Workforce**

### Local government staff

10. Lead members of the National Employers met with the trade unions on 5 February and tabled a pay offer of 2.0 per cent, which was immediately rejected. A meeting of the LGA's Informal Sounding Board (to which Group Leaders, Chair of the Resources Board and national employer lead members are invited) was held on 26 February.
11. Following the 5 February meeting, National Employers agreed a further consultation should be conducted before deciding on next steps. This is currently underway with pay briefings/consultation events scheduled in each of the 9 English regions plus Wales and Northern Ireland. It is unlikely that the 2020 pay negotiations will be settled for some months yet.
12. Following the Covid-19 virus outbreak, the LGA has been working closely with Public Health England on public information campaigns. As part of this work [a joint Local Government Services circular](#) was distributed covering the issue of staff who are asked to self-isolate, noting that the national conditions of service make it clear that staff should continue to be paid.

### Schoolteachers

13. The School Teachers' Review Body (STRB) process for 2020/21 is underway. Notably the [DfE submission](#) proposes steps towards the higher £30k starting salary by 2022 announced by the Government last year.
14. The preferred DfE option is to front load the pay uplift, increasing the national starting salary by 6.7 per cent to £26,000 in 2020/21 with slightly smaller percentage increases in the higher London pay zones (starting salaries rising to £32k for Inner, £30k for Outer and £27k for Fringe). The DfE proposal outlines what the pay structure could look like by 22/23 with starting salaries increased to the £30,000 nationally as a result of larger (23.1 per cent increase over 3 years) targeted pay rises for early career teachers.
15. Initial estimates suggest this could add 3 per cent overall to the teachers' pay bill (£455m from Sept. 2020 to March 2021) which the DfE estimate that all school can afford. Therefore, no new money is promised other than the government's additional £2.6 billion funding for (2020/21) announced in Spending Round 2019. £780m of this is for SEND funding, and now another £455 million is needed to fund the teacher pay rises, resulting in a remaining balance of around £1.4 billion. The Teachers' Pay Grant will continue for 2020 but the intention is to retain the 2019 values.

### Local Authority Fire and Rescue Services

16. Discussions within the NJC on broadening the role of firefighters have been paused to allow both parties to take stock in light of the need for additional funding from Governments across the UK and in particular the timescale of the next Spending Review in England. However, separately, the NJC has agreed an uplift in pay for 2019/20 of 2.0 per cent.

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*Apprenticeships*

17. The LGA's support offer to councils has continued to enable councils to make the best use of the Apprenticeship Levy and increase the number of apprenticeship starts.
18. In 2018/19, councils created over 16,000 apprenticeship starts – 10,000 more than two years before and the second consecutive year of substantial growth. We expect this trend to slow over time as councils reach an optimum number of apprentices across the workforce. Councils have started apprentices on over 140 different standards, highlighting both the wide range of services councils provide and the breadth of apprenticeship qualifications now available. The sector has done this despite the headcount of the sector falling by 8per cent over the last two years

*Returners programme*

19. Work is proceeding at pace on the Return to Work programmes funded by the Government Equality Office (GEO). Most progress has been made on the expanded Return to Social Work programme based on the previous pilot. Work is underway on agreeing programmes for Legal, IT and planning services to be launched in March 2020. Clearance on recruitment strategies and communications plans has been received from GEO.
20. Recent activity in Social Work is as follows:
- 20.1 Provider contract award made pending GEO approval
  - 20.2 Formal launch on 6 January 2020 took place
  - 20.3 Paid for advertising and social media advertising commenced
  - 20.4 216 actual applications
  - 20.5 650+ expressions of interest

**Universal Credit and Welfare Reform**

*Local Housing Allowance*

21. We recently received findings from work we commissioned to review the impact of the Local Housing Allowance rate on homelessness costs to councils. The LHA rate caps the amount of housing support that is provided through the benefits system to households in the private rented sector. The cap was frozen in 2016, when it was set at the 30<sup>th</sup> percentile of market rents. Government recently confirmed that the Local Housing Allowance (LHA) rate freeze would end as planned at the end of this financial year. However, the rate now sits, on average, at just the 13th percentile of market rents. [The research conducted for the LGA by Policy in Practice](#) shows that the shortfall between income and rents is leading to significant costs for councils and we are calling for rates to be lifted. We estimate that restoring rates to cover at least the lowest third of market rents could protect more than 100,000 people from financial hardship and homelessness.

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### **EU Funding and Successor Arrangements**

22. The UK left the EU on 31 January 2020 and will continue to participate in the entirety of the European Structural and Investment Fund Programme 2014-2020. The key priority now is to ensure that remaining funding spent locally and in full before the UK leaves the programme.
23. Through membership of the Growth Programme Board, the LGA continues to lobby to ensure that local areas maximise available ESIF funding before the UK leaves the programme by the end of December 2020, including the use of the Reserve fund. Concerns continue to be raised that the UK will not receive its full allocation of the European Social Fund.
24. The LGA continues to highlight the impact of a gap between the end of the ESIF programme and the delayed start of the UK Shared Prosperity Fund (UKSPF). We continue to call for the UKSPF to be a localised, place based fund as part of the wider preparedness work for the UK's exit from the EU.

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