

End of Year Board Report and Priorities for 2020/21

Purpose of report

For information and discussion.

Summary

This report provides an overview of the issues and work the **Resources Board** has overseen during last year. It sets out key achievements in relation to the priorities for the board in 2019/2020 and looks forward to next year's priorities.

Recommendations

Members are invited to:

1. **Note** the achievements against the board's priorities in 2019/2020, and
2. **Note** the board's proposed priority areas for 2020/21.

Action

Officers to action as appropriate, in line with members comments and steers.

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End of Year Board Report

Background and Context

1. The LGA's Resources Board shapes and develops the Association's policies and programmes in relation to Local Government Finance; EU Funding and Successor Arrangements; Welfare Reform; and Workforce issues.
2. Members are asked to consider the achievements of the Board over the last year against the priorities that were set at its meeting in September 2019 and to consider possible areas of work for 2020/21.
3. Based on feedback from today's meeting, a more detailed report will be brought to the first Board meeting of the new cycle on 15 September outlining specific work programmes for 2020/21.

Achievements against priorities for 2019/20

Local Government Finance

COVID-19: funding

4. The emergence of the COVID-19 pandemic, in March 2020, has led to a refocussing of priorities to concentrate on the financial pressures arising from the pandemic.
5. There are considerable financial pressures facing councils as a result of Covid-19, both in terms of the direct costs associated with responding to the crisis, as well as continuing to deliver 'business as usual' services with significantly reduced income flows.
6. We have been successful in achieving a number of positive financial announcements to help councils deal with the impact of Covid-19, including:
 - 6.1 Three un-ringfenced funding announcements, worth £3.7 billion in total, to help meet the immediate impacts of the crisis on council financial positions.
 - 6.2 A scheme to share irrecoverable losses of sales, fees and charges between central and local government.
 - 6.3 A facility to spread the local taxation deficits over three years rather than one, with a commitment for the next Spending Review to contain an announcement on how irrecoverable local tax losses will be shared between central and local government.
 - 6.4 Over £4 billion of upfront grant payments and £2.6 billion of deferred payments of business rates to central government to aid cash flow.
 - 6.5 A three-month extension of the timescales for production of annual financial accounts and statements.

- 6.6 The extension of a number of reporting and data collection deadlines.
7. To aid LGA's work on COVID-19, including supporting councils, officers have been analysing the returns councils have been making to the MHCLG financial information surveys, disseminating information to Principal Advisers about their regions.
- COVID-19: business support*
8. As part of its COVID-19 business support package, on 20 March [the Chancellor announced](#) that the Department for Business, Energy and Industrial Strategy (BEIS) would provide £12.3 billion to local authorities in England to administer the Small Business Grants Fund (SBGF) and the Retail, Hospitality and Leisure Business Grants Fund (RHLGF).
9. In response to the representations by councils and the LGA for businesses out of the scope of current measures to receive further support, [on 2 May BEIS announced](#) an additional discretionary fund of up to £617 million.
10. LGA and council officers have continued to engage extensively on all these schemes with Government officials, promoting the efforts of councils and raising issues relating to the schemes and interpretation of the Government guidance.

Spending Round 2019 and 2020/21 local government finance settlement

11. Officers from the LGA finance team took a leading role in negotiating with Government officials [on the 2019 Spending Round](#), which delivered a roll-over of temporary grants for another year, an additional £1 billion of adult social care funding, £700 million for education services for children and young people with special educational needs and disabilities, as well as further council tax flexibilities.
12. This was followed by a technical consultation on the 2020/21 local government finance settlement, to which [we responded on 31 October 2019](#), and the [provisional 2020/21 local government finance settlement](#), to which we [responded on 16 January 2020](#).
13. The LGA provided on-the-day briefings on both [the 2019 Spending Round](#) and the [2020/21 local government finance settlement](#).
14. As the response to COVID-19 develops, the LGA is pushing for funding for local government and certainty from Government regarding the 2020 Spending Review and the 2021/22 local government finance settlement, including the future of new homes bonus and the business rates retention reset. This work will carry into the next board cycle.

Business rates retention and the Fair Funding Review

15. In the first part of the board year, the LGA continued work with MHCLG officials on reforms in preparation for introducing 75 per cent business rates retention and its review of relative needs and resources ('Fair Funding Review') in April 2021.
16. On business rates retention in particular, extensive work was done regarding an alternative model of administering business rates retention to help reduce the financial volatility caused by business rates appeals, with the LGA [commissioning modelling to help illustrate how such an approach could work](#).
17. However, these work programmes were deprioritised from March 2020 onwards in light of the COVID-19 pandemic. On 28 April, [the Government announced](#) that these reforms would no longer go ahead from April 2021.

Other Business Rates Issues

18. Following HM Treasury [launching the terms of reference for a fundamental review of business rates](#) in March 2020, we engaged with Government officials carrying out the review. The initial call for evidence has not yet been published but we have been clear that the review must be broad in scope and consider alternatives. This followed the 31 October 2019 publication of the [results of the Treasury Select Committee inquiry into the impact of business rates on business](#), to which the Board Chair provided oral evidence in May 2019.
19. To aid the emerging debate, LGA commissioned a report on how an e-commerce levy could be implemented and managed. [This was published](#) on 7 January 2020 at our annual finance conference. In follow-up, Lead Members of Resources, City Regions and People and Places Boards held a joint seminar to develop the LGA's approach to fiscal devolution policy. This will continue over the next board year.
20. We also carried out a refreshed survey of the financial issues caused by business rates avoidance, which concluded that councils are losing £250 million each year due to this. [The survey findings have been published](#).

Capital Financing

21. In October 2019, the Public Works Loans Board unexpectedly increased its lending rate to councils by one percentage point. We issued an [immediate reaction](#) and have continued to press Government to change course on this decision, including letters to Ministers. In response to this the Government announced discounted loans for priority areas to be made available in the Spring budget.
22. HM Treasury also issued a [consultation](#) on future PWLB future lending terms. We [responded](#) to this consultation in May 2020. The main concern with the consultation proposals is that in seeking to prevent councils from borrowing to fund investment assets they will make it too difficult for councils borrow to fund investment in key capital priorities such as infrastructure and housing. As well as renewing calls for cheaper borrowing we also called for new short term borrowing facilities to aid the COVID-19 response.

23. We also provided written evidence to the Public Accounts Committee [inquiry into local authority commercial investment](#) in May 2020. This was followed by the Board Chair providing [oral evidence](#).

Audit

24. The board year started with us working hard to raise concerns with Ministers over delays for 2018/19 audits in September 2019. The Board Chair wrote to the Local Government Minister and to Public Sector Audit and Appointments (PSAA) on the issue.
25. We also responded to a number of consultations, such as the annual [consultation on audit fees](#) by PSAA in February 2020 and the NAO [consultation on local Code of Audit Practice](#) 2020 in December 2019. We broadly supported the NAO's suggested revisions in our [response](#).
26. The [Redmond Review](#) of local authority financial reporting and external audit issued a call for evidence in 2019, to which we [responded](#) in December, arguing against the re-establishment of a separate agency to look after audit matters. The review was paused due to the priority given to COVID-19, but is starting to progress again.

Counter Fraud

27. The Board of [Fighting Fraud and Corruption Locally](#) published the [Fighting Fraud and Corruption Locally Strategy](#) for the 2020s in late March. This included a foreword from Resources Board Chair and was endorsed by Resources Board Lead Members. A launch conference was postponed due to the pandemic and is now planned to take place in October.

Local Government Finance Priorities For 2020/21

28. Working with other Boards, the Resources Board will contribute to a high-profile campaign and reports in advance of the 2020 Spending Review, Autumn Budget and 2021/22 Local Government Finance Settlement that make the case for adequate resources for local government and the additional freedoms and flexibilities needed. This will include lobbying for the Government to fully cover the costs and irrecoverable income losses, as well as deal with the cash flow issues, arising from the COVID-19 pandemic that stretch beyond the current financial year.
29. To influence thinking, formulate policy and respond on behalf of local government so that councils are supported by an appropriate financial framework that is appropriate, not over restrictive and balanced with local freedom and accountability. This will include responding to consultations, reviews and reports that impact on local government, including but not limited to, business rates, council tax, other income, capital finance, accounting practices, audit policy, treasury management, and other related issues.
30. The Government has delayed further business rates retention and the Fair Funding Review and the LGA will seek to establish when and if these reforms will be introduced.

This work was previously led by the Business Rates Retention and Fair Funding Review Task and Finish Group, Leadership Board and the Executive Advisory Board.

Workforce

COVID-19 related activity

31. Since mid-February, nearly all routine workforce team activity has been suspended and we have been working on COVID-19 advice and guidance. At the outset we helped develop the LGA response to the Coronavirus Act emergency powers legislation and have revamped our [online offer](#).

Industrial and employment issues

32. We have worked with Trade Union colleagues to issue:

- 32.1 Nine joint circulars for Local Government staff covering self-isolation and working from home; critical worker status; and social distancing
- 32.2 Several guidance notes on schools covering school closures and notice periods for teachers and school leaders
- 32.3 An agreement on extra responsibilities in the Fire Service during COVID

33. Meanwhile, pay negotiations activity has continued and has reached the stage of consultation on a final offer in Local Government Services.

Guidance

34. We developed text for a series of Frequently Asked Questions on COVID employment issues which are updated as necessary covering for example, managing staff when services are closed and redeployment. We prepared LGA guidance on the critical worker procedures produced by Government in response to the closure of schools and on the coronavirus job retention scheme.

COVID Workforce Survey

35. Working with research colleagues the [LGA COVID-19 workforce survey summary report](#) is now in its third edition, monitoring key factors such as the number of staff absent with COVID-19 and the number on furlough. The survey continues to develop as

we enter further phases of the COVID response. Councils are able to access their own and comparative data in [LG Inform](#).

Ensuring service provision through emergency recruitment

36. In partnership with DfE, Social Work England and DHSC, we launched a 'Social Work Together' campaign to encourage people back into the profession to deal with COVID-related pressures. By June over 1000 applicants and 88 councils had signed up, with North Yorkshire CC being one of the first councils to offer positions to five social workers.
37. We worked with Social Work England to adapt our current Return to Social Work Programme in order to provide help with the pressures that councils are experiencing with the pandemic. Through urgent dialogue with pension scheme administrators, we ensured that retired social workers who return to work will not suffer any pension abatement.

Staff wellbeing

38. We have worked with partners to produce advice, guidance and support on the wellbeing of different categories of staff including blogs, case studies from councils and examples of organisations providing direct support to employees on health and wellbeing.
39. We have produced a short film about supporting staff who may be furloughed, exploring what kind of support may be appropriate for long-term wellbeing issues such as burn-out or trauma in certain professions, and looking at ways we can help staff to have healthy home workstation arrangements and practices.

Other activity

National conference on equality, diversity and inclusion

On 1 Oct 2019 we held a national conference on equality, diversity and inclusion in the local government workforce. We were oversubscribed with 105 delegates listening to speakers from across the public sector and councils sharing what they are doing to be more inclusive employers. We also had updates from relevant Government departments on equalities-related consultations, legislation and policy. The feedback from the event was extremely positive. Cllr Sharon Taylor was our chair for the day and has supported us in developing additional information for local government and raising the profile of workforce equality, diversity and inclusion issues with councils to help them consider it in transformation and workforce plans (including the publication of case studies, articles in First magazine, twitter campaigns to join in equalities issues like mental health awareness week, gender pay gap reporting etc).

Disability Confident

40. We have worked with DWP and councils to raise awareness of the Disability Confident Scheme and can report that 91 per cent of councils have signed up. We continue to work

with councils who want to achieve Disability Confident Leader status so that they can influence recruitment practices in their local areas.

Employee Relations Casework

41. Ongoing support to councils in the context of complex employee relations casework specifically in relation to senior managers. Support to councils on all aspects of pay and grading ranging from small job evaluation projects to complete reviews of reward strategies and covering all elements of pay and conditions of service, e.g. Harrogate.

Combined Authorities' HR Network

42. We continue to convene quarterly meetings of this network and encourage cooperation and dialogue between HR leads in these areas. We have provided information to them on job evaluation, apprenticeships, terms and conditions and run monthly briefings during the COVID crisis.

Workforce Transformation through Organisational Development

43. By working with key professionals responsible for transformation of services we aim to provide tools, techniques, leading practice workshops and action learning sets in the field of organisational development. The support offer is being delivered in partnership with North West Employers Organisation for Local Government and Roffey Park and will culminate in a national conference in 2021.

Employee Engagement Diagnostic

44. Working with partners, the LGA has developed an employee engagement diagnostic survey tool which identifies through key driver analysis what drives performance at work. In 2019/2020 the LGA provided support to a number of councils including Norfolk CC, LB Ealing, Tendering, Solihull and Cardiff who were supported to help improve employee engagement.

Employment Law Advice

45. We continue to issue monthly advice updates to over 5000 individuals on employment law cases and legislative developments and brief on the impact for local authorities and subscribers. In addition, we have provided advice in response to individual queries the volume of which increased tenfold in the first months of the COVID crisis.

Workforce planning

46. The LGA is providing councils with a new resource to aid strategic workforce planning. This provides a series of practice examples, templates, modelling tools and activities. We supported up to 40 councils from March to June 2020 to undertake gap analysis on their approach and developed a Workforce Planning maturity model which is a helpful start in identifying a council's workforce planning needs. We have also launched an online community of practice.

Workforce priorities for the coming year

47. Priorities for Workforce come under the MHCLG memorandum of understanding (MoU), which helps inform the work and priorities of the Resources Board.
48. The MoU for 2020/21 was adjusted to take account of COVID-19 and includes workforce support and guidance in response to the pandemic.
49. The MoU now assumes that programmes to deliver this overall outcome will focus on the recovery and rebuilding phase with a revised agreement from September 2020. The work programme will be organised around the five priorities set out in our Workforce Focus document updated for the recovery phase:
- 49.1 organisational development and changed ways of working including more routine home-based work and socially-distanced teams;
 - 49.2 skills development and the new skills priorities for post-COVID service delivery;
 - 49.3 leadership in post-COVID organisations;
 - 49.4 recruitment in urgent shortage occupations
 - 49.5 pay and reward.
50. Specific deliverables will include:
- 50.1 Help councils to address inequalities, especially around gender, ethnicity and disability
 - 50.2 Support councils to transform their workforces and modernise the way they are managed through a range of HR/OD initiatives and in line with sector priorities.
 - 50.3 Identify the services with the most urgent recruitment problems post-COVID and explore the resources needed so that advice and support can be targeted most effectively

- 50.4 An apprenticeship programme (of encouragement and practical support) designed to help councils increase the number of apprentices and maximise their levy investment.

 51. The LGA has an on-going remit to provide the secretariat functions for national pay negotiations. Deliverables will include: maintaining the national negotiating machinery on pay and workforce issues, facilitating the negotiation of a pay agreement that addresses the challenge of incorporating the potential growth in the National Living Wage whilst maintaining proper pay differentials, delivering affordable pay deals in the post-COVID financial environment whilst acknowledging the new value placed on public service. To deliver pay agreements for other occupational groups in the context described above.

 52. The Workforce team will continue to develop and provide advice on employment law issues and to respond on behalf of the sector to legislative and regulatory consultations.

 53. The team has a special responsibility for resolution of complex senior employee relations cases which continues to grow.

 54. The team also has an income-generating responsibility which will continue to focus on:
 - 54.1 Providing bespoke consultancy for example relating to recruiting, organising and rewarding senior management teams.

 - 54.2 Job evaluation.

 - 54.3 Enhancing and growing the information and support subscription service provided to associated employers such as academy trusts through the "Employer Link" programme.
- ### **Welfare Reform**
- Reshaping financial support*
55. We established the programme with six councils in Autumn 2019. Each council has had funding to pilot / develop a relevant local project. Projects include best practice in debt recovery, partnerships with the credit unions, and effective use of data to design integrated and preventative services.

 56. We commissioned the Financial Inclusion Centre to deliver bespoke consultancy support to the participating councils, and to work alongside the LGA to deliver a programme of action learning. The programme was timetabled to conclude in March 2021.

 57. As the programme developed the six councils were joined by a number of further non-funded councils who were keen to contribute to the action learning element of the programme.

 58. We delivered a successful conference to seventy delegates on 4th March 2020.

59. When the coronavirus crisis escalated in late March work on financial hardship and economic vulnerability rose rapidly up the agenda. We were able to quickly review and expand the programme to share emerging learning and policy development with a growing group of councils.
60. Councils in the programme have contributed directly to Government policy and funding decisions on food poverty and hardship funding, including the recent £63m fund for 'food and other essentials' that is being disbursed to councils from the Department for the Environment, Food and Rural Affairs (Defra) and have provided a regular sounding board for Government departments, key stakeholders and partners.
61. We have produced a range of guidance for the sector, drawing on the approach of councils in the programme. Publications include a [summary of coronavirus crisis support](#) and a [good practice guide on financial hardship schemes](#).
62. We have developed a 'demand dashboard' to enable councils to identify need, engage with partners and target support most effectively. We are currently piloting the dashboard with 24 councils, with a view to developing something that can be expanded across the sector and used to support local benchmarking. We are partnering with EY and Xantura on their work with councils to identify households at risk of debt and financial exclusion. This will also include work on data-sharing with partners including the VCS and DWP.
63. We have worked with partners including Citizens Advice and Money Advice Trust to develop a shared ask to MHCLG on reviewing council tax regulations to make it easier for councils to support vulnerable residents. We will be working with councils to develop good practice in debt recovery and liability, which will help to inform our response to the [Cabinet Office call for evidence on fairness in debt management](#).
64. We worked closely with MHCLG and councils on the implementation of the £500m 'hardship fund' to provide reductions in council tax liability. We have highlighted that the current funding is likely to be insufficient to enable councils to provide the support that low-income households need (MHCLG are collecting data as part of their monthly returns).

Welfare delivery and reform

65. We continue to work closely with the Department for Work and Pensions (DWP) and councils on the implementation of Universal Credit and wider welfare reform.
66. We published a [report in February 2020](#) highlighting the cost impacts on councils' homelessness services from the continued freeze of the Local Housing Allowance (LHA) rate. We have also worked consistently and effectively with a range of partners including

Crisis, Shelter and London Councils to highlight the need to ensure affordability in the private rented sector.

67. The LHA rate was lifted in March 2020 as part of the Government's coronavirus measures. Government has not ruled out the possibility of lowering the rate again in the forthcoming Spending Review. Our research provides a solid evidence-base for continuing to press Government on the need for the LHA rate to remain at least the 30th percentile of market rents.
68. Work on wider welfare reform has been suspended during the pandemic. However, we have worked closely with DWP on temporary changes to benefits administration, as well as key issues including the sufficiency of Discretionary Housing Payment and local support for new Universal Credit claimants.
69. We are commissioning research to review the impact on households when financial support (e.g. the furlough scheme; mortgage holidays) and temporary measures (e.g. the removal of the minimum income floor) are stepped down, and liabilities (e.g. rent; council tax) are restored. This will inform future lobbying on funding for councils and the design of the benefits system.

Welfare and Universal Credit Priorities for 2020-21

70. Reshaping financial support will remain a key priority as councils support households through the social, financial and economic impacts of the pandemic. We will continue to work with councils, Government and partners to promote and share good practice, and to make the case for a properly recognised and adequately resourced local safety net.
71. Identify and share good practice on debt prevention, debt recovery and liabilities – balancing income maximisation with support for vulnerable households; making the case for reviewing council tax regulations; working with debt advice providers and the Money and Pensions Service (MaPs).
72. Continue to highlight the vital role of councils in the wider welfare system, and ensure they are properly funded for local delivery; continue to monitor the impact of the benefits system on council services (e.g. housing and homelessness); make the case for effective integration and data-sharing to provide efficient, effective support to low-income households

EU Funding

73. For 2019/20, the Resources Board monitored and scrutinised the Government's plans for EU funding in a "no deal" EU exit scenario. When "no deal" preparations were stood

down, the focus was initially ensuring that the remaining European Structural and Investment Fund Programme was fully spent before the UK leaves the programme.

74. Since the outbreak of the COVID-19 pandemic, the LGA sought intelligence from local and combined authorities on how current European Structural and Investment Fund activity has been impacted by COVID-19, and sought ideas on what could be done with remaining funds to support those businesses and residents most in need within the ESIF framework. Members of the Resources Board contributed to this intelligence gathering. The LGA submitted a summary of the intelligence and ideas gathered to the Performance and Dispute Resolution National Sub-Committee.
75. This has informed central government assurance that has been published. Using the new flexibilities £51 million of ERDF Reserve Fund monies has been secured to support councils implement social distancing measures for local high streets. The remaining parts of the ERDF Reserve Fund will be to support SMEs, including the Kickstart Tourism Package. The Board will continue to lobby for the use of the European Social Fund to support economic recovery.

EU Funding Priorities for 2020/21

76. The Board's priority for 2020/21 will be to ensure that current EU funding is fully spent until the end of the 2014-20 programme, utilising the new flexibilities to support local economic recovery. There should also be a smooth transition from ESIF to the domestic replacement, the UK Shared Prosperity Fund (UKSPF). The LGA is lobbying for this to be a localised, place-based fund, which affords maximum flexibility to target local needs and tailor support where it has best impact.

Financial Implications

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

Next Steps

78. The Resources Board will discuss and agree the 2020/21 work programme during its first meeting of the new cycle – 15 September 2020.