

Resources Board – report from Cllr Richard Watts (Chair)

Local Government Finance

COVID-19

1. The LGA continues to receive access to data from the monthly returns submitted to MHCLG on the financial challenges arising from COVID-19, which based on the August data amounts to over £11 billion. This includes cost pressures and lost income from all sources, including sales, fees and charges, commercial income and local taxation. This is prior to considering mitigating factors and Government support provided so far.
2. The LGA commissioned the IFS to examine the current financial year impact of COVID-19 on local government. In their [August report](#), the IFS reported councils forecast spending pressures, based on the July returns to MHCLG, of £5.0 billion and non-tax income of pressures of £2.9 billion this year. Considering the support from Government, this implies an in-year 2020/21 funding shortfall of approximately £2 billion in council budgets. Since this work was completed, on 12 October the Prime Minister announced a further £1 billion of funding for local authorities; in addition, further money will be made available for funding the additional costs in areas with “very high” alert levels.

Business Grants

3. The main Business Grants schemes closed to new applications on 28 August and for payments on 30 September. When the closure of the schemes was announced [we estimated that £1.37 billion could be left unspent from all three schemes](#). We called for more time and flexibility to ensure as many businesses can benefit from this funding and for the Government to commit to redistributing any unspent resources from the original schemes, including any clawed back, to councils to be spent on local efforts to help further support businesses and reboot local economies.
4. On 9 September, the Department for Business, Energy and Industrial Strategy announced a new grant scheme for areas where businesses were required to close for at least three weeks due to local lockdown regulations. This scheme was revised on 9 October to become available after two weeks of closure. The amount a business can claim is linked to rateable value. The government is also extending the scheme to include businesses which have been forced to close on a national rather than a local basis. Councils will receive an additional 5 per cent of funding to run a local discretionary fund which could be used to support businesses that do not pay business rates and other severely impacted businesses that are prioritised locally.
5. The scheme has so far come into effect in one area, Bolton, backdated to 9 September. LGA officers and councils are continuing to engage with government officials on the implementation of this scheme.

Comprehensive Spending Review

6. On 24 September, we submitted our Comprehensive Spending Review (CSR) submission to HM Treasury. [The submission was published](#) on 1 October. Overall, there are nearly 150 individual “asks” of the Government, covering all aspects of financing and local government services including a call on the Government to provide an additional £10.1 billion in core

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funding by 2023/24. This includes meeting a £5.3 billion funding gap needed to sustain 2019/20 service levels. This funding gap is based on [independent research](#) commissioned from the Institute for Fiscal studies, which was published in September.

7. We have continued to actively promote local government's case as part of the Comprehensive Spending Review. On 5 October I, along with the Cllr James Jamieson, Chairman of the LGA, hosted an all part Parliamentary session for MPs and members of the House of Lords to explain the LGA's CSR submission. On 9 October we published [a report on research](#) into the short term and fragmented nature of government grant funding and how this results in poor value for money.

Business Rates Review

8. The LGA has submitted a [response](#) to Tranche One of the Call for Evidence as part of the Government's Business Rates Review. The changing nature of business alongside the nature of demand pressures on councils means that we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system.
9. The Business Rates and Local Government Finance Reform Task and Finish Group has been established to help to shape LGA policy on business rates, in response to the Government's Business Rates Review, as well as consider other financial reform.

Audit

10. At the September meeting of the Board, members discussed [the report of the Independent Review of Local Authority Financial Reporting and External Audit in England](#) (the "Redmond Review"). The Board agreed that a response to the review should be drafted, raising concerns that the recommendations will not solve the problems facing the audit market and suggesting an alternative way forward. This will be considered by Executive Advisory Board on 22 October. On 7 October I chaired a webinar at which Sir Tony Redmond outlined his report to around 100 attendees from member councils.
11. Resources Board Lead members also cleared our [response](#) to the National Audit Office (NAO) [consultation](#) on draft guidance to external auditors in undertaking Value For Money work under the new Local Audit Code of Practice. We were generally supportive of the new guidance but raised concerns over the impact on audit fees and of the increased staff time needed to support the audit process.

Workforce

Pay Deals

12. One-year pay deals of 2.75per cent were reached on 24 August in respect the main NJC workforce, Chief Executives and Chief Officers
13. The National Employers and Trade Unions have agreed a 2.75 per cent pay award for Soulbury Officers for 2020.
14. The National Employers and Trade Unions have agreed a 2.75 per cent pay award and the removal of the bottom two pay points for Youth and Community Workers for 2020.

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15. Agreement was reached on 12 October for a pay award of 2.75 per cent for Craft Workers, with effect from 1 April 2020. This completes the pay negotiations in local government services for 2020-1.

Fire

16. A 2 per cent pay award, effective from 1 July, has been agreed within the NJC for Local Authority Fire and Rescue Services, which covers staff ranging from firefighters to middle managers across the UK.
17. Fire and rescue authorities are currently being consulted on a senior managers' pay claim within the NJC for Brigade Managers seeking a 2.75 per cent increase.
18. Work continues under the Tripartite Agreement to put in place any further additional work activities needed to support the COVID response.

Education

19. The Teachers Pay order has been laid before parliament and comes into force on October 14th backdated to 1 September which provides for a 3.1 per cent increase on average school teacher pay bill.

Public Sector Exit Payments Cap and Further Reforms

20. LGA officers have been advising local authorities on the impending implementation of the £95,000 cap on public sector exit payments.
21. Subject to some limited exceptions and waiver procedures, the cap will apply to all exit payments, including employer payments to the Local Government Pension Scheme (LGPS) to fund enhanced benefits for those aged 55 or over at the time of their exit (commonly referred to as 'pension strain' payments). This raises a number of issues as the cap is anticipated to be in place before the necessary changes can be made to the LGPS rules to align with the £95,000 cap. LGA officers have been working with MHCLG and HM Treasury officials to ensure the necessary changes are made to the LGPS rules as soon as possible.

In addition to the cap, MHCLG are consulting on further reforms to exit payments in the local government sector, including a proposal that the amount available for any pension strain cost that is applicable will be reduced by the statutory redundancy payment, even if the strain costs and statutory redundancy payment together are below the £95,000 cap. The reforms would then also impact lower paid workers, not just the higher paid. The LGA are encouraging local authorities to respond to the consultation.

22. The legislation to implement the £95k cap on exit payments in the public sector has completed the Parliamentary process and was signed into law on Wednesday meaning the regulations, and therefore the cap, come into force on 4 November. As yet neither the Guidance nor the Directions have been published. MHCLG's consultation on changes to the Local Government Pension Scheme rules required to accommodate the £95k cap are ongoing and will not conclude before the cap comes into effect. We continue to raise our concerns about the implementation of this legislation, including the treatment of exits currently in process, with MHCLG and HM Treasury.

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23. The LGA's guidance on the Job Retention Scheme continues to be updated as the scheme is phased out by 31 October. It will be replaced by the Government's Job Support Scheme. So far information on the scheme is focused on businesses whose turnover is lower now than before they experienced difficulties due to COVID-19. It is not yet clear whether it will apply to local authorities and other public bodies.

Support for low income households, the economically vulnerable and those in financial hardship

24. The LGA and councils worked closely with the Department for Health and Social Care (DHSC), at considerable pace, to ensure that everything was in place to enable councils to take applications and make payments under the Test and Trace Support Payments Scheme from Monday 12th October. DHSC extended their gratitude to councils for all of their hard work to get this up and running within a very tight timescale.
25. The LGA is continuing to deliver a wide range of work on financial hardship and economic vulnerability. On 16th September we hosted a successful webinar on 'councils driving access to affordable finance'. Government and partners including the Money and Pensions Service and the Inclusive Economy Partnership are increasingly interested in a place-based approach to financial services and support for those on lower incomes, and are drawing on the work on councils in the LGA's 'reshaping financial support' (RFS) programme to develop this further in the context of the coronavirus pandemic.
26. The LGA continues to work closely with the Cabinet Office Fairness Group, partners and councils including those on the Local Authority Civil Enforcement Forum (LACEF) to develop and improve local government debt recovery. Councils from the RFS programme are now contributing to the Fairness Group and a vulnerability data-sharing sub-group. The LGA made a submission to the Cabinet Office call for evidence on fairness in government debt management on 21st September. Our evidence highlighted the importance of situating debt recovery within a wider, integrated approach to affordability and financial inclusion, and provided evidence of innovative local approaches to identifying vulnerable customers, partnering with the advice sector and providing targeted support.

EU Funding

27. Through the Growth Programme Board and the Performance and Dispute Resolution National Sub Committee, the LGA continued the work in shaping how the COVID time limited flexibilities could be used to support local areas responses to the pandemic and economic recovery. This includes ensuring that the guidance for the Safer High Streets grants is accurate. In addition to this, DWP launched a bolt on option so current ESF funding programmes can purchase IT equipment and WiFi to help tackle the digital divide.
28. The LGA continues to raise concerns about DWP not fully utilising the ESF programme before we leave the ESIF programme. While there have been improvements in the number of projects stuck in the appraisal process, we are still waiting to see the impact of the increased staffing capacity will have on appraisal times, to ensure as much as possible is spent before we leave the programme in 2023.



Councillors' Forum

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