

Local Government Finance Update

Purpose

For information.

Summary

This update covers the main local government finance priorities for the LGA with the exception of those covered elsewhere on your agenda.

Recommendation

The Board are asked to note the update.

Action

Officers to provide updates on any follow-up announcements and policy developments.

Contact officer:

Nicola Morton

Mike Heiser

Position:

Head of Finance

Senior Adviser (Finance)

Phone no:

020 7664 3197

020 7664 3265

E-mail:

nicola.morton@local.gov.uk

mike.heiser@local.gov.uk

Local Government Finance update

1. This update covers the main local government finance priorities for the LGA and some recent local government finance related activity. It does not cover in detail the Autumn Statement submission, the Independent Commission on Local Government Finance, the Municipal Bonds Agency or the sector-led finance improvement offer, which are elsewhere on this agenda.

Local government finance priorities at the LGA

2. This Board takes over the remit of the former LGA Finance Panel which oversaw the local government finance work of the LGA. The LGA's business plan for 2014/15 identifies 7 areas for the Local Government Finance Work Programme under the overarching aim of *'reform of the finance system so councils have confidence their financing is sustainable and fair, opportunities to raise more funds locally and greater ability to promote collective working across local public services'*:
 - 2.1. There is a transparent system of local government finance at national and local level.
 - 2.2. Future spending reviews deliver fair, timely and flexible local government finance settlements.
 - 2.3. People have a meaningful vote on a wide range of tax and spending decisions including council tax, business rates, fees and charges and access to new local taxes.
 - 2.4. Local services and decisions are together in one place, for each place, for issues ranging from economic development, to health, to law and order.
 - 2.5. Councils are effective in dealing with the impact of reduced funding, taking steps to ensure that they will continue to be financially sustainable.
 - 2.6. Councils have access to alternative sources of finance to encourage investment and create jobs through freedom on the restrictions of borrowing and the Municipal Bonds Agency.
 - 2.7. There are robust and proportionate audit arrangements for councils.
3. A range of projects and pieces of work, sit underneath of each of these areas.
4. As the Government's deficit reduction strategy continues to impact local government, the LGA estimates that external funding for councils will decrease by 40 per cent over the course of this parliament. The LGA produces a number of tools to aid financial planning in local authorities which includes our future funding outlook series. This shows the funding gap growing at an average of £2.1 billion a year, reaching £12.4 billion by the end of the decade. Earlier this year, the LGA published Under Pressure reporting that sixty

per cent of authorities would not be able to cover their budget gap with future efficiencies alone in 2015/16, with a further 21 per cent identifying this as a possibility.

5. In addition to lobbying on funding on behalf of local government, other work has concentrated on:
 - 5.1. business rates retention, highlighting the risks as well as the opportunities of the new system;
 - 5.2. council tax support, looking at how councils have been managing following the end of council tax benefit and making the case for a fully funded scheme;
 - 5.3. working on the details of the Care Act and Better Care Fund; and
 - 5.4. making the case for multi-year settlements.
6. Some examples of recent finance work follow.

Response to Local Government Finance technical consultation

7. The LGA submitted its response to the technical consultation on the Revenue Support Grant settlement on 15 September. This was cleared by Lead Members of the Resources Board and by Group Leaders. The technical consultation was largely about the Government paying some small grants (the largest of these is the council tax freeze grant) through the settlement - thus enabling it to be paid from the central share of business rates.
8. The LGA's response makes the case for resources to be returned to local government through the settlement from lower top-slices for New Homes Bonus and the safety net. It also asks the Government to re-examine the effect of protecting some grant streams rather than others; in particular to identify and protect the amount for council tax reduction schemes. It also asks the Government to revise the Revenue Spending Power figures for 2015-16.
9. The Local Government Settlement is expected to be announced in December, sometime after the Autumn Statement. The LGA will produce an on the day briefing on the settlement and will respond to the consultation. Resources Board will be asked to clear this response.

Care Act new burdens response

10. The LGA responded to the consultation on new burdens funding for the Care Act. Individual authorities will have views on which combination of formulae is best for their particular circumstances, but the Government should have regard to the impact on overall council planning as the proposed allocations are very different from those included in the illustrative 2015-16 local government finance settlement. The Government should also consider whether the allocation mechanism makes the best possible effort to address the potential of different take-up of services by self-funders in

different localities and to consider the robustness and completeness of deferred payments data. The response also calls on the Government to revisit the 2015/16 funding enveloped for implementing the Care Act reforms if the latest joint research between the Government and the LGA / Association of Directors of Adult Social Services (ADASS) provides further evidence of inadequate funding. The LGA will continue to work on the funding of social care.

Single Fraud Investigation Service

11. The Department of Work and Pensions (DWP) has now commenced the implementation of the Single Fraud Investigation Service (SFIS), in phases, from July 2014 to March 2016. This will transfer responsibility for housing benefit fraud investigation to DWP. The LGA has been working closely with officials from the DWP and with representatives from the sector to ensure that the implications on councils from this transfer are fully recognised.

Work on council tax support and business rates

12. The LGA continues to make the case on improvements to business rates and council tax support and is planning to issue two surveys:

12.1. business rates retention, particularly focussing on the risk from appeals and on business rates avoidance; and

12.2. council tax support schemes, looking at how councils are coping with the withdrawal of central support and at their experience in collection and enforcement.

13. These will feed into updates of the reports published in January 2014. These update reports are planned to be published in January 2015.

LGA Finance Conference

14. The annual LGA Finance Conference will take place on 6 January 2015. With another late settlement on the cards this event has been positioned at the start of January during the consultation on the 2015/16 Local Government Finance Settlement. The plenary sessions which will discuss the big ideas for local government and its finance system, including an update from the Independent Local Government Finance Commission. There will be opportunities to attend workshops on council savings and income generation, joining up finance in a place, and the LGA's financial support and improvement offer.

15. Members of the Board are invited to attend the Conference.

Financial Implications

16. This is core work for the LGA and is budgeted for within the 2014-15 LGA budget.