

## **Local Government Finance Policy**

### **Purpose**

For discussion and direction.

### **Summary**

This papers updates Leadership Board on the local government finance priority and seeks a steer on the future development of this work.

### **Recommendation**

That the LGA Leadership Board provides a steer on the finance work being undertaken by Resources Portfolio.

### **Action**

That officers proceed as directed by Members.

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## **Local Government Finance Policy**

### **Background**

1. At its meeting on 9 October 2015, the Resources Portfolio agreed the local government finance work programme for 2015/16 which includes three key strands of finance policy work that meet the cross cutting principles: the LGA's work on key set pieces including the Spending Review; the move to 100 per cent business rates retention; and strategic finance for infrastructure and growth. This paper (and Item 2 on the agenda) provides members of Leadership Board with an update on these three work programmes and seeks a steer on the future development of this work.

### **Spending Review**

2. In advance of the Spending Review and Autumn Statement 2015, the LGA published four submissions to Government. Our lobbying and media work, in preparation for the Government announcement, began earlier in the year (<http://www.local.gov.uk/futurefunding>). An on-the-day briefing was produced in response to the Chancellor's Spending Review and Autumn Statement on 25 November, and further briefings have been undertaken for different groups, including a technical briefing for the press on 27 November. Officers continue to analyse and prepare detailed responses to the announcements made in the Spending Review. For further information, please see the Spending Review report (Item 2 on the agenda).

### **Business Rates**

3. On 5 October, the Chancellor announced local government will be able to keep 100 per cent of business rates by the end of the Parliament. This was confirmed in the spending review. The main points in the statements were:
  - 3.1. Local government will keep all of the business rates they collect.
  - 3.2. Revenue Support Grant will be phased out.
  - 3.3. The transfer will be fiscally neutral and local government will be required to take on new responsibilities. In the Spending Review the Government did not go into any detail on the transfers but did state they will consider transferring responsibility for funding the administration of Housing Benefit for pensioners, Transport for London's capital projects and will also consult on options to transfer responsibility for funding public health. The Government will consult on these and other additional responsibilities in 2016.
  - 3.4. All growth in revenue will be kept by councils.
  - 3.5. Councils will be able to reduce the business rate multiplier.
  - 3.6. Areas with directly elected mayors will be able to add a premium, with the consent of the business members of the Local Enterprise Partnership, to pay for new infrastructure.
  - 3.7. Equalisation for need (known as top-ups and tariffs) will be part of the system and that they will consider 'the responsiveness of the system to future changes in relative needs and resources whilst maintaining a strong incentive for authorities to grow their local economies'.
  - 3.8. The Government will also consider how 'risk and business rates volatility can be better managed and how to protect authorities against significant falls in income'.

4. At its meeting on 9 October, members of Resources Portfolio agreed that work on the move to 100 per cent business rates retention is a key priority for the LGA which will extend beyond 2015/16. The LGA began working on the move by the Government to make the change fiscally neutral with conversations taking place with all Boards, Resources Portfolio holders and the LGA's Chief Executives' Sounding Board.
5. There are a large number of issues to work through to implement 100 per cent retention and the LGA is pushing for the Government to actively engage with the LGA and local government on these. Further updates on the move to 100 per cent business rates retention, and the LGA's work on this, will be brought to Leadership Board at future meetings.
6. Separately, the LGA is also undertaking work on reforms to the business rate appeal system given the financial impact and uncertainty this places on councils. This will be increased under 100 per cent retention and the LGA will continue to actively work on this. The Treasury led Business Rates Review will report in the Budget 2016, and reforms to appeals will follow from a clause in the Enterprise Bill. A consultation was published on these potential reforms on 30 October and closes on 4 January 2016. The LGA will be responding to this consultation.

### **Strategic finance for growth and infrastructure**

7. The majority of this (other than European funding) is a new area of work for the Resources Portfolio and the work is still being scoped out with members on this element of the work programme. Four themes will be covered: capital finance; housing finance; European funding; and capital finance for devolution.
8. The four themes are interlinked (with strong links to other Boards) within an overall thread of establishing the best ways for councils to source and access finance to support infrastructure at lowest cost, both within current regulations and also identifying opportunities to lobby Government for improvements.
9. A detailed work programme is being drawn up and the intention is to launch the result of this work at the LGA's annual conference in 2016.

### **Next steps**

10. Members are asked to:
  - 10.1. Note the work being done to date on these work programmes; and
  - 10.2. Offer further suggestions for delivery of the priorities.

### **Financial Implications**

11. This is core work for the LGA and is budgeted for within the 2015-16 LGA budget.