

Finance Panel – report from Cllr Sharon Taylor OBE (Chair)

1. This is the first Chair's report of 2014, so there is a lot to update you on. Since the last report, the LGA has held conferences on Local Government Finance and on Welfare Reform, the Chancellor delivered his Autumn Statement, and just before Christmas, we received the Local Government Finance Settlement, with the final settlement figures for 2014 to 2015 being confirmed on 4 February.

The Autumn Statement

2. The LGA produced an on the day response to the Autumn Statement. Some of the Government's decisions reflected our lobbying, including the decision outside London not to topslice New Homes Bonus for the Local Growth Fund. The commitment to give local government the same long term indicative settlements as Departments in the next Spending Review is also welcome, and an encouraging response to one element of our *Rewiring* campaign.

Local Government Finance Settlement

3. The provisional Local Government Finance Settlement for 2014/15 was announced on December 18, accompanied by illustrative figures for 2015/16. There were few surprises, which from a 'glass half-full' perspective means that most authorities will have been able to plan with some assurance, but of course also confirmed that local government will continue to be cut harder and faster than virtually any other part of the public sector. There was some good news when Government reduced topslices by £150 million in 2014/15 and by £100 million in 2015/16, which means a bit more money up-front to authorities through the Revenue Support Grant (RSG) allocation.

Rewiring Local Government Finance

4. The LGA Executive received an update on the *Rewiring Finance* proposals at its January meeting. We are currently setting up an independent Local Government Finance Commission to explore how the finance system should change so that we can tackle the major challenges facing our communities. I expect to report details of the Commission and the way it will work in the next report.

Conference: Rewiring Local Government Finance

5. On 8 January 2014, the LGA held its annual Finance Conference, this year titled *Rewiring Local Government Finance*. It saw keynote addresses from Sir Merrick Cockell, Brandon Lewis MP and Andy Sawford MP, which addressed the challenges local government is facing, opportunities and visions of how the sector could be funded in the future.

'The story so far' publications

6. We launched two papers at the *Rewiring Local Government Finance* conference, covering the experience of councils' implementation of localisation of council tax support and business rate retention reforms. Both publications can be downloaded from <http://www.local.gov.uk/finance>.
7. *The story so far: council tax support* reported on various pieces of research conducted by the LGA and by treasurer societies across England. The key findings were that the

government will have effectively cut funding for council tax support schemes by £1 billion by 2015/16 and that about a third of billing authorities were considering a reduction in support in 2014/15.

8. *The story so far: business rate retention* was based on the results of our council survey. It found that no councils had the same experience of the reform, but there were emergent common problems. The primary challenge was confirmed to be the extent of outstanding business rate appeals, which made financial planning difficult, with little scope to manage these risks within the new system. Overall, councils felt that the risks outweighed the rewards for retained growth of business rate revenue.

Welfare Reform Conference

9. I was pleased to take part in the LGA conference on 'Welfare reform: local impact and implementation', held on 12 December. With an address from Lord Freud (Minister for Welfare Reform), the conference provided a timely opportunity to take stock of the local implementation and impact of the welfare reforms to date and provided an opportunity to discuss and debate the role of local partners going forward, in particular in the design and delivery of Universal Credit.

Universal Credit

10. The Universal Credit (UC) programme moves onwards with further expansion on the horizon. A Ministerial Statement from Iain Duncan Smith MP in early December confirmed that by summer 2014, the pathfinder service will progressively start to take on UC claims from couples and in the autumn from families. Once this has been safely tested in the ten live UC Pathfinder sites, there will be an expanded roll out to cover more of the Northwest of England. We will be working with the DWP and councils in the Northwest over the coming months to determine the next steps.
11. Back in December 2013 we welcomed the updated Local Support Services Trialling document which outlined the key learning from the Face to Face Pilots and Pathfinder. It also highlighted next steps for the Local Services Support Framework. Over the next few months, DWP will be aiming to speak to councils about the trialling process and how councils can apply to get involved. The LGA will be fully involved in this process so get in touch with Sonika.Sidhu@local.gov.uk for further information.

Removal of the Spare Room subsidy: legal loophole

12. On the 29 January I wrote to Lord Freud setting out the LGA's position in relation to the legal loophole in the removal of the spare room subsidy, which exempts working age tenants in social housing who have occupied the same home continuously since 1996.
13. DWP is working to re-draft the legislation in time for the end of the financial year. However councils and local housing partners are on the sharp end of dealing with the consequences of this error, and we do not feel that this has been sufficiently recognised or dealt with by Government. We are seeking a commitment from Ministers to ensure that all councils are legally enabled and entitled to recover money that has been needlessly spent on Discretionary Housing Payment if they think that is appropriate, and that all additional administrative costs to local authorities are met quickly, consistently and fairly in line with the new burdens doctrine.

Local Welfare Schemes

14. We are concerned that the ending of the specific grant for local welfare support from 2015-16 will add to pressures on councils and that the decision was contrary to Government promises to review the grant before coming to future decisions. Furthermore on the 27 January, Stephen Webb MP, Minister of State for Work and Pensions wrote to council Chief Executives setting out excessively bureaucratic micro-management of the funding during 2014/15.

15. I have signalled the LGA's willingness to work with Government and local authorities to demonstrate how the majority of councils are using the fund efficiently and effectively to promote resilience and provide support to those in need, and to draw out learning to share across the sector. We believe that this would provide both a more efficient and effective mechanism for identifying and sharing good practice and a sensible basis for the identification of future need.

Municipal Bonds Agency

16. We are making good progress with the project to establish a Municipal Bonds Agency to raise money on the capital markets and then lend to participating authorities. A lead adviser to undertake the work to revalidate the outline business case has been appointed, along with other support advisers, and we aim to be in a position to publish the revised outline business case in March.

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