

## **PAY AWARD**

- 1.0 A 1% pay award has been assumed in both the 2018/19 and 2019/20 budgets. This is clearly a significant area of uncertainty given the pressure to remove the 1% cap and the Unions 5% pay demand. Every 1% of additional award will cost the Council £1.6m for non-HRA services
- 2.0 Additionally, the 2016-18 pay deal included a commitment for the NJC to review the 'Green Book' pay spine, in order to meet the challenge of achieving the Government's target of a National Living Wage (NLW) equal to 60% of median earnings (forecast to be around £8.75 per hour in 2020). As a result of this, a technical working group was formed consisting of LGA officers and unions to devise a potential new national pay spine that:
  - is legally compliant with the National Living Wage;
  - has equal incremental increases between each spinal column pay point;
  - does not cause equal pay problems for employers;
  - requires minimum effort to implement and assimilate staff onto a new spine;
  - can be the basis for an agreement with the Trade Unions.
- 3.0 The technical review group subsequently carried out a modelling exercise which looked at the financial impact of devising a new pay scale under various options. The exercise estimated this could cost on average, an Inner London borough somewhere between 2.4% and 4.76% of its pay bill over the two years depending on the option. In our pay award modelling, we assume an annual pay bill of £160m and so we could be looking at a cumulative cost over the two years, of between £3.9m and £7.6m if a new pay scale is devised and implemented.

## **LONDON 100% BUSINESS RATES PILOT SCHEME**

- 1.0 London Councils and the GLA have made various devolution proposals to Government in the last 12 months covering many areas, including business rates. Since September 2016, officers from London Councils, the GLA and the Society of London Treasurers (SLT) have framed a proposal which involves piloting of 100% business rates retention (BRR) via a voluntary pool for London as a whole from 2018-19. CLG see pooling as a precondition for a London pilot. A pool is where a group of authorities come together under the business rate retention scheme to aggregate their business rates resources and be treated as a single entity under the scheme for the purposes of calculating tariffs, top-ups, levies and safety net. There are currently 29 pools covering 207 authorities in England. On 1 September 2017, CLG published a prospectus which was an invitation to all local authorities to adopt 100% Business Rates Retention and Pooling pilot in 2018/19.
- 2.0 The net financial benefit of pooling in London consists of retaining 100% of growth (rather than 67% across London under the current scheme), and in not paying a levy on that growth (which tariff authorities and tariff pools currently pay). If there is any aggregate growth in the London pool overall, each pooling member will benefit to some extent.
- 3.0 If the scheme is introduced, it will be framed to ensure that no single borough is worse off compared to what it would have got under the current system and that all boroughs will share in any growth in business rates in London. The growth shares will be allocated out by a formula which will have to be agreed between the boroughs and GLA.

- 4.0 For each borough, its 2018/19 revenue support grant will be replaced by retaining additional rates. In addition Public Health Grant (PHG) and the Improved Better Care Fund (iBCF) would also be replaced by rates, leading to an adjustment of expected baselines and top-ups or tariffs (as appropriate). While the composition of each borough's "core funding" (retained rates plus RSG, Public Health Grant and iBCF) will therefore change, the overall quantum will not. Even with 100% business rates retention though, our retained income will be significantly below what we would have got from RSG, Public Health Grant, iBCF and our top-up (c. £190m) so we will need a significant internal top up payment from the pool to be no worse off.
- 5.0 Participation in a pool in 2018/19 would not bind boroughs or the Mayor indefinitely. As with existing pool arrangements, the founding agreement will include notice provisions for authorities to withdraw in subsequent years.
- 6.0 To facilitate the process of the boroughs and the GLA agreeing a 100% BRR and pooling pilot scheme for submission to Government, London Councils circulated a prospectus to Leaders and the Mayor for consideration, in order that they can be in a position to debate options and indicate in-principle support for a pilot pool submission to CLG at the end of October. A 2018/19 pilot would require agreement with Government at or around the Autumn Budget – likely to be in November 2017. This, in turn, necessitated initial agreement in principle at the meetings of the Leaders' Committee and Congress of Leaders on 10th October 2017 on the basis that each authority had been consulted and had either previously authorised that decision to proceed with participation in the pilot, or that their authority's Leader had been given delegated authority to do so. If all boroughs agree to an in principle agreement of the scheme, this will have to then be negotiated with DCLG. We would then want to take a further local decision after the scheme has been finalised with CLG and will also want to consider the legal framework to be implemented.
- 6.7 At the meeting on 10th October, the Leaders' Committee (and subsequently Congress of Leaders and the Mayor) agreed in principle to go ahead with the pilot pool. Leaders further agreed that the pilot pool will not last for more than two years (i.e. beyond 2019/20) without a positive re-commitment by all participating authorities. As the Government intends to introduce a new national retention scheme – as well as resetting baselines following the Fair Funding review – in two years, this is a natural break point.
- 6.8 There is still much work to do to secure agreement between boroughs – and between boroughs, GLA and the Government – for the deal to be finalised in time for an Autumn Budget announcement, but we have at least cleared the first hurdle. Once we have a final proposal, each authority will need to take its own decisions to support the creation of the pool and the framework for its operation by mid-January. London Councils have commissioned legal support to help provide guidance and, as far as possible, standardised documentation to help boroughs manage that process.