



Government
Association

Resources Board

Agenda

Thursday, 3 June 2021
2.30 pm

Online via Teams

Resources Board

3 June 2021

There will be a meeting of the Resources Board at **2.30 pm on Thursday, 3 June 2021** Online via Teams.

Political Group meetings:

The group meetings will take place in advance of the meeting. Please contact your political group as outlined below for further details.

Apologies:

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

Conservative:	Group Office: 020 7664 3223	email: lgaconservatives@local.gov.uk
Labour:	Group Office: 020 7664 3263	email: labour.grouplga@local.gov.uk
Independent:	Group Office: 020 7664 3224	email: independent.grouplga@local.gov.uk
Liberal Democrat:	Group Office: 020 7664 3235	email: libdem@local.gov.uk

LGA Contact:

Richard Kember
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Carers' Allowance

As part of the LGA Members' Allowances Scheme a Carer's Allowance of £9.00 per hour or £10.55 if receiving London living wage is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

Resources Board – Membership 2020/21

Councillor	Authority
Conservative (7)	
Cllr Tim Oliver (Vice Chairman)	Surrey County Council
Cllr Philip Atkins OBE	Staffordshire County Council
Cllr Daniel Humphreys	Worthing Borough Council
Cllr Peter Jackson	Northumberland Council
Cllr Roger Phillips	Herefordshire Council
Cllr Richard Wenham	Central Bedfordshire Council
Cllr David Leaf	Bexley Council
Substitutes	
Cllr Graham Gibbens	Kent County Council
Cllr Andrew Leadbetter	Devon County Council
Labour (7)	
Cllr Sharon Taylor OBE (Chair)	Stevenage Borough Council
Cllr Bev Craig	Manchester City Council
Cllr Terry Paul	Newham London Borough Council
Cllr Erica Lewis	Lancaster City Council
Cllr Amanda Serjeant	Chesterfield Borough Council
Cllr Peter Marland	Milton Keynes Council
Vacancy	Labour Group
Substitutes	
Cllr Abdul Jabbar MBE	Oldham Metropolitan Borough Council
Cllr Harpreet Uppal	Kirklees Metropolitan Council
Cllr Adam Swersky	Harrow Council
Liberal Democrat (2)	
Cllr Keith House (Deputy Chair)	Eastleigh Borough Council
Cllr Adam Paynter	Cornwall Council
Substitutes	
Cllr Mike Bell	North Somerset Council
Independent (2)	
Cllr Jason Zadrozny (Deputy Chair)	Ashfield District Council
Cllr Phelim Mac Cafferty	Brighton & Hove City Council
Substitutes	
Cllr James Hakewill	North Northamptonshire Council
Cllr Loic Rich	Cornwall Council

Agenda

Resources Board

Thursday 3 June 2021

2.30 pm

Online via Teams

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Date of Next Meeting: Wednesday, 22 September 2021, 2.00 pm, Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

Local Government Finance Update

Purpose of report

For information.

Summary

This report provides a summary of the work by the LGA on funding and finance issues since the previous meeting of the Board on 2 March. This includes work on the Queen's speech, Chancellor's Spring Budget and Spending Review, Public Health Grant and work in response to the COVID-19 pandemic.

Recommendations

That Members of the Resources Board note this update.

Action

Officers will proceed with the delivery of the LGA's work on local government finance matters.

Contact officer: Nicola Morton
Position: Head of Local Government Finance
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Email: nicola.morton@local.gov.uk

Local Government Finance Update

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 2 March 2021 including the Queen's speech, Spending Review, Public Health Grant, and work in response to the COVID-19 pandemic.

Queens Speech

2. On 11 May, the Queen [set out](#) the Government's agenda for the next Parliamentary session.
3. Key legislation includes new Bills for planning, the environment, skills and post-16 education, health and care, and building safety, as well as plans for a levelling up White Paper and Adult Social Care reform. The LGA produced an [On the Day Briefing](#) providing details of the key proposals affecting local government and the LGA's initial response to them.

Chancellor's Spring Budget and the 2021 Spending Review

4. On 3 March, the Chancellor delivered [the Budget](#) which provided a formal update on the state of the economy, responded to the new economic and fiscal forecast from the Office for Budget Responsibility. The LGA produced an [On the Day Briefing](#) summarising the key announcements for councils and initial LGA views.
5. The Chancellor also confirmed that there will be a Spending Review later this year. Details on the 2021 Spending Review, including how many years it will cover and the date it will be published, have not yet been announced.
6. The LGA has begun preparatory work on a Spending Review representation, including engaging with key stakeholders and work to refresh the financial pressures facing the sector.

Public Health Grant

7. [Public health grant allocations for 2021/22](#) were published on 16 March. The grant is £3.24 billion (up £45 million or 1.4% since 2020/21) and each local authority will receive at least a 0.67% increase on their 2020/21 allocation. Some authorities will receive a greater increase in funding due to the bespoke distribution of PrEP (HIV pre-exposure prophylaxis) funding.
8. The LGA [responded](#) to the public health grant announcement and provided a [briefing](#).

Business Rates

9. An [interim report](#) for the Business Rates Review was published on 23 March. This provided a summary of responses to the [call for evidence](#) but did not contain any policy announcements or recommendations that have not already been announced by the Government. The final report is expected in Autumn 2021.
10. Separately, following a [previous consultation](#), the Government announced that it will legislate to change the criteria for determining whether a holiday let is valued for business rates. Further details will be included in the response to the previous consultation which is expected to be published shortly.
11. The Government announced at the 2021 Budget on 3 March that the reliefs for retail, leisure and hospitality and nurseries, which were 100 per cent for 2020/21, would be extended for the first three months of 2021/22 at the same level. From 1 July 2021 they will be granted up to 66 per cent with caps, the higher level being given to businesses required to close on 5 January 2021. Councils will be fully compensated for these reliefs. The Government has [published guidance](#) on this.
12. Finally, the Government announced that it will legislate to rule out COVID-19 and associated measures as a material change of circumstances as far as business rates are concerned. Legislation was introduced into Parliament on 12 May 2021. Once the legislation is through Parliament, the Government will provide a further discretionary relief of £1.5 billion for billing authorities to distribute to business affected by COVID-19 but outside the scope of the existing reliefs. Guidance on this is expected to be published shortly.

Capital Finance

13. Following the discussion at the last meeting of Resources Board, lead members cleared responses to the CIPFA consultations on the [Prudential Code for Capital Finance in Local Authorities](#) and the [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#).

COVID-19 finances

14. The MHCLG monthly financial monitoring returns continue to be an important tool for making the case for compensating local government for the financial impact of COVID-19. According to the April returns, the total in-year impact projected by councils in 2020/21 was estimated to be £9.5 billion (consisting of £6.8 billion of cost pressures and £2.7 billion of non-tax income losses). This compares to £7 billion of grants provided by Central Government as well as the sales, fees, and charges compensation scheme. Tax losses are estimated to be £2.2 billion but will impact council budgets in 2021/22. Under the Tax Income Guarantee Scheme councils will be compensated for 75% of these losses.

15. In the survey, councils have also been asked to estimate the financial impact of COVID-19 for the first quarter of 2021/22 (April 2021 to June 2021). According to latest data, councils are projecting an additional £2.2 billion of in-year financial pressures (consisting of £1.6 billion of cost pressures and £0.6 billion of non-tax income losses). This compares to grants of £1.6 billion and an extension of the sales, fees, and charges compensation scheme to June 2021.
16. On 11 March, the LGA [responded](#) to the Public Accounts Committee's [call for evidence](#) on the evolving financial pressures on local government and support provided by central government in the context of the COVID-19 pandemic.

Business Grants

17. Councils have continued to distribute grants to businesses affected by COVID-19 measures, both the Local Restrictions Support Grants and Additional Restriction Grants for the latter part of 2020/21 and the Restart Grants announced at Budget 2021. In total back to the start of the pandemic, councils have now paid out around £20 billion to businesses for all grants. Officers have continued to engage with officials, particularly on the conditions for accessing the £425 million top-up for the Additional Restrictions Grant.

Audit issues

18. In March the National Audit Office published a [report on the timeliness of local auditor reporting on local government](#). Resources Board Lead members cleared a written evidence submission to the subsequent [inquiry on the this by the Public Accounts Committee](#).
19. We continue discussions with MHCLG on the implementation of the recommendations of the [Redmond review](#). MHCLG have now laid [regulations moving the audit deadline](#) to 30 September for two years. In addition MHCLG consulted on proposals for [allocating £15 million of additional funding](#) to cover expected additional audit fees which was announced in December as part of the [Government's response to the Redmond review](#). In May MHCLG published an [update to their response to the Redmond review](#). This confirmed Public Sector Audit Appointment's role as the appointing body for audit procurement and contract management. It also confirmed that recommendation in the review for the new Office of Local Audit Regulation (OLAR) will not be taken up. Instead the system leadership role will be taken on by the successor body to the Financial Reporting Council (FRC), the new Audit, Reporting and Governance Authority (ARGA).
20. Lead members cleared a [response](#) to a consultation from MHCLG on [proposed changes to the timetable for setting audit fees](#) to enable more up to date information to be taken into account when the annual fees are set.

21. The Department of Business Energy and Industrial Strategy are undertaking a [consultation on proposals for a major overhaul of the UK Audit regime](#). While the proposals primarily affect the audit of companies, the proposed new regulator, the Audit, Reporting and Governance Authority (ARGA) will replace the Financial Reporting Council (FRC) which is the current regulator for local audit. There are very few references to local audit in the consultation and it is proposed to respond to the consultation to highlight that local audit should not be forgotten. This is now particularly important as MHCLG are proposing that ARGA will undertake the system leadership role for local audit. The proposed response will also draw attention to factual inaccuracies in the consultation document where it references the LGA's role regarding pensions.

Next steps

22. Members are asked to note this update.
23. Officers will proceed with the delivery of the LGA's work in advance of the 2021 Spending Review. Officers will continue to work on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

Implications for Wales

24. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

Financial Implications

25. The work related to COVID-19 has been added to the LGA's core programme of work. This unbudgeted spending will be managed within the overall LGA Group funding position which the LGA Board is monitoring.

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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of the Local Government Act 1972.

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Document is Restricted

Note of last Resources Board meeting

Title: Resources Board
Date: Tuesday 2 March 2021
Venue: Online via Zoom

Attendance

An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions	Action
1	Welcome, Apologies & Declarations of Interest Cllr Richard Watts (Chair) welcomed members to the meeting and gave a brief reminder to etiquette and best practice in remote meetings. There were no apologies. The following declarations of interest were made: <ul style="list-style-type: none">- Cllr Erica Lewis (Labour) – Item 6- Cllr Roger Phillips (Conservatives) – Item 6- Cllr Amanda Serjeant (Labour) – Item 6- Cllr Sharon Taylor (Labour) – Item 6	
2	Local Government Finance Update The Chair invited Nicola Morton (Head of Programme, Local Government Finance) to discuss the paper. In her update, Nicola noted the following points: <ul style="list-style-type: none">- The Government published the final 2021/22 Local Government Settlement, which was largely in line with expectations.- The Business Rates Review final report was delayed until Autumn 2021.- Lead Members had approved submissions to the Treasury Select Committee review of the Green Book and the Housing, Communities & Local Government Select Committee review on financial sustainability.- All members would receive a copy of the Spring Budget On-the-Day Briefing. In the subsequent discussion the members raised the following points:	

- A view was expressed regarding the level of funding for local government for COVID-19. It was felt that the total cost of the COVID-19 pandemic to local authorities could be staggering, with greater remuneration needed given the vital role played by councils. Nicola responded that the LGA had been working very closely with MHCLG to monitor this and is calling for the Government to compensation authorities for all costs and income losses..
- It was asked whether the LGA had information on cuts to services and savings plans for 2021/22. Sarah explained that such research hasn't yet been conducted but could be considered.
- Another query was raised on the treatment of climate change and community wealth building initiatives in the Green Book. Bevis Ingram (Senior Adviser) explained that while this isn't covered in the Green Book it is addressed in detail in the supporting guidance.

Decision

The members of the Resources Board noted the report.

3 Support for Low Income Households

The Chair invited Rose Doran (Senior Adviser) to provide a verbal update on recent activity. Rose noted the following points:

- HM Treasury had agreed additional funding to the end of June 2021 to support Self-Isolation Payments and the discretionary fund available to local authorities. Additional monies for parents and carers.
- Working alongside the Community Wellbeing Board on non-financial support for Self-Isolation. Attempts were ongoing to bridge work being conducted by MHCLG and DHSC ahead of a review of schemes in May 2021. Rose added that an update would be available to lead members following a meeting with DHSC on 4/3/21.
- A six month extension to the £20 per week increase in basic Universal Credit payments was to be announced in the Spring Budget.
- A further £50M funding was being made available to the Winter Support Grant extending the programme to Easter 2021.
- Discretionary Housing Payment was being discussed with DWP ahead the next spending review.

In the subsequent discussion the following points were raised by members:

- Concerns were expressed with perceptions of the Self-Isolation Payments, where it was felt the level of support was insufficient to provide real security to lower earners. Rose responded noting that

wider structural conversations were required regarding the Government's approach to the welfare system and the burden administration for Self-Isolation Payments falling on to local authorities.

- Potential issues around eligibility for Discretionary Housing Payments were noted where an individual was not eligible for Universal Credit.
- A view was expressed that the temporary £20 per week uplift in the rate of Universal Credit payments should be made permanent.

Decision

Members of the Resources Board noted the update.

4 CIPFA Consultation on the Prudential Code

The Chair invited Bevis Ingram (Senior Adviser) to discuss the paper. In his summary, Bevis noted the following points:

- Members were asked to provide a steer to inform the LGA response to the Prudential Code and Treasury Management consultations being run by CIPFA.
- Prudential Code consultation is looking at changes to the code that explicitly prevent local authorities borrowing money to make commercial investments that are primarily to make a return. The review is in response to a Public Accounts Committee report on local authorities' commercial investments.
- The Treasury Management consultation includes the proposal to create of a dedicated committee to oversee complex treasury management arrangements. Other proposals included strengthening the skills and knowledge of relevant authority members on treasury management functions.

In the subsequent discussion the members raised the following points:

- There were several comments on the proposed creation of treasury management committees. Members were broadly opposed to the creation of further dedicated management bodies at a local authority level. It was felt that existing structures for audit and scrutiny were suitable to provide oversight.
- Comments were made in favour of further training for officers and members on scrutiny and audit committees to support effective treasury management.
- Concerns were expressed over the role of CIPFA in some of the proposals in the consultations. It was felt that as a trade body CIPFA was not the appropriate body to impose some of the proposed requirements through the proposed changes to the Prudential Code.
- Several members suggested that there was limited evidence to

justify significant changes to borrowing practices. While it was recognised that a small number of councils had pushed boundaries in their investment strategies, commercial investments were an important means for authorities to raise funds and stimulate local regeneration.

- Members also noted concerns with the complexity of reporting processes, it was felt that increasing the burden of evidence and tightening regulations could further stretch officers.

The Chair summarised the discussion, noting that members were broadly in agreement to oppose further changes to the Prudential Code and the creation of Treasury Management Committees.

Decision

The members of the Resources Board noted the report.

Action

Officers to draft responses for clearance by Lead Members.

5 New Homes Bonus Consultation

The Chair invited Hannah Donnelly (Finance Policy Team) to discuss the paper. In her summary, Hannah noted the following points:

- The consultation was seeking views on reform of existing elements of the New Homes Bonus (NHB) and the potential addition of new conditions. These changes included an increase to the existing baseline threshold over which payments for new homes are made, as well linking the Bonus to the proposed new Infrastructure Levy, the use of Modern Methods of Construction and maintaining an up-to-date local plan.
- The consultation confirmed the ending of legacy payments after 2022/23 – the remaining year with previous legacy payments attached – and did not seek views on this. It was not clear from the consultation what the Government intends to do with savings made from removing the legacy payments.

In the subsequent discussion the members raised the following points:

- Concerns were noted with the proposed use of Modern Methods of Construction as a qualification for payment. It was felt that design principles and sustainability were more appropriate, and the conditions of the Bonus should only be factors that councils have control over.
- It was suggested that current threshold and proposal to increase it may be seen to reinforce already overinflated markets.
- It was recognised that the LGA may not wish to enter the debate on the tier split.
- A suggestion was made around linking the Bonus to the Government's net zero carbon target and ensuring that homes and

housebuilding deliver against the climate change agenda.

The Chair summarised the discussion above and noted that the funding for the Bonus was top sliced and any savings from changes should be given back to local government, questioned the incentivisation effect of the threshold, and recognised the importance of an affordable housing incentive.

Decision

The members of the Resources Board noted the report.

Action

Officers to proceed in line with members comments.

6 Workforce Update

The Chair invited Naomi Cooke (Head of Workforce) and Jeff Houston (Head of Pensions) to introduce the update.

There followed a confidential discussion on the report's contents.

Decision

The members of the Resources Board agreed to:

- End the LGA's formal membership of CEEP UK in line with officers' recommendations
- Note the update.

Action

Officers to proceed in line with members comments.

7 EU Funding Update

The Chair invited Paul Green (Adviser) to introduce the update.

There followed a confidential discussion on the report's contents.

Decision

Members of the Resources Board noted the update.

8 Minutes of the previous meeting held on 14th January 2021

The Chair asked members to approve the note of the previous meeting as an accurate record.

Decision

The members of the Resources Board agreed the note of the previous meeting on 14th January 2021 as an accurate record.

9 Any Other Business

The Chair announced that he will be stepping down from the Board at the end of the 2020/21 meeting cycle and thanked members for their work and cooperation. Each political group noted their thanks to the Chair.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Cllr Richard Watts	Islington Council
Vice-Chairman	Cllr Tim Oliver	Surrey County Council
Deputy-chairman	Cllr Keith House	Eastleigh Borough Council
	Cllr Jason Zadrozny	Ashfield District Council
Members	Cllr Philip Atkins OBE	Staffordshire County Council
	Cllr David Finch	Essex County Council
	Cllr Daniel Humphreys	Worthing Borough Council
	Cllr Roger Phillips	Herefordshire Council
	Cllr Richard Wenham	Central Bedfordshire Council
	Cllr Sharon Taylor OBE	Stevenage Borough Council
	Cllr Bev Craig	Manchester City Council
	Cllr Terry Paul	Newham London Borough Council
	Cllr Erica Lewis	Lancaster City Council
	Cllr Amanda Serjeant	Chesterfield Borough Council
Cllr Peter Marland	Milton Keynes Council	
Cllr Adam Paynter	Cornwall Council	
Cllr Phelim MacCafferty	Brighton & Hove City Council	
Apologies	Cllr Peter Jackson	Northumberland Council
In Attendance		
LGA Officers		