



Government
Association

Resources Board

Agenda

Wednesday, 2 March 2022
2.00 pm

Online / Beecham Room, 7th Floor, 18
Smith Square, London, SW1P 3HZ

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Resources Board
2 March 2022

There will be a meeting of the Resources Board at **2.00 pm on Wednesday, 2 March 2022**
Beecham Room, 7th Floor, 18 Smith Square, London, SW1P 3HZ.

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Conservative:	Group Office: 020 7664 3223	email: lgaconservatives@local.gov.uk
Labour:	Group Office: 020 7664 3263	email: labgp@lga.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

Attendance:

Your attendance, whether it be in person or virtual, will be noted by the clerk at the meeting.

LGA Contact:

Emilia Peters
emilia.peters@local.gov.uk

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Resources Board – Membership 2021/22

Councillor	Authority
Conservative (7)	
Cllr Richard Wenham (Vice Chairman)	Central Bedfordshire Council
Cllr Adrian Hardman	Worcestershire County Council
Cllr Mark Hawthorne MBE	Gloucestershire County Council
Cllr Nicholas Jones	Bury Metropolitan Borough Council
Cllr Phillip King	Harborough District Council
Cllr Rory Love OBE	Kent County Council
Cllr Roger Phillips	Herefordshire Council
Substitutes	
Cllr Andrew Jamieson	Norfolk County Council
Cllr Andrew Leadbetter	Devon County Council
Cllr David Leaf	Bexley Council
Labour (7)	
Cllr Shaun Davies (Chair)	Telford and Wrekin Council
Cllr Jas Athwal	Redbridge London Borough Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Amanda Serjeant	Chesterfield Borough Council
Cllr Peter Marland	Milton Keynes Council
Cllr Terry Paul	Newham London Borough Council
Vacancy	Labour Group
Substitutes	
Cllr Abdul Jabbar MBE	Oldham Metropolitan Borough Council
Cllr Harpreet Uppal	Kirklees Metropolitan Council
Liberal Democrat (2)	
Cllr Keith House (Deputy Chair)	Eastleigh Borough Council
Cllr Richard Kemp CBE	Liverpool City Council
Substitutes	
Cllr Michael Headley	Bedford Borough Council
Independent (2)	
Cllr Jason Zdrozny (Deputy Chair)	Ashfield District Council
Cllr Phelim Mac Cafferty	Brighton & Hove City Council
Substitutes	
Cllr Zoe Nicholson	Lewes District Council
Cllr James Hakewill	North Northamptonshire Council

Agenda

Resources Board

Wednesday 2 March 2022

2.00 pm

Beecham Room, 7th Floor, 18 Smith Square, London, SW1P 3HZ

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Date of Next Meeting: Wednesday, 11 May 2022, 2.00 pm, Westminster Room, 8th 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 17 November. This includes the final 2022/23 Local Government Finance Settlement, the approach to a likely Chancellor's statement on 23 March 2022, and work on business rates and audit issues.

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.

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Local government finance updateError! Reference source not found.

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 17 November 2021 including the final 2022/23 Local Government Finance Settlement, the approach to a likely Chancellor's statement on 23 March 2022, and work on business rates and audit issues.

Summary of the Final Local Government Finance Settlement

2. On 7 February the Secretary of State for Levelling Up, Housing and Communities confirmed the [2022/23 Final Local Government Finance Settlement](#). There was little change from the provisional settlement which was in line with 2021 Spending Review.
3. There will be a potential increase of 7.4% in Core Spending Power available to local authorities in 2022/23, assuming all local authorities raise council tax by the maximum allowable limit without a referendum. This includes:
 - 3.1. An inflation level increase in Revenue Support Grant. The business rates baseline will not change from 2021/22, due to the freeze in the business rates multiplier. Councils will be compensated for this.
 - 3.2. £700 million for social care comprised of an inflationary uplift to the improved Better Care Fund, and a £636 million social care grant for adults and children's services.
 - 3.3. The Market Sustainability and Fair Cost of Care Fund, worth £162 million, to support local authorities prepare their markets for reform and move towards paying providers a fair cost of care.
 - 3.4. New Homes Bonus provisionally worth £556 million. There will not be any future legacy payments in respect of 2022/23.
 - 3.5. A one-off, un-ringfenced, Services Grant worth £822 million in 2022/23.
 - 3.6. Continuation of the £111 million lower tier services grant and the £85 million Rural Services Delivery Grant.
 - 3.7. Council tax principles of:
 - 3.7.1. a core principle increase of 2 per cent for all local authorities, with a 2 per cent or £5 increase (whichever is higher) for shire districts.
 - 3.7.2. an additional 1 per cent adult social care precept (along with any unused flexibility from the previous year).
 - 3.7.3. a £5 increase for the 8 lowest charging fire and rescue authorities; and
 - 3.7.4. a £10 maximum increase for Police and Crime Commissioners.

- 3.7.5. No referendum principles for Combined Authorities or Town and Parish Councils.
 - 3.7.6. £20 for the Greater London Authority.
4. The LGA issued a [press release](#) on the day of the final settlement and briefed MPs ahead of their debate and vote on the settlement on 9 February. Prior to this, the LGA [responded](#) to the Provisional settlement. The Chairman and Group Leaders met with the Minister for Levelling Up Communities during the consultation period on the settlement and raised key concerns with the settlement and funding of local government. This included the pressures in adults and children's social care and special educational needs and the need for clarity on the scope, outcome and timetable for local government finance reform. The minister agreed to meet with the LGA Chairman and Group Leaders more regularly on the issues raised during the meeting and are due to meet again just before the March meeting of Resources Board.

Local Government Finance Reform

5. On the day of the provisional settlement, the Government announced its commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources, and noted that the data has not been updated for a number of years. The Government stated it will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes. It did not explicitly commit to the Fair Funding Review in its full form. The same words were used in the [Government's Levelling Up White Paper](#) and in the 2022/23 Final Local Government Finance Settlement but no further information was given.
6. There was no mention of the future of further business rates retention or the business rates reset at the settlement. However the Secretary of State for Levelling Up, Housing and Communities responded that he thought that a system of 75% business rates retention would go against the principle of levelling up in a session of the Communities, Housing and Local Government Select Committee in November 2021.
7. In the 2022/23 Final Local Government Finance Settlement the government announced that it would respond to the 2021 [new homes bonus consultation](#) soon.

Other Funding

8. Allocations of public health funding for 2022/23 were [announced](#) on 7 February. The total for England is £3.4 billion in 22/23, an increase of 2.8 per cent from 2021/22 nationally and for individual councils. The grant will be £3.5 billion for 2023/24 (a 2.1 per cent increase) and £3.6 billion for 2024/25 (a 1.8 per cent increase).

9. In the 2021 Spending Review it was announced that the schools' budget would increase by £4 billion from 2021/22 to 2022/23. Alongside the provisional settlement, the Government confirmed school and early years revenue funding allocations for 2022/23. A [Written Ministerial Statement](#) and the [Dedicated Schools Grant \(DSG\) announcement](#) contained an additional £325 million of High Needs funding in addition to that announced in the Spending Review, bringing the total additional High Needs funding to £1.1bn this year - a 14 per cent increase.

Chancellor's Fiscal Statements

10. On 23 December 2021, the Chancellor [commissioned](#) the Office for Budget Responsibility (OBR) to produce an economic and fiscal forecast for Wednesday 23 March 2022. The Chancellor has not announced a formal Spring Statement or Spring Budget for the 23 March, but in the past Chancellors have always responded to OBR forecasts with a statement in Parliament.
11. As the Government announced a 3-year Spending Review and Autumn Budget in October 2021 and has not billed 23 March as a Budget day, the LGA is planning to send a letter to the Chancellor in advance of 23 March, rather than a lengthy submission. This will focus on key topics including the need for a long-term sustainable funding settlement for local government and other key policy issues.
12. This letter will be signed off by the LGA Chairman and Group Leaders.

Business Rates

13. Following the publication of the Business Rates Review alongside the Autumn Budget and Spending Review, a [consultation](#) was published on 30 November on measures to enable more frequent revaluations, a new mandatory Improvement reliefs, support for investment in green plant and machinery and a number of other administrative changes. The consultation closed on 22 February 2022. [The LGA response](#) was signed off by Lead Members of the Resources Board. Further consultations are expected in 2022 on online sales and digitalising business rates, including avoidance and evasion.
14. The [Rating \(Coronavirus\) and Directors Disqualification \(Dissolved Companies\) Act 2021](#) has now come into force. The Act states that coronavirus will not be considered a Material Change of Circumstances. This applies to historic cases since the start of the COVID-19 pandemic and any future cases. Guidance for, and authority allocations of, the £1.5 billion COVID-19 Additional Relief Fund (CARF) which was originally announced in March 2021 [have been published](#). The Fund is discretionary although the guidance says to qualify for funding the relief should not be given to premises which have received existing reliefs. The relief applies to the year 2021/22.

Business Grants

15. On 21 December 2021 the Government announced a new £683 million grant, the [Omicron Hospitality and Leisure Grant](#) for some hospitality, leisure and accommodation businesses. It also announced another £102 million for the discretionary Additional Restrictions Grant. Both grants have to be spent by 31 March 2022. The LGA has been in contact with the Department for Business, Energy and Industrial Strategy (BEIS) over the eligibility conditions for the new grants and the amount of bureaucracy which they appear to entail, for example in the reporting of spend to BEIS and checking of applicants for the grants.

Energy Rebate through Councils

16. On 3 February 2022 the Government announced [a new £150 Council Tax Energy Rebate](#) for 2022/23 for those living in properties in council tax bands A to D. It also announced £144 million for billing authorities to operate a discretionary fund for households in need who would not otherwise be eligible, for example individuals on low incomes who live in properties valued in bands E to H. This is a one-off payment through councils and will not affect the headline council tax level.
17. The LGA issued a [press release](#) on the announcement and has been liaising with Central Government on the practicalities of the policy including the need for new burdens funding. [Guidance and funding allocations](#) were published on 23 February.

Local Government Finance Reform - Commissioned work

18. Following a recommendation by the Task and Finish Group on Business Rates and Local Government Finance Reform, and approval by the Executive Advisory Board, the LGA commissioned a report on local government finance reform. WPI Economics assessed how certain options for reform performed against a number of principles which had been previously developed by the LGA. The report was [published](#) on 13 January during the LGA's 2022 Local Government Finance Conference.

Capital finance

19. A separate paper on today's agenda considers CIPFA's Prudential Code for Capital finance and Treasury Management Code which were published in December.

20. We [responded](#) to a [consultation](#) from DLUHC on proposed changes to the regulations underpinning the Government's [Statutory Guidance on Minimum Revenue Provision](#) (one of the four codes that form the Prudential Framework for Capital Finance). The proposal will put the requirement to make Minimum Revenue Provision (an amount to set aside each year from the revenue account to repay the principal of debt) onto a statutory footing. In our response we raised serious concerns that the proposals could have unintended consequences, for example affecting councils' ability to invest in infrastructure and housing via wholly owned companies and have serious impacts on some council's revenue budgets (the consultation document itself estimated this cost could be as much as £700 million).

Local Government Finance Conference 2022

21. On the 13 January we held our annual Local Government Finance Conference virtually. Over 300 delegates attended, and the Chair of the Resources Board hosted the online event. The conference heard from the [Minister for Levelling Up Communities](#), the Shadow Minister for Local Government, and our Chairman, as well as speakers from the LGA, IFS, and WPI economics. Presentations from the day are available on the [LGA website](#).

Pensions and the Levelling Up White Paper

22. The Levelling Up White Paper makes reference in the summary to the Local Government Pension Scheme in the context of UK pension scheme investment as follows:
- 22.1. "...It is also why the Prime Minister and Chancellor have called on the UK's institutional investors to seize the moment for an "Investment Big Bang" to boost Britain's long-term growth. The UK Government will go further and work with Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas."
23. Further references are made on pages 162 and 163 but without providing any more detail. Since the publication of the White Paper officers have met with DLUHC officials to clarify a number of points as set out below:
- 23.1. Officials made clear that the 'up to 5%' (£16bn as at March 2021) quoted is an ambition and is neither mandatory in scale nor a ceiling not to be breached. It will however be mandatory to have a levelling up plan to achieve that ambition.
- 23.2. It was further clarified that 'local' in this context does not relate to 'the backyard' of the fund authority. Investments made anywhere in the UK could be included in a levelling up plan.
- 23.3. The plan should set out how new, rather than re-labelled existing, investments will seek to achieve the ambition in this area.

23.4. In the matter of fiduciary duty there does not appear to be any expectation that LGPS funds should put intervention outcomes above those of return. Instead, the intention would seem to be for funds to actively seek opportunities in this space which contribute to the levelling up agenda while at the same time providing expected levels of return.

24. We are informed that a consultation in the summer will cover this and other matters such as the outstanding climate risk and reporting regulations and asset pooling guidance.

Next steps

25. Members are asked to note this update.

26. Officers will proceed with the delivery of the LGA's work following the Local Government Finance Settlement, and the work in advance of a possible statement by the Chancellor on 23 March.

Implications for Wales

27. Information on funding to Welsh local authorities was [published](#) in the provisional Welsh local government finance settlement. 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

28. The work covered in this paper is included in the LGA's core budget.



Update on Local Audit

Purpose of report

For information.

Summary

This report is a general update on local audit and outlines the major reviews and other activity that has been undertaken in this area over the past three years, as well as current progress both on immediate problems and on the longer-term proposals.

Is this report confidential? Yes No

Recommendation

That officers continue to work with the government and other relevant bodies, including those mentioned in this report, to address the problems with local audit, work to create a sustainable audit market, and set up a new framework for local audit that is appropriate for the sector.

Action

Officers to proceed as directed.

Contact officer: Bevis Ingram
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Update on Local Audit

Background

1. At the last meeting of Resources Board, Members asked for an update on local audit. This report outlines the major reviews and other activity that has been undertaken in this area over the past three years, as well as current progress both on immediate problems and the longer-term.

Issues with local audit

2. The current issues with local audit are complex and have a number of causes including a limited number of firms within the market and a shortage of suitably qualified auditors working for those firms. This situation has been made worse by tighter and stricter regulation of auditors following audit scandals in the private sector and more recently by the difficulty of auditing under COVID conditions. The issues are multi-faceted and complex and will take time to address. They require a concerted response from a range of stakeholders including government, the audit firms, the regulators and CIPFA.
3. Councils have been reporting issues with the local audit arrangements for some time and these have been highlighted by the LGA's Resources Board. The issue was first raised as a problem in detail by the Board in Spring 2019, leading to the then Chair of the Board writing to the then Local Government Minister to raise concerns over expectations that several audits would not be completed in time to publish 2018/19 accounts. The issues are much wider than just delays in finalising audited accounts, but the delays are a clear and very visible symptom of the problems with local audit.
4. Appendix A is a list of sixteen formal submissions and responses on local audit by the LGA through Resources Board since June 2019. This does not include other more informal submissions and discussions by officers. This reflects the recent high profile of local audit due to the problems being experienced.
5. Since June 2019, however, the situation has deteriorated so much that for 2020/21 only 9% of accounts audits were concluded by the deadline of 30th September 2021. This was despite 85% of councils submitting their draft accounts by the 31st July. Whatever the causes, this level of performance is unacceptable. It delays the process for getting public assurance on council accounts and governance and involves council finance teams in a great deal of extra work in servicing the needs of auditors over an extended period.

Redmond Review

6. In July 2019 the Government appointed Sir Tony Redmond to carry out an [independent review into the arrangements in place to support the transparency and quality of local](#)

[authority financial reporting and external audit in England](#). This was initially to look how the audit arrangements introduced since 2014 had been implemented as well as the effectiveness of the current audit arrangements.

7. The LGA, working through Resources Board, [submitted evidence](#) to the [Redmond Review](#), [responded to its findings](#), and [submitted further evidence](#) to [associated inquiries](#) such as the by the Public Accounts Committee into [local auditor reporting in local government in England](#). We have also engaged in discussions with DLUHC, other Government departments such as Business Energy and industrial Strategy (BEIS), and bodies such as the Financial Reporting Council (FRC), Institute for Chartered Accountants in England and Wales (ICAEW), the Chartered Institute for Public Finance and Accountancy (CIPFA), the National Audit Office (NAO), and Public Sector Audit Appointments (PSAA).
8. In order to address the issues, and in response to the Redmond review, the government is putting in place a number of short-term measures to stabilise the local audit market alongside more fundamental long-term measures. Appendix A to a report to Resources Board on 14 January 2021 outlined the Government's response to each of the recommendations of the Redmond review and compared it to the LGA's own response. We concluded that the Government's response is largely in line with the views expressed in the LGA's own response. That report also outlined that discussions would continue with the Government and other stakeholders in order to agree a way forward to address the problems with local audit and work to create a sustainable audit market with more qualified audit firms and greater numbers of qualified auditors. These discussions have continued, including through working groups established by DLUHC looking at future proposals for the operation of audit committees and for improving the external audit market.

LGA role and activity

9. In a supplier-led market, it is important that councils can band together to act as a single voice and as strong, united client. The LGA established PSAA in 2015 to be the appointing person for the national local audit procurement scheme and DLUHC has renewed PSAA's remit for the current procurement round, reflecting the expertise PSAA has developed. PSAA has achieved a great deal in establishing the national scheme and commissioning research to understand the market. It has successfully lobbied government for changes in regulations which will make it easier to manage audit fees, and as a not-for-profit company it has recently returned £5.6m in surplus funds to opted in bodies. PSAA operates independently of the LGA, but we continue to host PSAA within the LGA Group and liaise constantly with the company to ensure the views of LGA members are recognised.
10. The LGA has been taking part in the working groups established by DLUHC in the wake of the Redmond report to ensure that the interests of councils are represented. The working groups have been looking at future proposals for the operation of audit committees and for improving the external audit market. We have also been working

with DLUHC in its response to the very disappointing performance of auditors in the last audit year and have held meetings with senior officials to ensure they understand councils' unhappiness, and this is reflected in the urgency of the response

11. The LGA's Sector Led Improvement work has been enhanced over the last two years to include more support for audit committees and chairs. This includes running Leadership Essentials training for audit committee chairs and providing more on-site training sessions for audit committees and taking steps to facilitate setting up regional forums for audit committee chairs.
12. We will of course continue to lobby government to ensure that any additional costs of audit will be recognised by government and fully funded on an ongoing basis.

Most recent activity

13. In September 2021 PSAA issued an all invitation to eligible bodies (all principal local government including police and fire bodies) to become opted-in authorities to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person. Eligible bodies have until 11 March 2022 to opt in to the arrangement. By early February over 200 bodies had opted in.
14. In December 2021 DLUHC published a paper setting out a [range of measures to tackle audit delays](#). These included additional funding of £15 million per year for the next three years to cover additional audit fees, extending the deadline for publishing audited local authority accounts to 30 November 2022 for 2021/22 accounts, and the 30 September date for 5 years from 2023/24 to 2027/28, and supporting PSAA in their proposed procurement strategy for the next round of local audit contracts from 2023/24. The proposals also include a range of longer-term measures aimed at stabilising local audit and improve local accounts. This included a commitment for CIPFA to publish strengthened guidance on audit committees by April 2022 and following consultation, consider making the guidance, committees, and the independent member statutory.
15. Following this, in early February 2022 at the request of DLUHC, CIPFA issued an [emergency consultation on temporary changes to the accounting code for 2021/22 and 2022/23](#). The proposed changes affect the valuation of operational property, plant and equipment and delays the implementation of IFRS (International Financial Reporting Standard)16 on leases. These changes are being proposed to help alleviate delays to the publication of audited financial statements. These are some of the measures referred to in the [paper published by DLUHC in December](#) and were also highlighted in a [letter from Jeremy Pocklington](#), Permanent Secretary at DLUHC, to the Public Accounts Committee in January. The consultation closes on 3rd March and a response is being cleared by Resources Board Lead Members.
16. In February 2022 the Public Accounts Committee (PAC) published a [report on the Local Government Finance System: Overview and Challenges](#). This included highlighting the problems with delays to the audit of council accounts.



Implications for Wales

17. The Local Audit arrangements described in this report affect England only.

Financial Implications

18. The work covered in this paper is included in the LGA's core budget.

Next steps

19. Consultations on further proposals are expected in the next few months. It is recommended that officers continue to work with the government and other relevant bodies, including those mentioned in this report, to address the problems with local audit, work to create a sustainable audit market, and set up a new framework for local audit that is appropriate for the sector.

Annex A – Summary of LGA submissions on Local Audit through Resources Board since June 2019

Date	Submission
June 2019	Letter from Chair Resources Board to PSAA on audit delays
June 2019	Letter from Chair Resources Board to Local Government Minister on audit delays
June 2019	Response to NAO consultation, stage 1, on Local Audit in England Code of Practice
September 2019	Response to NAO consultation, stage 2, on Local Audit in England Code of Practice
October 2019	Letter from Chair Resources Board to Local Government Minister and DWP Minister updating on audit delays
December 2019	Response to call for views Redmond review
March 2020	Response to PSAA consultation on audit scale fees 2020/21
September 2020	Response to NAO consultation on Auditors work on VFM arrangements
November 2020	Letter from Chair Resources Board to Secretary of State as formal response to Redmond review
December 2020	Response to PSAA consultation on proposed new system for audit fee variations
February 2021	Response to PSAA consultation on audit scale fees for 2021/22
May 2021	Response to DLUHC consultation on Changes to Local Audit (Appointing Person) regulations
May 2021	Written evidence submitted to PAC inquiry on Timeliness of Local Auditor reporting on Local Government in England
July 2021	Response to BEIS consultation on Restoring trust in audit and corporate governance
September 2021	Response to DLUHC consultation on Local Audit Technical Framework (ARGA as system leader)
November 2021	Written evidence submitted to PAC inquiry in Local Government Finance system: overview and challenges

Review of CIPFA Prudential Code and Treasury Management Code

Purpose of report

For information.

Summary

This report provides a summary of reviews of the final published versions of the CIPFA Prudential Code and Treasury Management Code in the light of concerns raised by members of Resources Board and included in the LGA's consultation responses. The most significant practical concerns raised in the LGA's responses have been addressed, as well as some more minor issues. This means that the anticipated major negative impact of the new codes is now unlikely to happen.

Is this report confidential? Yes No

Recommendation

That Members of the Resources Board note this update.

Action

Officers proceed as directed.

Contact officer: Bevis Ingram
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Review of CIPFA Prudential Code and Treasury Management Code

Background

1. Members will recall that last year the Chartered Institute of Public Finance and Accountancy (CIPFA) consulted on changes to the [Prudential Code for Capital Finance in Local Authorities](#) (the “Prudential Code”) and the [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (The “Treasury Management Code”).
2. The LGA’s responses to the consultations ([Prudential Code response](#) and [Treasury Management Code response](#)) on the proposed new wording for the codes was discussed at the November meeting of the Resources Board. At the meeting Members raised significant concerns that are reflected in the responses. The overall concern was that the proposed changes to the code would lead to confusion and unintended consequences which included:
 - Preventing investing in property where there was any financial return even if this was not the primary purpose
 - councils would have to undertake a “fire sale” of investments
 - councils with investments would be unable to properly manage their portfolios, and
 - councils’ treasury management and associated activities would be severely curtailed, especially if they were net borrowers
 - concerns with code objectives
3. LGA officers have held several discussions with CIPFA on the proposed changes to the codes. In December CIPFA published final revised versions of the codes. These are now available for a fee via the CIPFA website. It is the view of LGA officers that CIPFA made changes to the final versions of the codes to reflect our concerns meaning that the anticipated major negative impact of the new codes is now unlikely to happen.

Concern: Investing in Property

4. The proposed code could have been interpreted as ruling out local authorities investing in the property sector at all for a financial return, even if this was not the primary purpose of the investment. This could have had an impact on councils investing in property for regeneration and service purposes. The Prudential Code now makes it explicit that borrowing to fund investments that are primarily for a financial return is not prudential rather than any borrowing where there is any financial return. The new code explicitly states (para 51): “In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.” In our view, the changes made to the 2017 version of the code, coupled with the Government’s statutory investment guidance

(2018) and the PWLB lending terms introduced last year had already addressed this issue. So the proposed change to the code was not needed. However, the wording in the new code is clearer than the previous versions which relied on interpretation of the words “borrowing in advance of need purely in order to benefit from the investment of the sums borrowed”.

Concern: “Fire sale” of investments

5. The code could also have been interpreted as saying that councils with any investments should sell them before being able to borrow for service capital purposes. Paragraph 53 of the code now states (in bold so it is part of the code) that “Authorities with existing commercial investments (including property) are not required by this Code to sell these investments”. The draft code could have been interpreted implying that councils would be required to sell at later date. This potential implication has been removed from the code.

Concern: Managing portfolios

6. We raised concerns that the changes in the code affecting investment in property generally could have an impact on legacy investments in property for regeneration and service purposes which now generate a return. The consultation version of the code included a direct reference to managing regeneration and service investments with commercial investments. This has been removed from the final version, which is helpful.
7. The code also now states that “Authorities with commercial land and property may also invest in maximising its value, including repair, renewal and updating of the properties”. The addition of “maximising value” recognises that the proper management of an existing investment portfolio is a legitimate activity.

Concern: Restriction of Treasury Management activity

8. It was possible to interpret the definitions in the Prudential Code as saying certain treasury management activity, particularly investment in pooled property funds, should be classified as commercial investment and so be caught by other provisions within the Prudential Code, which would clearly have a major impact.
9. In response, a new bullet point has been added to paragraph 95 of the Prudential Code (definition of treasury management). This states that:

“Treasury investments may also arise from other treasury management activity that seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments”
10. This means that if investments are undertaken as treasury management activity, then they (by definition) count as treasury management activity. This means they are not caught by the definition of commercial investment in the Prudential Code.
11. The serious concern expressed in our response to the Treasury Management Code consultation related to how the code interacted with the proposals in the Prudential Code

and in particular the definitions of different types of investments. The changes made to the Prudential Code outlined above address these concerns.

Concerns with code objectives

12. The consultation included a proposed new objective to the Prudential Code that “the risks associated with investments for commercial purposes are proportionate to their financial capacity...”. While agreeing with proportionality generally, we objected to this statement as this unduly focussed on commercial investments which was not appropriate for the prudential code. The final version has been revised in response to our comment to say “the risks associated with investments for service and commercial purposes are proportionate to their financial capacity”. This general point is more appropriate.

Concerns not addressed

13. Our response raised concerns about some of the comments about access to PWLB borrowing that are now in the code that we believed to be incomplete and so potentially misleading. The comments in the code ignore the clauses in the PWLB lending terms on eligibility for access refinancing loans. Our points have not been addressed. However, it is unlikely that this will have a major impact as practitioners will in any case have to refer directly to the PWLB’s published rules in order to access PWLB.
14. We raised concerns about new requirements in the code for quarterly monitoring and reporting of indicators. We argued that “The setting and regular monitoring of these indicators are clearly very important, but we would question whether defining how and when this is done in this detail and as part of the code itself will allow this to be done in an optimal way.” We understand from discussion that similar points were made in a number of other consultation responses. CIPFA informally stated that in response they were going to make this “voluntary”. The change made is that the code no longer specifies where the monitoring should be reported to, while still stating that it should be done quarterly. While the new wording in the code is not ideal, this probably gives enough flexibility to enable councils to avoid major problems with it.

Other codes in the prudential framework

15. The CIPFA codes are only two (of four) codes that make up the Prudential framework for local authority capital finance. A [DLUHC consultation](#) on changes to Minimum Revenue Provision closed on 8 February. The [LGA’s response](#) was cleared by Resources Board Lead Members and raised several concerns about unintended consequences of the proposed changes. Discussions with DLUHC on mitigation are continuing. A further review followed by consultation by DLUHC on any changes arising to the Statutory Investment guidance (the fourth code in the framework) is expected later this year. It would be expected that any review of the investment guidance would take account of the new CIPFA codes and with the new PWLB lending arrangements published in 2020.

Implications for Wales

16. The CIPFA Codes will affect the whole UK. We are in regular contact with the Welsh LGA and have discussed the impact of the new codes with colleagues in the Associations in the rest of the UK.

Financial Implications

17. The work covered in this paper is included in the LGA's core budget.

Next steps

18. Members are asked to note this update.

Support for Low Income Households

To update members on the LGA's programme of work on support for low-income households and set out proposals for this policy area in 2022/23

For information.

Summary

This report provides an update on the work the LGA has delivered to support councils and shape policy on support for low-income households. This has included a wide range of covid-related support that has been delivered by councils alongside the national benefits system.

Significant risks remain to our more disadvantaged households and communities from the long-term health, social and economic impacts of the pandemic. We are facing growing cost-of-living pressures, with rising inflation and energy prices, and much of the temporary financial support provided during the pandemic is being withdrawn. This presents particular challenges for councils seeking to deliver the 'levelling up' agenda and promote confident, resilient communities and inclusive, sustainable local economies.

This paper sets out our proposals for working with councils, government and partners to deliver a more sustainable, long-term solution to reducing socioeconomic inequality and promoting resilience, whilst also ensuring that a robust national and local safety net remains in place for those who need it.

Is this report confidential? Yes No

Recommendation/s

That we continue to work closely with councils, Government, partners and stakeholders on developing support for low-income households, including local welfare schemes and access to financial services.

Action/s

That we return to a more proactive approach during 2022/23 that considers the key priorities for councils, effective use of resources and the need to sustainably address cost of living pressures and the inequalities highlighted by the pandemic.

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Support for Low Income Households

Background

1. Key priorities throughout the pandemic have included:
 - 1.1 Reshaping Financial Support - real-time support, guidance and policy development for councils, Government and stakeholders supporting low-income and disadvantaged households with the immediate financial impacts of the coronavirus pandemic
 - 1.2 Supporting councils with the implementation of short-term, emergency local welfare funding (including covid local support grant and household support fund) alongside their existing local funding and schemes
 - 1.3 Integrating approaches to 'food poverty' within a wider approach to promoting financial inclusion and reducing socioeconomic inequality. This has included work with the Children and Young People Board on Free School Meals, voucher schemes and holiday support. We are working with councils on local food partnerships in response to the National Food Strategy and continue to work with Trussell Trust, councils and others on a long-term aspiration of ending the need for food banks
 - 1.4 Working closely with a wide range of national and local partners in the statutory, VCS and private sectors on the design and implementation of effective local welfare support
 - 1.5 Sharing evidence from councils and delivery partners with government to inform current and future policy development. For example, during January we hosted three focus groups on the future of local welfare schemes with councils and the Department for Work and Pensions
 - 1.6 Supporting councils and pushing for effective joint working and sufficient resources to deliver a wide range of complex, short-term support including test and trace support payments, household support fund and the discretionary hardship fund. We are currently working with colleagues in the

Finance Team on the approach to mitigating rising energy costs through the council tax system

- 1.7 Working with councils, government (led by Cabinet Office) and a wide range of partners on fair and effective debt management. This includes working with government on the development of data-sharing pilots on vulnerable debtors, working with the cross-government Fairness Group to design and update the vulnerability toolkit, and sharing emerging good practice on a 'single customer view'
- 1.8 Working with the Department for Work and Pensions (DWP) to co-design a pilot to increase the levels of Pension Credit uptake in six local authority areas.
2. Short-term funding for local welfare support, most recently through the household support fund, is due to end in March 2022. The LGA has consistently asked for this funding to be put on a more long-term, sustainable footing to ensure councils can continue to support financially vulnerable households.
3. Councils taking part in recent engagement events have all highlighted continued levels of high demand for advice and support and remain very concerned about their ability to prevent hardship and promote resilience. Alongside the need for adequately and sustainably resourced crisis support we continue to work internally and externally across a number of policy areas including welfare, public health, children's services, housing and employment to make the case for a more integrated approach to early intervention and prevention on financial hardship and economic vulnerability

Support for low-income households – proposed work programme 2022/23

4. Following a round table in November 2021, we have commissioned Shared Service Architecture to work with us to deliver a programme of action learning on the role of councils in supporting low-income households with the impacts of the cost-of-living crisis as we move into recovery from the pandemic. 80 officers attended two 'problem definition' events on 16th and 17th February. Twelve action learning sessions on key priorities identified will be delivered over the summer, with a final event in early autumn 2022.
5. We are setting up a cost-of-living steering group, with engagement from key researchers, think tanks, partners and stakeholders to work with us to identify key priorities for councils, partners and communities, both in terms of impact and support. Participants will identify and share their own relevant research, and well as advising potential areas of focus and sources of evidence to inform both our lobbying, research and improvement work. Key areas are likely to include:

- 5.1 The impact of socioeconomic and health inequalities on demand for children's services
 - 5.2 The interaction between financial hardship and mental health and wellbeing
 - 5.3 Health and disability within the benefits system (linked to the 'shaping future support' green paper)
 - 5.4 Food poverty and sustainability (linked the National Food Strategy and proposed Defra white paper)
 - 5.5 Continued emphasis on local welfare / crisis support and its interaction with wider safety net and resilience support
 - 5.6 Supporting low-income households as we move to net-zero and address environmental sustainability
6. We are developing a Debt Maturity Model for councils as part of our work on fair and effective debt management. This is informed by similar tools developed by our Research team, and is based on engagement with councils, Government and stakeholders. The model will enable councils to benchmark their approach and identify areas for further development. We have included proposals for further sector-led improvement in our on-going discussions with DLUHC, following the steer from Resources Lead Members in September
 7. We are looking to pilot a greater engagement with lived experience within our policy development and service design, both within the LGA and in our support for councils. As a first step we are co-designing an LGA Conference workshop with the Poverty Truth Network, who are working with a number of councils including Leeds and Bournemouth, Christchurch and Poole to engage communities in local service design.
 8. We will return to a more proactive programme of work setting out the long-term role of councils within the welfare system. This will include:
 - 8.1 Reviewing our 2021 Spending Review ask of £250m for local welfare support – working with councils, researchers and partners to ensure that we have an evidence-based ask that reflects local need and focuses on sustainable outcomes
 - 8.2 Working with the Department for Work and Pensions on the 'move to Universal Credit' to ensure that vulnerable households get the support they need

- 8.3 Ensuring that government proceeds with the promised review of discretionary housing payment, ensuring that it is adequately resourced and can be effectively integrated with other local support
- 8.4 Ensuring that the mainstream benefits system is the principal form of support for low-income households, enabling councils to target local welfare support to those with complex or additional needs
- 8.5 Continuing to develop and press for a more sustainable and preventative approach to financial inclusion and resilience, to improve outcomes and strengthen communities
- 8.6 Working with the Community Wellbeing Board on improving the quality and resourcing of supported exempt accommodation, including housing benefit payment and subsidy

Implications for Wales

- 9. Benefits delivery and financial inclusion are devolved, with ring-fenced budgets for councils overseen by Welsh Government

Financial Implications

- 10. Work will be delivered within existing LGA budgets. Funding for improvement support on fair and effective debt management in 2022/23 may need to be sought from partner organisations
- 11. Some work may be delivered – and funded - in partnership with other LGA Boards

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LGA location map

Local Government Association

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Public transport

Local Government House is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are **St James's Park** (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

- 507** Waterloo - Victoria
- C10** Canada Water - Pimlico - Victoria
- 88** Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Bus routes – Millbank

- 87** Wandsworth - Aldwych
- 3** Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at www.tfl.gov.uk

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at Local Government House. Please telephone the LGA on 020 7664 3131.

Central London Congestion Charging Zone

Local Government House is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at www.cclondon.com

Car parks

Abingdon Street Car Park (off Great College Street)
Horseferry Road Car Park
Horseferry Road/Arneway Street. Visit the website at www.westminster.gov.uk/parking



