



Government
Association

Resources Board

Agenda

Wednesday, 11 May 2022
2.00 pm

Hybrid Meeting - Beecham Room, 18 Smith
Square and Online

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Resources Board
11 May 2022

There will be a meeting of the Resources Board at **2.00 pm on Wednesday, 11 May 2022** Hybrid Meeting - 18 Smith Square and Online.

LGA Hybrid Meetings

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Apologies:

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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 Zadrozny (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 11 May 2022

2.00 pm

Hybrid Meeting - 18 Smith Square and Online

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Date of Next Meeting: Wednesday, 13 July 2022, 2.00 pm, Hybrid Meeting - 18 Smith Square and Online

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 the LGA response to the Chancellor's Spring Statement on 23 March, work on cost pressures facing local government, support for Ukrainian refugees, and updates on business rates, capital finance, and audit issues.

Recommendations

That Members of 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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Position: Head of Local Government Finance

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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 2022.

Spring Statement

2. On 23 March, [the Chancellor delivered his 2022 Spring Statement](#).
3. There were no announcements about additional core funding for council services, with the focus on measures aimed at helping individuals deal with increases in the cost of living. For example, councils received £500 million to continue to provide targeted local welfare support to low-income households facing financial hardship in their communities via the Household Support Fund.
4. The LGA [issued a press reaction](#) as well as an [on-the-day bulletin](#) for council leaders, chief executives and chief finance officers, summarising the announcements.

Cost pressures facing councils

5. At the time of the 2021 Spending Review, additional funding was estimated to be sufficient help keep services at the 2019/20 level of quality and access in 2022/23, but with a gap of at least £1 billion by 2024/25 and without addressing pre-existing pressures such as the adult social care provider market and overspends in children's social care.
6. However, several developments, including a spike in inflation and the accelerated growth in median earnings (which drives the benchmark for future National Living Wage increases), have meant that cost pressures present at the time of the Spending Review now appear to be a significant underestimate.
7. LGA officers are working on reassessing future cost pressures in the light of these increased inflationary, pay and demand pressures and will continue to make the case for sustainable funding.
8. In addition, the LGA continues to push the Government to provide clarity on local government finance reforms such as the Fair Funding Review, business rates reset and the New Homes Bonus and ensure no authority loses out from the Fair Funding Review.

Business Rates

9. The March spring statement announced the bringing forward of the implementation of business rates relief for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100 per cent relief for eligible low-carbon heat networks with their own rates bill to April 2022. Local authorities will be compensated for the loss of income because of these measures and will receive new burdens funding for any

administrative and IT costs. Further discussions are expected with DLUHC officials on this.

10. An [online sales tax consultation](#) was published by the Treasury on 25 February. This closes on 20 May. It covers the scope, design and impacts of any such tax but there is nothing about its administration and its effect on the business rates system. The consultation is clear that the Government has not decided whether to implement an online sales tax. However, it does state that any revenues would be used to fund a reduction in business rates for retail properties but does not go into detail about the design of any such relief nor how much discretion councils would have. The LGA's response will be signed off by Lead Members of Resources Board.

Business Grants

11. The final payments of the Omicron Hospitality and Leisure Grant and the Additional Restrictions Grant were to be made by 31 March 2022. In total, over £22 billion of grant funding to support businesses during the pandemic has been delivered by councils (as at the end of February 2022).
12. The final data publication, showing total payments made under all schemes by each local authority, is expected in mid-May. The grant delivery stages of this programme are now complete, and attention will now shift to reconciliation, assurance, and debt recovery.
13. In view of that fact that it remains a very busy time for councils, including delivering the Council Tax Energy Rebate and supporting the Ukraine response, BEIS has rationalised and prioritised the remaining reconciliation and assurance and has written to councils about this. Where erroneous grant payments have been made BEIS will stand behind these payments, subject to councils having taken reasonable and practicable steps. Officers have continued to liaise with BEIS officials.

Energy Rebate through Councils

14. The [Council Tax Energy Rebate](#) was announced on 3 February and [guidance](#) was published by DLUHC on 23 February. All Band A to D taxpayers, plus some exemptions, will be entitled to a £150 rebate at a cost of £2.9 billion. Councils have received this funding plus an additional £144 million to distribute to those outside these bands who may be suffering financial hardship because of the rising cost of living, or to top-up the £150 rebate. Councils have been distributing the rebate to direct debit payers from 1 April. Councils will also have to contact those not on direct debit and give them the option of a direct payment or having the payment applied to their council tax account. There have been extensive discussions about the details and administration of the scheme and New Burdens payments with DLUHC officials.

Ukrainian arrivals

15. We have been in continuing dialogue with DLUHC officials over the financial implications of the Homes for Ukraine scheme and other arrivals from Ukraine. DLUHC has published

[guidance on the role of councils in the Homes for Ukraine](#). At the time of writing, it has been announced that councils will receive a tariff payment of £10,500 for each arrival under the Homes for Ukraine scheme, and that this is expected to cover all administration and other costs incurred. In addition, councils will administer the £350 per month thank you payment to sponsors which will be re-imbursed by the government. Additional per pupil funding has been announced by the Department for Education. All funding that has been announced relates to people arriving through the Homes for Ukraine scheme. No funding has been announced for people arriving via other routes such as the family visa scheme and we continue to pursue this.

16. In early April [regulations](#) were laid before Parliament to protect sponsors' council tax discounts for single persons and to limit impact on council tax payments for those sponsoring a family in a second property. We have been discussing the impact of these on council income with DLUHC.

Capital finance - Statutory guidance on the flexible use of capital receipts

17. DLUHC has published updated [statutory guidance for the flexible use of capital receipts](#), from the financial year 2022/23. The scheme enables councils to apply capital receipts to fund the revenue costs of transformation projects (capital receipts cannot normally be used to fund revenue costs). The scheme has been running since 2016 and this latest extension takes it through to the financial year 2024/25. The updated guidance includes one important change; under the new guidance local authorities now cannot use the flexibility to fund discretionary redundancy payments. However, statutory redundancy payments may still be funded under the scheme as may other types of severance payments such as pension strain costs.

Local Audit

18. At the last meeting of the Board, members received a detailed update on local audit. Since the meeting, the Financial Reporting Council, the new system leader for local audit, has [appointed to the new post of Director of Local Audit](#).
19. Members requested that a survey of councils be undertaken to establish how they have been affected by audit delays and what the reasons are for those delays. As has been notified separately to members, a similar survey has already been undertaken by Public Sector Audit Appointments (PSAA). The results of that survey are still being collated and analysed and will be published by PSAA in due course. The results of the survey will be shared with members of the Board.
20. As reported at the last meeting the Chartered Institute of Public Finance and accountancy (CIPFA) undertook an [emergency consultation on temporary changes to the accounting code](#) for 2021/22 and 2022/23 from the Chartered Institute of Public Finance and Accountancy (CIPFA). The proposed temporary changes were designed to help alleviate delays in audits and [our response](#), which was cleared by lead members of Resources Board, supported the proposals, but recognised that they would not address the long-term problems with delays to the publication of audited financial statements. Since then, CIPFA has issued its [decision](#) which has been agreed by the Financial Reporting Advisory Board (FRAB).

21. This will delay implementation of International Financial Reporting Statement 16 (IFRS 16) Leases - a change to the way leases are reported in financial statements - in local authority accounts for another two years, but the other options to pause valuations of operational property, plant and equipment will not be pursued. Although more respondents to the consultation supported the pause to valuations, CIPFA took the view that there was neither overwhelming support for the proposal nor that it would save auditor time.
22. Since the last meeting a further issue has emerged that is delaying the sign-off of many councils' accounts; if a solution is not found it is likely that it will impact on 2021/22 accounts, when the audit of these is undertaken. The issue relates to the valuation of infrastructure assets that are unlikely to ever be sold (for example highways, road signage, and street furniture) and the interpretation under the accounting code on how these should be valued. CIPFA has set up an [urgent task and finish group](#) to address the issue and is expected to consult in May on suitable amendments to the accounting code which would come into effect as soon as possible. This is a different issue on valuations from the one referred to above that was reported to the last meeting
23. In March [PSAA announced](#) that 470 out of 475 eligible bodies (99 per cent) have joined its national scheme for local auditor appointments for the next appointing period, which will cover the audits for financial years 2023/24 to 2027/28.

Next steps

24. Members are asked to note this update.

Implications for Wales

25. 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 on local government finance.

Financial Implications

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

Cost of Living summary

Purpose of report

For information.

Summary

This paper gives a brief overview of our developing and ongoing work on the cost of living, to accompany a verbal update. This highlights developments since the last Board

Is this report confidential? Yes No

Recommendation

That the LGA continues to develop a cross-cutting and collaborative approach to developing the evidence base, supporting councils and informing policy development to ensure we are responding as effectively as possible to cost of living pressures

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Cost of Living summary

Cost of living summary

1. Resources Board members provided helpful feedback and highlighted key areas of concern at the Board meeting on 2nd March
2. Members agreed that the LGA needed to take a crosscutting approach to the cost-of-living crisis that connected the LGA's work on welfare and financial inclusion with other key policy areas and Boards
3. Cost of living has also been discussed by Group Leaders and LGA Board, who agreed that it should be a crosscutting priority within our current work
4. There are two key themes within our work, both of which are priorities for the Resources Board: the impact on council finances, for example through increased energy costs; and the impact on the communities councils support and serve
5. The Finance team are leading work on cost pressures for councils
6. Colleagues working on support for low-income households continue to work on the welfare system, benefits delivery and financial inclusion as set out at the last Board
7. Key points of contact and collaboration we have identified with other Boards and teams include:
 - Levelling-up, productivity and local economic development. Colleagues working with the Cities and People & Places Boards are hosting of round tables on 'levelling up locally'. The third of these will focus on 'productivity and prosperity' and will consider how councils can lead a sustainable approach that improves outcomes for lower-income households. The team will also consider reducing socioeconomic inequality in its work on the Future of Cities
 - Health and social care – the link between socioeconomic disadvantage and health / wellbeing is well evidenced. Cost of living is a key priority within our work with Government on addressing health disparities. There are also key concerns about the disproportionate impact of financial exclusion on disabled people (Community Wellbeing Board)
 - Housing and homelessness. There is a wide range of relevant work on housing supply, housing support and affordability. The most significant impacts on lower-income households are being captured through our work to contribute to the Department for Levelling Up Housing and Communities' work on 'preventing rough sleeping' (Environment, Economy, Housing and Transport Board)
 - Funding pressures on councils are likely to impact on provision of leisure services, while the importance of access to culture, sport and green spaces, which may be

curtailed by low-income, is vital to life chances and wellbeing (Culture, Tourism and Sport)

- Employment, skills and remuneration are key to improving life chances for those who are able to work, and to strengthening local economies. The LGA will shortly be publishing its current 'work local' proposals for the post-pandemic economy, with an emphasis on how local leadership and a more responsive, integrated approach to employment support can support economic recovery and sustainability (EEHT)
 - The LGA has highlighted the difference that improved energy efficiency could make to household bills and is working on food sustainability and local food partnerships in response to the recommendations in the national food strategy and the Government's white paper (EEHT)
 - Colleagues leading on Transport have highlighted the importance of affordable public transport, particularly through our work on the sustainability and sufficiency of local bus networks (EEHT)
 - There are a wide range of impacts on children in disadvantaged households. Colleagues working with the Children and Young People Board are working on a range of key pieces of work to improve outcomes, from work on children's food and addressing holiday hunger, through to understanding the demand pressures family disadvantage places on children's services
 - Work is underway to set up an advisory group as discussed at the last Board. Members highlighted the importance of cross-cutting membership and we have therefore agreed to collaborate across the Boards to propose members
8. The Government has now published its guidance to councils on the Household Support Fund. Although this gives councils broader flexibility than previous tranches the funding is still short term and prescriptive and campaigning for a more sustainable approach to both addressing crisis and building resilience continues to be a key LGA priority
9. Group leaders highlighted the importance of reviewing the evidence base on the complexity and sufficiency of the current benefits system, and its potential impact on councils. This reflects the decision in the Spring Statement to give councils further Household Support Funding, rather than putting additional support into Universal Credit, and concerns about whether reforms such as the benefit cap, spare room subsidy and shared accommodation rate were having the intended policy impacts in the current social and economic context. We will be strengthening our work in this area, with collaboration from the advisory group
10. Improvement colleagues have been signposting councils, who have been increasingly raising concerns about how to address cost of living challenges in their place. Approaches to local welfare support, housing affordability and debt have emerged as particular priorities. As set out previously we are delivering action learning on local welfare support, and we are developing an offer on fair and effective debt management

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