



Resources Board

Agenda

Wednesday, 10 May 2023
2.00 pm

Hybrid Meeting - Beecham Room, 18 Smith
Square and Online

There will be a meeting of the Resources Board at **2.00 pm on Wednesday, 10 May 2023** Hybrid Meeting - Beecham Room, 18 Smith Square and Online.

LGA Hybrid Meetings

All of our meetings are available to join in person at [18 Smith Square](#) or remotely via videoconference as part of our hybrid approach. We will ask you to confirm in advance if you will be joining each meeting in person or remotely so we can plan accordingly, if you wish to attend the meeting in person, please also remember to confirm whether you have any dietary/accessibility requirements. 18 Smith Square is a Covid-19 secure venue and measures are in place to keep you safe when you attend a meeting or visit the building in person.

[Please see guidance for Members and Visitors to 18 Smith Square here](#)

Catering and Refreshments:

If the meeting is scheduled to take place at lunchtime, a sandwich lunch will be available.

Political Group meetings and pre-meetings for Lead Members:

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: 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
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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

[Click here for accessible information on membership](#)

Councillor	Authority
Conservative (7)	
Cllr Richard Wenham (Vice Chairman)	Central Bedfordshire Council
Cllr David Leaf	Bexley 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 Steve Count	Cambridgeshire County Council
Cllr Jonathan Smale	Derby City Council
Labour (7)	
Cllr Peter Marland (Chair)	Milton Keynes Council
Cllr James Lewis	Leeds City Council
Cllr Cathy Mitchell	Warrington Borough Council
Cllr Ed Turner	Oxford City Council
Cllr Peter Mason	Ealing Council
Cllr Shama Tatler	Brent Council
Cllr Terry Paul	Newham London Borough Council
Substitutes	
Cllr Abdul Jabbar MBE	Oldham Metropolitan Borough Council
Cllr Stephanie Cryan	Southwark Council
Cllr Kate Groucutt	St Helens Metropolitan Borough 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 James Hakewill	North Northamptonshire Council
Cllr Zoe Nicholson	Lewes District Council
Cllr Nicola Dillon Jones	North Kesteven District Council

Agenda

Resources Board

Wednesday, 10 May 2023

2.00 pm

Hybrid Meeting - 18 Smith Square and Online

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Date of Next Meeting: Wednesday, 12 July 2023, 2.00 pm, Hybrid Meeting - 18 Smith Square and Online

Local Government Finance Update

Purpose of Report

For information.

Is this report confidential? No

Summary

This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 28 February 2023 including the Chancellor's Spring Budget, updates on business rates, council tax, local authority accounts and audit and capital and investments.

LGA Plan Theme: A sustainable financial future

Recommendation

That the Board note this update.

Action: Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Lead Members.

Contact details

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Position: Head of Local Government Finance

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Local Government Finance Update

Background

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 28 February 2023 including the Spring Budget, updates on business rates, council tax, local authority accounts and audit and capital and investments

2023 Spring Budget

2. On 15 March, the Chancellor delivered the [2023 Spring Budget](#). There were no announcements of new funding for councils to support services such as adult social care and children's services. Overall core funding for councils is unchanged.
3. However, there were a number of other announcements that were relevant to local government finance including:
 - A number of announcements on business rates reform (covered in detail below)
 - Expanding the local retention of business rates to more areas in the next Parliament working closely with interested councils to achieve this
 - Providing Greater Manchester and West Midlands Combined Authorities with single multi-year funding settlements at the next Spending Review.
 - A new discounted PWLB policy margin has been brought forward by the Government to support local authorities with Housing Revenue Accounts with the delivery of social housing. Please see later in the report for further information.
 - Other specific funding included £60 million for public swimming, £200 million in 2023/24 to maintain improve local roads and a third round of levelling up funding.
4. The LGA issued a [press reaction](#), as well as an [on-the-day briefing](#), summarising the announcements, for council leaders, chief executives and chief finance officers.
5. The absence of any additional core funding for the sector in the Budget was not unexpected given then the increase in core spending power provided to the sector in the 2022 Autumn Budget and 2023/24 Local Government Finance Settlement. Nonetheless the sector's finances continue to be under pressure and uncertain. Following continued high levels of inflation, and the publication of new National Living Wage estimates, LGA officers have started work to reassess future cost pressures and funding gaps facing councils.

6. In addition, the LGA continues to push the Government to provide clarity on local government finance reforms such as the financial implications of Extended Producer Responsibility, 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

7. At the Spring Budget the Government published a summary of responses to the [Business Rates Review technical consultation](#). It confirmed it would go ahead with previously announced proposals including three-yearly revaluations and a package of reforms to business rates, including measures for ratepayers to give information to the Valuation Office Agency (VOA), a new one-year improvement relief, changes to the revaluation transitional relief so that it no longer has to be done to a constant yield and a removal of the six months' time bar on discretionary relief after the end of the financial year to which it relates.
8. These, and other measures, are included in the [Non-Domestic Rating Bill](#), which was introduced into Parliament on 29 March. The explanatory notes to the Bill confirm that the Government will provide compensation to local authorities in line with existing processes. The LGA issued a [briefing](#) ahead of the Bill's Second Reading on 24 April.
9. A new consultation by the Valuation Office Agency on [providing ratepayers with more information on business rates valuation](#) was also published alongside the Spring Budget. This closes on 7 June 2023 and concerns how much information supporting valuations rate payers would like to be provided with and how much should be in the public domain. It is recommended that the LGA response be signed off by Lead Members of your Board.
10. Alongside the Spring Budget, the Government [replied to the consultation on Digitalising Business Rates](#) confirming it would go ahead with a reduced scope Measures to facilitate this are included in the Non-Domestic Rating Bill.
11. The Spring Budget also contained a commitment to consult on measures to combat business rates avoidance and evasion. The LGA will be engaging with this consultation and encouraging the Government to introduce measures along the lines of those enacted in Scotland and Wales. Resources Board members will be kept updated on this.

Council Tax

12. Following the discussion at the last Board, the [LGA responded](#) to the DLUHC [consultation on the Council Tax Valuation of Houses in Multiple Occupation \(HMOs\)](#). The Government proposed that HMOs should be banded as one property and have one

council tax band, other than in exceptional circumstances. The LGA response was signed off by Lead Members of your Board and makes the point that the Government ought to consider how to ensure that HMOs make a fair contribution to the cost of local services before going ahead with changes.

Grants distributed through councils

13. Following the publication of a National Audit Office (NAO) [report on COVID-19 business grants](#), the Public Accounts Committee (PAC) issued a call for written evidence. The LGA has made a submission to PAC in the form of a letter to the Chair from Councillor Marland; this was cleared with lead members of your committee. This emphasised the achievements of local government in distributing £23 billion of grants to businesses. However we highlighted the complexity of the schemes and the time taken for the publication of the guidance as well as the pressure from ministers to distribute grants to businesses before guidance was published and the administrative burden on councils.
14. The Government has tasked councils with [distributing funding from two schemes](#) to help with energy costs for those without a direct relationship with an energy supplier: the Energy Bills Support Scheme Alternative Funding (EBSS AF- a £400 payment) and the Alternative Fuels Payment (AFP – a £200 payment). The two schemes are open until 31 May 2023. We are in touch with the Department for Energy Security and Net Zero (DESNZ) on both schemes and have continued to relay concerns that this is the busiest time of the year for councils. We are also seeking assurances that the New Burdens exercises for both schemes will follow a robust methodology that takes accounts of all costs councils will incur in delivering the schemes including reconciliation and assurance.

Local authority accounts and audit

15. The PAC has been undertaking an [inquiry into the timeliness of local auditor reporting](#). We submitted [written evidence](#), which was cleared by Resources Board Lead Members and has now been published by the PAC. The inquiry followed a [report by the NAO](#), which was a progress report following up from an earlier [report published in March 2021](#). We issued a [press statement](#) in response to the latest report. While some progress has been made in addressing some of the underlying issues, we called on the Government to set out a detailed timetable by which it expects to restore timely audited accounts.
16. The Levelling up, Housing and Communities Select committee has been undertaking an [inquiry into Financial Reporting and Audit in Local Authorities](#). Resources Board Lead members approved a submission which emphasised the need for immediate action to enable the backlog of delayed audits to be cleared and suggested some measures that

could be taken. The submission also included comments on issues of usability and clarity in the published accounts and on the impact of applying International Financial Reporting Standards.

17. One issue highlighted in the submission that has the potential to further delay the finalisation of the audit of 2021/22 accounts relates to pension valuations. The delay in finalising accounts means that information from the March 2022 triennial valuations of pension funds has become available before the audit of many accounts has been signed-off. This has led some auditors to request that the accounts are re-done using this more up to date information. This issue has only arisen because of the delay in auditing the accounts and now threatens to delay them further. DLUHC and the Director of Local Audit at Financial Reporting Council (FRC), as shadow system leader for local audit, are aware of the issue and are seeking a resolution with the audit firms.
18. As reported to the Board in January, in conjunction with the IDeA Board and the Chairman of the LGA, we put forward a proposal for a roundtable with the Local Government Minister, the new Director of Local Audit at the FRC and other relevant stakeholders to discuss long-term solutions to the problems with local audit. This roundtable was arranged by DLUHC and took place on 17 April and was attended by the Chair of this Board and the Chairman of the LGA. There was broad agreement amongst attendees on the urgent need to address the audit backlog. We suggested some measures and emphasised that willingness to explore areas of compromise by all stakeholders will be critical if the backlog is to be reduced. . We are following this up with DLUHC and other stakeholders.
19. The problem of accounting for infrastructure assets added significantly to delays in finalising accounts. As previously reported to the Board, a temporary solution to these problems was put in place in December 2022. This temporary solution will last until 2024/25. CIPFA has now launched a [survey](#) (which closes on 14 June) to hear local authorities' views on its proposals for a long term solution. If implemented, these proposals will mean local authorities will have to make changes to how they report infrastructure asset values.
20. DLUHC undertook a two-week [consultation](#) proposing to bring the deadline for local authorities to publish their draft (unaudited) final accounts to 31 May. The deadline was extended to 31 July for 2020/21 and 2021/22 in response to the crisis in local audit. In our [response to the consultation](#), we argued that the crisis is continuing and so the deadline should instead be extended to 30 June. We also pointed out that the deadline for the audited accounts has been extended by two months to 30 September for the next six years and this will impact on when audit work will be undertaken. However, DLUHC announced at the end of March that the deadline for draft unaudited accounts will revert to 31 May for 2022/23.

Capital and investments

21. DLUHC has recently published the [outcome](#) to the [consultation](#) on the future of the statutory override to IFRS 9 (International Financial Reporting Standard 9). The override means that councils do not have to reflect nominal (or “paper”) fluctuations in the values of pooled investment funds in their revenue accounts and so do not have to cover these with real money in the short-term. The override has been extended for two years through a [statutory instrument](#). The consultation outcome does not state what is going to happen at the end of the two-year extension period, but it is possible that the override will not be extended further at that point. In [our response](#) to the consultation we had argued that the override should be extended or preferably made permanent. The consultation outcome shows the vast majority of respondents (nearly 90%) agreed with us. We will continue to discuss the future of the override with DLUHC.
22. In March the [UK Infrastructure Bank Act](#) received Royal Assent. This means that the UK Infrastructure Bank is now formally established and will be able to issue its own loans. Until now any loans it has made to local government have been via the Public Works Loans Board (PWLB). The bank was launched in June 2021 and it will have £4 billion to lend to local authorities over five years for high value and strategic projects of at least £5 million that support regional and local economic growth or tackle climate change. Members will recall that representatives of the Bank attended the May 2022 meeting of the Board to present on how it plans to work with councils.
23. The Spring Budget included an announcement that discounted PWLB lending will be made available to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing. Subsequent information from HM Treasury indicates that the discounted rate will be at “gilts plus 0.4%” and will be available for one year from June 2023. Previous discounted PWLB rates (for example, the Local Infrastructure Rate) have usually been at the higher rate of “gilts plus 0.6%”.

2020 Teachers’ Pension Scheme Valuation – impact on employer contribution rate

24. On 30 March 2023 HM Treasury announced that the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate has been reduced to CPI plus 1.7 per cent from 2.4 per cent. The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes – including the Teachers Pensions Scheme (TPS) – and to determine actuarial factors across all public sector schemes, including the Local Government Pension Scheme. The SCAPE rate reflects economic growth forecasts, hence the downward revision in line with expectations published alongside the March 2023 Budget from the OBR.

25. Provisional results of the 2020 valuation should be known in the coming months. The new employer contribution rate in the TPS will be confirmed in late 2023 or early 2024 and will be effective from 1 April 2024. The reduction in the SCAPE rate will lead to an upward pressure on the TPS employer contribution rate. It is difficult to quantify how large the increase might be as there are several moving parts in the calculation. There are a number of downward pressures, which will mitigate the full impact of the SCAPE rate change. Some commentators have said there could be a 5-10% increase in the TPS employer contribution rate, but it is very much unclear at present.
26. HM Treasury has stated that for employers whose employment costs are centrally funded by departments, HM Treasury will exceptionally provide funding for any increases in employer contribution rates resulting from the 2020 valuations due to changes to the SCAPE discount rate. Through enquiries firstly via the Department for Education but latterly through HM Treasury, it has been confirmed that the expectation is that this funding will extend to local authority schools. This mirrors the arrangements put in place the last time the TPS employer contribution increased in 2019. The commitment currently is only for 2024/25 as anything after that will be considered as part of the next SR process.

Implications for Wales

27. 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

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

Equalities implications

29. This paper outlines how the LGA is working on a range of initiatives on finance and funding issues. These issues affect councils and their residents as a whole and it is difficult to assess what individual impacts there are on people with protected characteristics. Improving the funding position of councils should help them to fund work that improves equalities. Working with the Government on improving guidance on finance should also help with enabling better outcomes.

Next steps

30. Members are asked to note this update.



LGA Resources Board

10 May 2023

31. Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Board Lead Members.

Consultation response: HMT Thematic Review of Non-investment Asset Valuations for Financial Reporting Purposes

Purpose of Report

For decision.

Is this report confidential? No

Summary

The report outlines a draft response to a consultation from HM Treasury following the thematic review of non-investment assets for financial reporting purposes, to be cleared by the Board. The report proposes that the response broadly supports much of the approach suggested in the consultation and the review, but suggests improvements that could be made to the proposals for valuing infrastructure assets. Members are asked to clear the response for submission to HM Treasury, subject to any amendments agreed at the meeting.

LGA Plan Theme: A sustainable financial future

Recommendation(s)

That the Resources Board approve the draft response to the consultation appended to this report, subject to any amendments agreed at the meeting.

Contact details

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Consultation response: HMT Thematic Review of Non-investment Asset Valuations for Financial Reporting Purposes

Background

1. The valuation of non-investment assets, and the particularly the time spent on it by auditors, has long been identified as a contributing factor to the problems being experienced with local audit. In 2022 the problems associated with accounting for infrastructure assets made a significant additional contribution to the delays in finalising the audit of local authority accounts and made a significant contribution to the current crisis in local audit. (Infrastructure assets, primarily roads, are just one class of “non-investment asset” held by local authorities).
2. In 2022 HM Treasury commissioned a thematic review of the valuation of non-investment assets. This review looked across the whole of the public sector, not just local authorities. The full outcome of the review has not yet been published. However, HM Treasury has published a [consultation](#) on proposals for changes in the way non-investment assets are valued that draws on the results of the review.
3. It is clear from the narrative of the consultation that although the review has looked at the whole public sector, it is local authorities, and particularly English local authorities, where the most significant problems are being experienced. For example, para 3.9 of the consultation document references the annual cost of undertaking valuations as £50 million (of which 15% is audit costs) and that “the cost burden was felt most acutely in English local authorities”.
4. It is also clear that the proposals have been arrived at with a view to being sympathetic to the problems being suffered by local authorities and to seek to improve the position, while taking account of the rest of the public sector and of relevant accounting and reporting standards. That said, it is also apparent that the HM Treasury is willing to consider options that go against accounting standards, as can be seen by the preferred option that recommends different valuation approaches for different types of assets that would currently all be valued on the same basis.
5. The consultation includes 30 individual questions, many of which are quite technical, and are more properly aimed at preparers of accounts. The proposals are outlined in “option 3” of the consultation; this in itself includes a number of different proposals. It is proposed that the LGA response does not answer the 30 questions individually, but instead comments on the proposals in HM Treasury’s preferred option (option 3), including suggestions for improvement in the area of valuing infrastructure assets.

Proposed response to the consultation

6. The proposed response to the consultation is attached as an appendix to this report.
7. In outline, the proposed response is to be supportive of the overall approach being made in the proposals. In particular it is suggested that the response highlights:
 - That the review acknowledges the particular problems being experienced by local authorities;
 - That the proposal for a different approach for each different class of assets is welcome and sets a precedent that should allow a sensible and individual approach to be taken where particular types of asset are causing problems;
 - Support for the no change option for certain specified classes of assets (heritage assets, social housing assets and surplus assets) where these are not currently causing problems and also supports the change proposed for intangible assets (eg intellectual property) as making the valuation easier to make and less open to dispute;
 - Comments in detail on the proposals for property plant and equipment (PPE). This is an area that local authorities have long reported as being a burden, particularly in terms of audit. It is expected that the proposals in the consultation should help address this so the proposed response supports them (see below);
8. It is suggested that the response comments in detail on the proposals for the valuation of networked assets. This area includes local authority infrastructure assets (primarily roads). Here the proposals do not appear to address the fundamental problem being experienced, so an alternative suggestion is made.
9. The proposals for PPE are to separate PPE into two categories – specialised and non-specialised – and have a different approach to the valuation for each.
10. Specialised PPE assets are those assets where the component parts of the assets have an intrinsic value (eg the value of the land and buildings in use) and so could have a resale value, but in reality the asset has little or no chance of being resold for its current use, so it is unlikely to ever be sold unless the service has been discontinued. Examples quoted in the document include schools and prisons; local authorities might also suggest their town halls. The proposed valuation method recognises that there is no need to spend time obtaining a specialised valuation and instead the accounts should report the historic cost of the asset – the cost that has already been incurred. The proposed response supports this proposal.
11. Non-specialised PPE is PPE where the asset could potentially be sold for another use but is more likely to be retained as an ongoing operational asset and maintained and

replaced if necessary. The example given in the consultation document is office buildings. The proposal is for this to be valued on depreciated replacement cost (DRC) which would involve obtaining a valuation. Since the value of the asset could play a part in decision making, this seems to be a reasonable approach and the proposed response supports this.

12. Networked assets. The consultation document gives the following as examples of networked assets: road networks, sewer systems, water and power supply systems and communication networks. For local authorities the important class will be roads, and this is the area known as “infrastructure assets” which have been a source of difficulty in local audit over the past year.
13. The consultation document acknowledges the limitations with providing a value for these assets. However, the proposal is to change the way local authorities value such assets and to adopt the DRC valuation (as recommended for non-specialised PPE). Currently local authorities have been using historic replacement costs but it is acknowledged that this has not been without problems (due to the age of many roads); it has also led to a qualification of the Whole of Government accounts, which is likely to be a factor influencing HM Treasury. It should also be noted that CIPFA has recently launched a [survey](#) on infrastructure assets that proposes a move to DRC in the long term.
14. The move to DRC for roads is likely to cause problems for local authorities. Firstly they will have to obtain valuations that will then be audited. Secondly the resulting figures that will be reported in the accounts are likely to significantly skew the published accounts of local authorities as the value to be placed on the infrastructure assets may significantly exceed values of other assets in the accounts. The proposed response therefore suggests that HM Treasury should acknowledge that the figures to be reported in local authorities’ accounts for roads are virtually meaningless in terms of financial decision making and that instead the approach should be to provide a simple valuation that bears some relation to size of the asset but is recognised as not directly impacting on the local authority’s finances. The proposed response suggests that such a measurement could be based on a standard cost per mile of road.

Implications for Wales

15. The proposals in the consultation apply across the whole public sector and so apply to Welsh local authorities as well. We are in frequent contact with the Welsh Local Government Association. Welsh local authorities have not suffered the same crisis affecting local audit that has affected English local authorities.

Financial Implications

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

Equalities implications

17. It is difficult to assess whether proposed changes to the approach to valuing non-investment assets will have any specific impacts affecting equalities. These issues affect councils and their residents as a whole and it is therefore difficult to assess what individual impacts there might be on people with protected characteristics.

Next steps

18. That officers make any amendments to the draft response and arrange submission to HM Treasury.

LGA response : HMT Thematic Review of Non-investment Asset Valuation for Financial Reporting Purposes

May 2023

About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
3. This response has been cleared by the LGA's Resources Board.

Introduction

4. The LGA welcomes this review and consultation on the options. The valuation of non-investment assets for financial reporting purposes has been a contributory factor to the current crisis in local audit and how the valuation of such assets is audited is an area that needs to be addressed if the crisis is to be solved. Clearly how the assets are valued in the first place is an important step in that.
5. While the full outcome of the review has not been published, it is encouraging that the consultation document acknowledges that local authorities have had particular difficulties under the current arrangements, recognises that “the cost burden was felt most acutely in English local authorities” (para 3.9) and that the proposals in the consultation represent an attempt to address that.
6. The consultation includes many detailed technical questions and it is not our intention to answer the questions individually; instead, we will comment on the overall approach and highlight where we believe further improvements can be made.

LGA views on the proposals

7. The overall approach being suggested in the consultation (under the preferred option 3) is that a different approach should be taken to valuation of different types of assets. We think this is the right approach and it is welcome that this represents a willingness to diverge from International Financial Reporting Standards (IFRS) where it is clear that these do not add value and potentially cause problems. Such a practical attitude is to be welcomed.
8. The consultation identifies a number of different asset classes. We agree that these broadly cover the right areas and will provide a useful distinction between the different types of assets and how they should be approached. We are also in broad agreement with the proposals for most of the classes, although we suggest that an alternative and more practical approach should be taken to networked assets (usually called “infrastructure assets” in local authorities). This is the area that has been making a significant contribution to the current crisis in local audit

Submission

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 Local Government Association company number 11177145
 Improvement and Development Agency for Local Government company number 03675577

and we do not think that the proposals on the consultation go far enough (see below).

9. Dealing with the other classes first, the distinction between specialised assets (PPE) and non-specialised assets (PPE) in the proposals is helpful. Valuation of Property Plant and Equipment (PPE) has also contributed to the current crisis in local audit, where the process has meant auditors have spent a lot of time on the valuation of assets where the actual value plays little role on decision making nor has a great deal of meaning (as there is no market for the asset in its current form nor would there be any intention of selling it). It is therefore welcome that the proposals recognise this with the proposed class of specialised assets (PPE) and proposes that the valuation of these should be done on a historic cost basis. This should make it clear that there is no need for auditors or preparers to obtain independent or external valuations. This should be a helpful contribution to reducing the local audit burden.
10. The alternative approach for the proposed class of non-specialised assets (PPE) is also supported. These are assets that could potentially be sold, so it is right that the figure in the accounts is meaningful. The suggested move to fair value therefore seems to make sense, though account should be taken of any further comments made on this proposal by technical specialists from individual local authorities.
11. For heritage assets, social housing assets and surplus assets no changes are proposed. We support this within the context of the consultation and note the comment that the approach to valuation of social housing assets is a matter for CIPFA / LASAAC rather than for HMT.
12. For intangible assets we support the move to historic cost and agree with the comments that this is well understood and easy to measure and that there is little value from alternative approaches as the assets cannot be sold or put to any alternative use.

Networked Assets (infrastructure assets)

13. As mentioned above, problems with valuing networked assets have made a major contribution to worsening the current crisis in local audit. In local authority terms these assets are usually referred to as infrastructure assets and are primarily highways.
14. The consultation shows that local authorities' approach to valuing these assets has varied from the approach taken in the rest of the public sector. The proposal is for local authorities to move to the same basis of valuation used by the rest of the public sector, that is depreciated replacement cost (DRC). We think there are several problems with this. We also believe that this will not help resolve the current crisis in local audit.
15. There is a lot of important and useful financial information that relates to these assets and their condition and this is used to manage their maintenance and use. It is hard to see that the published accounts is the right place for such information. It should be reiterated that, certainly in the case of local authorities, networked assets cannot and will not ever be sold. The value placed on them will not significantly impact on any decision making (unless in a negative way by skewing the view of other items in the accounts – see below). The value placed on them in the accounts **as a financial asset of the local authority** can never be more than

a notional figure, no matter how sophisticated the measurement process.

Therefore, the measurement needs to be as simple as possible and one that is unlikely to be disputed or lead to additional and unnecessary work by accounts preparers and auditors. Unfortunately, DRC is unlikely to meet either of these criteria and we call for this to be reconsidered.

16. Using DRC will have at least two negative impacts.

- Firstly, it will mean that a great deal of time and effort will be spent producing a figure that will have no real meaning but will still need to be subject to audit.
- Secondly, it is expected that the application of DRC to highways assets will mean a massive increase in the (notional) value of these assets reported in the final accounts. Some local authorities expect that this will mean that the figures will exceed the value of all other assets in their accounts. This will significantly distort the figures and give a highly skewed picture of the finances of the local authority. It is possible to expect a scenario where figures for other areas that actually matter are masked or lost amongst these excessive values. This cannot be seen as high-quality financial reporting.

17. There needs to be change in how figures relating to infrastructure assets in the published accounts are viewed. Accepting that the figures in local authority final accounts for values of infrastructure assets can never be more than notional will enable a more radical and realistic approach to be taken. For example, the valuation of local authority infrastructure assets could be undertaken on a standard cost basis – such as a standard value for each mile of road. This would then mean that the value in the accounts would be easy to calculate, easy to audit and it would be based on real service information that should already be in the accounts. Depending on the standard value used the figure itself could be set so that it does not distort the view of the finances of the local authority (although as a notional figure it might be better to report it separately). More importantly it would not hold up the process of auditing the accounts. It would also facilitate comparisons between the figures reported by different local authorities.

Conclusion

18. As outlined, we have not answered the individual questions in the consultation.

We are supportive of the approach suggested in the preferred option (option 3), in accepting that there should be different approaches to different asset classes and that these different approaches should diverge from IFRS where appropriate.

However, we do not agree with the valuation methodology proposed for networked assets (roads) in local authorities and we believe that there is a strong case for an alternative pragmatic, practical and sensible approach for this. We would be happy to discuss the points raised in this response and to collaborate on taking them forward.

Contact:

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Minutes of last Resources Board meeting

Resources Board

Tuesday, 28 February 2023

Hybrid Meeting - 18 Smith Square and Online

Attendance

An attendance list is attached as **Appendix A**

Item	Decisions and actions
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1 Welcome, Apologies and Substitutes, Declarations of Interest

The Chairman welcomed members to the Resources Board meeting.

Apologies were received from Cllr Phillip King.

Cllr Andrew Jamieson was in attendance as a substitute.

No declarations of interest were made.

2 Equalities Advocate and Outside organisation appointment

Members of the Board approved of the following:

- a) Cllr Terry Paul be the Equalities Advocate for the 2022/23 year;
and
- b) Cllr David Leaf be the appointment for the Enforcement Law Review Group for the 2022/23 year

3 Local Government Finance Update

The Chairman invited Nicola Morton, Head of Local Government Finance to present the report which provided a summary of the work by the LGA on funding and finance issues since the last Board meeting including the final 2023/24 Local Government Finance Settlement, the Government's Local Government Finance Policy Statement, the LGA's approach to the Spring Budget on 15 March 2023, and updates on business rates and local external audit.

Members were informed of the following which had taken place since the writing of the report:

- The National Audit Office (NAO) published a report on the timeliness of auditor reporting and following that the Public Accounts Committee (PAC) launched an inquiry on this issue

which the LGA is submitting evidence to

- The Department for Levelling Up, Housing and Communities (DLUHC) issued a two-week consultation on returning the deadline for draft audit accounts back to 31 May which the LGA is responding to
- DLUHC published a consultation on the council tax valuation of Houses in Multiple Occupation (HMOs) which the LGA would write a response to for the end of March.

The Chair invited Jo Donnelly, Head of Pensions, to give an update. Members were informed that the Parliamentary Under Secretary of State for Local Government and Building Safety had responded to a letter from the Chair of the Scheme Advisory Board advising that he had asked officials to look into the possibility of separating pension fund accounts from main council accounts in order to minimise the impact of audit delays on the pension fund annual report and accounts.

Members made the following comments:

- Members thanked officers for their lobbying in advance of the 2023/24 settlement but raised concerns over another single year settlement and lots of different, often one-off, funding pots.
- There were concerns that despite encouragement from Government to use reserves to help address inflationary pressures, reserves would not be sufficient. It was requested that an item on reserves be brought to a future meeting of the Board.
- There were strong concerns that proposed changes to the valuation for council tax purposes of HMOs would have large financial implications for councils with one Member raising that 20% of a ward are HMOs.
- It was requested that Members be provided with further information relating to councils under formal intervention.

Members were encouraged to put forward further statistics and evidence from their councils on HMOs.

Decision:

Members **noted** the report.

Action:

- Report on council reserves to be brought to a future meeting of Resources Board.
- That further information relating to councils which were under formal intervention be circulated to Members.

4 Fair and effective debt management, advice and support

The Chair invited Rose Doran, Senior Adviser, to present the report which provided an overview of the current lobbying and support work on councils' approach to debt recovery and support for indebted households, which will be important aspect of our work in 2023/24. Rose also highlighted that there is a Money and Pensions Service consultation

currently out on commissioning of local debt advice, which the LGA will respond to.

Members made the following comments:

- It was noted that there had been a decrease in grant funding offered to local Citizens Advice Bureaux over the years
- It was suggested that in the development of a debt maturity framework, most of its content should be advisory and left to local councils to ultimately determine their approach, however it was acknowledged that government would want assurance from councils that debt management was being handled appropriately.
- Councils need an opportunity to deliver more long-term planning so they can support residents. Some recent support has been required to be delivered within quick turnaround which was challenging for revenues and benefits teams at councils

In response, Rose Doran made the following comments:

- The debt maturity framework is intended to be a sector-led tool and not to impose statutory requirements onto councils
- Taking a sector-led approach will put us on the front foot, and should help to prevent the imposition of requirements by partners without engagement with the LGA and councils

Action:

The debt maturity framework to be circulated to Resources Lead Members.

Decision:

Members **noted** the current work programme; and

Members **agreed** the proposals for a pilot debt maturity framework for local government.

5 Workforce capacity in local government

The Chairman invited Naomi Cooke, Head of Workforce, to present the report which summarized the LGA's policy and improvement activity to address workforce capacity challenges in local government and sought the Board's feedback on priorities for future activity. As workforce was within the Board's remit, Members were asked for their views on what they thought should be a priority area, to inform a paper for consideration by the Executive Advisory Board.

Members made the following comments:

- There was no area of local government not struggling with recruitment and there was a need to identify where we can make the most impact in the short and medium term.

- It was suggested that we approach a long-term strategy for local government workforce.
- There should be consideration for productivity and efficiency as the workforce overall was shrinking while council service demand was increasing.
- Digital or remote working solutions can be part of the solution by attracting people to work in councils, but also present challenges by attracting people away from their local council.
- It was a challenge to recruit for specialist roles and there should be more work done to promote professions in local government as a good career path with opportunities for development.
- It was highlighted that the Apprenticeship Levy was not being used to its full capacity. To help use it, it was suggested that it be more flexible and allow it to fund other qualifications or skills outside of apprenticeships

Decision:

Members recommended to the Executive Advisory Board that the LGA should work with all sectors and Government to create a long term workforce plan.

6 Workforce Update

Please refer to the confidential minutes document for information relating to this item.

7 National collective agreement for schoolteachers' pay and conditions (Burgundy Book) - Workforce Update

Please refer to the confidential minutes document for information relating to this item.

8 Minutes of the previous meeting held on 15 November 2022

Members agreed the minutes of the previous meeting as an accurate record.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Cllr Peter Marland	Milton Keynes Council
Vice-Chairman	Cllr Richard Wenham	Central Bedfordshire Council
Deputy-chairman	Cllr Keith House	Eastleigh Borough Council
	Cllr Jason Zadrozny	Ashfield District Council
Members	Cllr David Leaf	Bexley Council
	Cllr Mark Hawthorne MBE	Gloucestershire County Council
	Cllr Nicholas Jones	Bury Metropolitan Borough Council

Cllr Rory Love OBE	Kent County Council
Cllr Roger Phillips	Herefordshire Council
Cllr Andrew Jamieson	Norfolk County Council
Cllr James Lewis	Leeds City Council
Cllr Cathy Mitchell	Warrington Borough Council
Cllr Ed Turner	Oxford City Council
Cllr Peter Mason	Ealing Council
Cllr Shama Tatler	Brent Council
Cllr Terry Paul	Newham London Borough Council
Cllr Richard Kemp CBE	Liverpool City Council
Cllr Phelim Mac Cafferty	Brighton & Hove City Council

Apologies

Cllr Phillip King	Harborough District Council
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In Attendance

Cllr Jonathan Smale	Derby City Council
Cllr Stephanie Cryan	Southwark Council
Cllr James Hakewill	North Northamptonshire Council

LGA Officers

Naomi Cooke
 Jo Donnelly
 Rose Doran
 Mike Heiser
 Bevis Ingram
 Nicola Morton
 Angela Page
 Emilia Peters
 Sarah Pickup
 Jamie Saddler
 Sarah Ward
 Heather Wills

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