# Economy and Resources Board

Agenda

Thursday, 29 February 2024
2.00 pm

Hybrid Meeting - Beecham Room, 7th Floor,
18 Smith Square and Online

There will be a meeting of the Economy and Resources Board at **2.00 pm on Thursday, 29 February 2024** Hybrid Meeting - 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:**
Abigail Benari
07789 937675 / abigail.benari@local.gov.uk

**Carers' Allowance**
As part of the LGA Members' Allowances Scheme, a Carer's Allowance of National Living Wage and/or 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.

# Economy and Resources Board – Membership 2023/24

**Click here for accessible information on membership**

| Councillor | Authority |
|---|---|
| | |
| **Conservative ( 6)** | |
| Cllr John Fuller OBE (Vice Chairman) | South Norfolk District Council |
| Cllr Mark Hawthorne MBE | Gloucestershire County Council |
| Cllr David Leaf | Bexley Council |
| Cllr Roger Phillips | Herefordshire Council |
| Cllr Carl Les OBE | North Yorkshire Council |
| Cllr Donna Ford | Oxfordshire County Council |
| | |
| ***Substitutes*** | |
| Cllr Barry Wood | Cherwell District Council |
| Cllr Paul Redgate | South Holland District Council |
| Cllr Graham Burgess | Gosport Borough 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 Stephanie Cryan | Southwark Council |
| | |
| ***Substitutes*** | |
| Cllr Abdul Jabbar MBE | Oldham Metropolitan Borough Council |
| Cllr Kate Groucutt | St Helens Metropolitan Borough Council |
| Cllr John Adams | Gateshead Council |
| | |
| **Liberal Democrat ( 3)** | |
| Cllr Keith House (Deputy Chair) | Eastleigh Borough Council |
| Cllr Lucy Nethsingha | Cambridgeshire County Council |
| Cllr Michael Headley | Bedford Borough Council |
| | |
| **Independent ( 2)** | |
| Cllr Ian Stephens (Deputy Chair) | Isle of Wight Council |
| Cllr James Hakewill | North Northamptonshire Council |
| | |
| ***Substitutes*** | |
| Cllr John Ward | Babergh District Council |
| Cllr Nicola Dillon Jones | North Kesteven District Council |
| Cllr Wisdom Da Costa | Windsor and Maidenhead Royal Borough |

# Agenda

**Economy and Resources Board**

Thursday, 29 February 2024

2.00 pm

Hybrid Meeting - 18 Smith Square and Online



**Date of Next Meeting:** Thursday, 16 May 2024, 2.00 pm, Hybrid Meeting - 18 Smith Square and Online

Economy and Resources Board

29 February 2024

# Longer Term Funding for Councils – presentation by Councillor Sir Steve Houghton on behalf of the Industrial Communities Alliance

## Purpose of Report

For information.


## Summary

A presentation from Councillor Sir Steve Houghton seeking LGA support for the case for longer-term funding for local and regional development on behalf of the Industrial Communities Alliance (an all-party association of local authorities in the industrial areas of England, Scotland and Wales) to HM Treasury.


**LGA Plan Theme:** A sustainable financial future and Stronger local economies, thriving local democracy

## Recommendation(s)

**That the Economy and Resources Board consider supporting the case for longer term funding for local and regional development as outlined in the paper from the Industrial Communities Alliance in appendix 1.**


**Contact details**

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Position: Acting Chief Executive

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Local Government Association

Economy and Resources Board

29 February 2024

# Longer Term Funding for Councils – presentation by Councillor Sir Steve Houghton on behalf of the Industrial Communities Alliance

## Background

1. Councillor Sir Steve Houghton, Leader of Barnsley MBC, is seeking LGA support for the case for longer-term funding for local and regional development on behalf of the Industrial Communities Alliance (ICA), an all-party association of local authorities in the industrial areas of England, Scotland and Wales, to HM Treasury. A list of members of the ICA is attached as appendix 2 to this report.

2. Also appended to this report is a paper by the ICA, published last year, and endorsed by its members, discussed with officials at DLUHC and HM Treasury, and shared with the then Levelling Up Minister. Members are asked to consider whether they will endorse supporting the case for longer term funding outlined in the paper.

3. The paper concentrates on the system for funding local and regional development, much of which is long term capital infrastructure. This includes the following existing levelling up funds: Towns Fund, Future High Streets Fund, Levelling Up Fund, UK Shared Prosperity Fund and the Community Renewal Fund. As outlined below, the paper highlights problems with the current funding arrangements for such programmes, particularly fragmentation and short-term certainty with finance typically being made for a single spending review period.

4. The ICA's proposal sets out some specific ideas on:
   - what funds could be consolidated;
   - how this could be delivered pragmatically and through future funding rounds;
   - how it would work in practice (e.g. dealing with concerns of the Treasury and the Government on spending controls, performance management, devolution and ministerial discretion).

## Key points from the ICA proposal

5. The ICA describes the current system for funding local and regional development as too rigid, short-term (typically a single spending review period which has recently been 3 years or less) and in practice is a year less than this because of the time government takes to put the funding architecture in place.

6. It argues that this leads to sub-optimal outcomes and poor value-for-money; is an obstacle to longer-term transformational projects; makes capital projects difficult as there is often insufficient time to properly work up and commission projects; undermines revenue-funded schemes particularly in the recruitment of staff; and

results in rushed local spending plans and inadequate input from stakeholders. ‘Shovel ready’ schemes tend therefore to be favoured.

7. The paper calls for a compromise that balances the need to maximise local and regional benefits (and thus value to the taxpayer) with the Treasury’s need to maintain financial control.

8. It offers an option which would be to select relevant funds - broadly funding for levelling up and replacement EU funding (such as the UKSPF) - and then to earmark a proportion of these to be spent beyond the end of each Spending Review period. In effect, some of the funding would be allocated across two Spending Reviews – perhaps up to six years ahead. The ICA make the point that the Treasury already has experience of doing something similar through previously dealing with EU funding rounds, (which lasted 7 years) and the Government already commit long-term funding, beyond a single spending review period, to major infrastructure projects and defence procurement.

9. The paper suggests a starting point for a consolidated, long-term fund to be made up of the existing ‘levelling-up’ funds including: Towns Fund, Future High Streets Fund, Levelling up Fund, UK Shared Prosperity Fund (UKSPF) etc. And then goes on to explore how the EU funding model could offer a guideline on how much funding would need to be committed in future as well as how this approach could work in practice.

## Current LGA views relating to the paper

10. The LGA calls for long-term funding settlements and we have also called for a reduction in the fragmentation of central government funding of local government. The proposals in the paper are clearly strongly in line with both of these.

11. The LGA has long called for longer-term transport funding certainty and flexibility. This call was echoed in the recent Second National Infrastructure Assessment (NIA) which states : “Government should move away from centrally allocated funding pots for transport and, instead, implement flexible, long term, devolved budgets for all local authorities that are responsible for strategic transport.”

12. The LGA backs the NIA’s calls for the CRSTS (City Regional Sustainable Transport Settlement) to be extended to all other areas. The recent Network North plan starts to do this with the introduction of the new £4.7 billion, 7-year, Local Integrated Transport Settlements (LITS) to those highways authorities outside of Mayoral Combined Authorities (MCAs) in the North and Midlands.

13. The consolidation of local growth funds is an active area of work for the LGA. The City Regions and People and Places Boards have commissioned research to review local growth funds and mechanisms in use by the UK government over the past five years, and will provide insights and make recommendations on the

future objectives, structures and mechanisms for local growth funding. The funds in-scope for this study include: Levelling Up Fund, UK Shared Prosperity Fund, Towns Fund, Community Renewal Fund, Community Ownership Fund, Future High Streets Fund, Growth Deals, City Growth Deals, Regional Growth Deals, Regional Growth Fund, Rural Growth Networks, Enterprise Zones, Freeports, Business Improvement Districts, Investment Zones, Strength in Places Fund. The work will also explore lessons from past funding mechanisms and overseas policy and practice.

## Implications for Wales

14. The proposals in the ICA paper are UK wide, and the ICA has members in England, Scotland and Wales.

## Financial Implications

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

## Equalities implications

16. There are likely to be equalities issues arising from the work summarised in this paper as the overall approach to funding affect councils and their residents, although it is difficult to assess what individual impacts there are on people with protected characteristics. Improving the funding position of councils, including improving long term certainty, should help them to fund work that improves equalities.

## Next steps

17. Following the presentation, members are asked for views on whether to support the case made in the ICA paper and the presentation.

## Appendix 1- Paper by Industrial Communities Alliance

# LOCAL AND REGIONAL DEVELOPMENT: THE CASE FOR LONGER-TERM FUNDING

Paper for consideration by HM Treasury

### The problem

The present system of funding for local and regional development is deeply flawed. This is a problem that affects all parts of the UK, including the devolved nations. At its heart lies the financial rules operated by the Treasury.

That the current system is failing is the widely held view of local authorities. It is also a view known to be held by officials in the Department for Levelling Up who deal with this funding on a day-to-day basis.

Under the present system, the principal funding for local and regional development is only made available for the duration of a Spending Round – currently through until March 2025. Each Spending Round typically lasts only three years and it can be well into the first year before the government has put the funding architecture in place, thereby reducing the duration of spending to not much more than two years. Under the present system a specific sum is also set for each financial year, with only ad hoc and limited provision for transfers between years.

This system has profound disadvantages:

- It presents an **obstacle to longer-term projects**, including those of a transformative nature, that need to run on beyond the end of a Spending Round.
- It renders the funding of **capital projects** especially difficult, since these often require significant lead-in time to work up specifications, secure permissions and put contracts out to tender.
- It undermines **revenue-funded schemes**, which typically require an up-front period to recruit staff who then find that they need to prioritise looking for alternative work or funding in the final year of a project.
- It requires **local spending plans** to be put together in a rush to satisfy deadlines, often with inadequate input from stakeholders.

The shortcomings of the present arrangements have been highlighted by the replacement of EU funding by the UK Shared Prosperity Fund. Whereas EU spending rounds ran for seven years with the option for spending to run on a further three years, the government has allocated UKSPF funding for only three years with no option for monies to be rolled forward beyond March 2025. In practice, because the UKSPF Investment Plans were not signed off until the autumn of 2022 all the UKSPF spending has to take place over just two-and-a-half years.

These arrangements fail to deliver best value for money. Because of the short timescales for planning and delivery, they also favour 'shovel-ready' projects over other schemes with potentially greater impact.

## Treasury concerns

The Treasury does of course have legitimate concerns:

- The need to control the scale of public spending in each financial year – an essential part of macroeconomic management.

- The avoidance of spending by local players being deferred further into the future. This would undermine government efforts to deliver early results.

- Financial commitments beyond the end of Spending Rounds would limit the options open to future ministers, especially if there were to be a change of government.

On the other hand, as the Treasury will be aware, although named spending programmes come and go the broader departmental budget lines tend to be carried forward from one Spending Round to the next. For example, the present day Towns Fund, High Streets Fund and Levelling Up Fund are in budgetary terms the successors to the Local Growth Fund (2015-21) which in turn replaced amongst other things the pre-2015 Regional Growth Fund and Growing Places Fund.

## Striking a balance

What is needed is a **pragmatic compromise** that balances the need to maximise local and regional benefits (and thus value to the taxpayer) with the Treasury's need to maintain financial control.

The straightforward option would be to earmark a proportion of funding to be spent beyond the end of each Spending Round. In effect, some of the funding would be allocated across two Spending Rounds – perhaps up to six years ahead. To maintain spending in the short-term (a Treasury objective) the allocation to be spent in the first Round would remain unchanged; the additional funding would be for projects that needed to roll on into the subsequent Round. This roll-on funding would accordingly be somewhat less, leaving scope for discretion on overall spending in the second Round.

A stable level of spending through time would imply that at each Spending Review budget lines would topped-up for the forthcoming round and the one after that.

In dealing with EU funding rounds lasting seven years (with a further three-year roll-on at the end) the Treasury has over the last thirty years built up substantial experience in managing longer-term budget lines of this kind. In the case of EU funding, the spending profiles were predictable and on the whole led to little difficulty in getting money ‘out of the door’ at the right time.

In other spheres of public spending, of course, committing monies beyond the end of Spending Rounds is not unusual. It is the norm for example for major infrastructure projects and in defence procurement.

A variant might be to differentiate between capital and revenue spending. Capital projects are generally slower to get off the ground and take longer to complete. Money earmarked for capital projects might therefore be allocated across two Spending Rounds. By contrast, spending on revenue-funded projects is somewhat easier to turn on and off (though not without problems around staffing, as noted earlier). Revenue spending might in theory continue to be allocated just for the duration of a single Spending Round.

## The benefits of longer-term funding: two examples

*National Coalfields Programme*

In 1996 the then Conservative government established the National Coalfields Programme, under the management of English Partnerships (now Homes England) to return 56 former pit sites to use. The programme was expanded in the wake of the 1998 Coalfields Task Force report and again (twice) in the early 2000s to cover 107 sites in all. Around £800m of public money was invested up-front, of which around half was subsequently returned in land sales, levering in a further £2bn of private sector investment.

Barring a few loose ends, the coalfield programme ran for almost 20 years until 2015. It made probably the biggest single contribution to regeneration in England’s coalfields – the sites now accommodate some 40,000 new jobs and 10,000 new homes, plus public open space.

*Heads of the Valleys road*

The dualling of the Heads of the Valleys road (A465) between Abergavenny and Swansea in South Wales is a major initiative that got the go-ahead in 1999. It has been undertaken in stages, with the final part due to be completed in mid-2025. EU funding, available on a multi-annual basis right the way through until 2023, has been central to the scheme. The most expensive and difficult section, rising up a narrow gorge, cost £300m.

Dualling transforms the road from a slow and dangerous single carriageway to a strategic link in Britain’s road network, speeding up access to West Wales and opening up development opportunities in what is possibly the single most economically disadvantaged part of the UK – the upper half of Welsh Valleys embracing towns such as Ebbw Vale, Tredegar, Rhymney, Merthyr Tydfil and Aberdare.

## Which funds, and how much?

Exactly how much funding needs to be placed on a longer-term footing is unclear. The starting point is probably the existing levelling up funds:

| | |
|---|---|
| Towns Fund | £2,350m |
| Future High Streets Fund | £830m |
| Levelling Up Fund | £4,800m |
| UK Shared Prosperity Fund | £2,600m |
| Community Renewal Fund | £200m |

These are the sums allocated in the present three-year Spending Round through to March 2025. The combined value of the five funds comes to just under £10.8bn, all to be spent by the end of 2024-25.

Additionally, the UK is still drawing down EU funding. When this finally drops out of the picture in 2024-25 the UK Shared Prosperity Fund for that year, intended to be the replacement, has been set at £1.5bn – equivalent to £4.5bn over three years. On this basis, a further £1.9bn (£4.5bn less the present three-year UKSPF allocation of £2.6bn) needs to be added for legacy EU funding in the present Spending Round.

Adding in the legacy EU funding brings the running total to £12.7bn. Adjusting for inflation (20 per cent between 2021 and 2024 might not be unreasonable) the next three-year Spending Round might therefore need to allocate around £15bn, or £5bn a year. This would do no more than match present levels of equivalent funding.

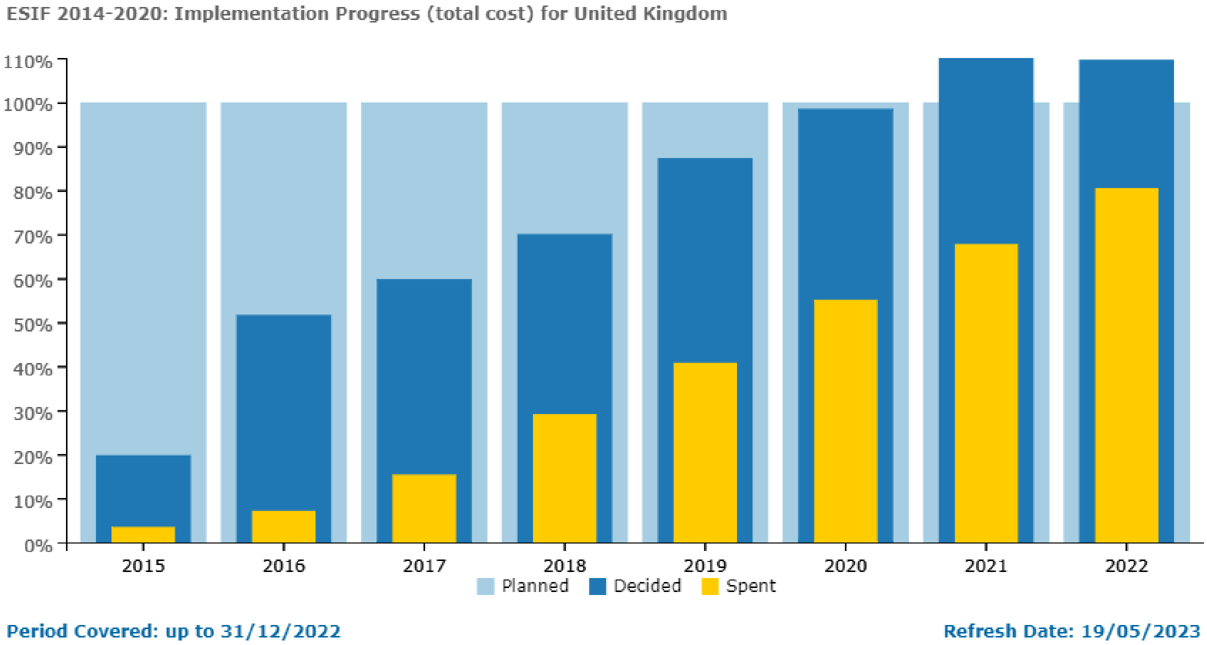
A figure of £5bn would be the **spending in each year** of the new Spending Round. To allow roll-on beyond the end of the round, the **financial commitment** would need to be larger.

## How much should be committed further ahead?

So how much funding would need to be committed further ahead, beyond the end of the Spending Round?

EU funding to the regions may offer a guide. According to European Commission data, at the end of the 2014-20 EU spending round in December 2020, 99 per cent of the ESIF funding available to the UK had been committed to projects but only 55 per cent had actually been spent[1]. The remainder was due to be spent before the end of 2023.

[1] Source: European Commission *Open Data Portal for the European Structural Investment Funds*




In practice there are likely to be delays in recording EU-funded expenditure – the figures here are passed on by local players to central government and then to the Commission – so the actual spending by December 2020 will have been somewhat higher. What these figures do suggest, however, is that perhaps a third of EU-funded spending rolled on beyond the end of the spending round. This is a reflection of the funds' role in supporting longer-term projects, often involving capital spending and in some cases, no doubt, of an ambitious or transformative nature.

The figure earlier of **£15bn over three years**, needed to match present levelling up spending, referred just to expenditure within the next Spending Round. If the ratio between 'in-round' and 'roll-on' expenditure in EU funding were to be applied to UK levelling up funding, an **additional £7.5bn** would need to be committed in the next Spending Review for expenditure running beyond the end of the Spending Round.

The calculation here, based on EU funding, is purely illustrative. In practice there is no 'magic figure' for the proportion of roll-on expenditure or indeed for the duration of roll-on spending. Different projects take different times to deliver, so the choice between alternative schemes will always to some extent be influenced by the scale and duration of the available funding. What needs to be clear, however, is that the present funding timescales, driven by the duration of single Spending Rounds, are wholly inadequate.

## How would all this work in practice?

*Expenditure control*

Let's be absolutely clear: what is being proposed here is not additional expenditure. Any funding allocated to be spent in the next-but-one Spending Round would be an early commitment of monies to be spent in that round. At the following Spending Review, the allocation for additional in-round expenditure would accordingly be lower, though again there would be a commensurate allocation for roll-on expenditure into the next Spending Round.

*Performance management*

The Treasury wants to make sure that local partners deliver on their promises and above all that money does not go astray – fair enough, though fears about the competence and intentions of local authorities are seriously overblown.

It would be unreasonable for the Treasury (or one of the spending departments) to withdraw money that had already been allocated for roll-on expenditure because this would derail projects that were only half-completed. The potential for roll-on funding to be withheld would also have the perverse effect of disincentivising local partners to engage in the more ambitious longer-term projects that roll-on funding is intended to create. If there really were to be a local performance management issue, central government could presumably react by curtailing *additional* funding allocations to the area in question.

*Devolution*

Again let's be clear: what is being proposed here is an across the board arrangement that would apply to all local authorities (certainly in England) irrespective of status or the stage of any devolution deal. To do otherwise – say to restrict roll-on financing to just a handful of combined authorities – would completely remove the potential benefits of longer-term funding across a wide swathe of the country.

That said, the principle of longer-term funding does not imply a specific geography. It may be that for some funding combined authorities offer the best option for distribution and management; for other funding streams it may be unitary or district authorities.

*Ministerial discretion*

Ministers would not be disempowered by the introduction of longer-term funding, nor lose the discretion to determine spending levels further into the future in response to political priorities and budgetary constraints. Once the system was in place, at each Spending Review ministers would have the same discretion to reduce or increase specific budget lines but a proportion of the expenditure from each budget line would cover spending further ahead in the future.

The real bonus for ministers would be that they would be implementing a framework that would deliver better value for money. For this they should be able to claim political credit.

## Conclusions

- The present funding arrangements are seriously flawed and do not deliver value for money.
- A pragmatic compromise needs to balance effective local and regional development against the Treasury's desire for financial control.
- The way forward would be to commit a portion of planned spending beyond the end of each Spending Round.

***Industrial Communities Alliance***
***June 2023***

Industrial Communities **Alliance**

*The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales*

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## Comments from selected local authorities

**Barnsley MBC**

*"Each funding bid…required a HM Treasury Green Book business case and individual delivery, monitoring and evaluation frameworks with funders – often reporting on the same metrics to the same funder (e.g. DLUHC) on separate funding elements. Had we had the opportunity to make the case…for the total central government investment (c. £25m) from the outset this would undoubtedly have been more efficient and achieved better value for public money in terms of both BMBC and central government resources."*

**Caerphilly Council**

*"Due to the short delivery time available for a complex capital programme of projects we were only able to include the mobilisation phase of the most significant element of the masterplan…i.e. land acquisition and ground/utility preparation, which meant that the bid was significantly weakened…"*

**Durham County Council**

*"The government needs to… understand that local authorities cannot afford to keep projects shovel-ready."*

*"The government's levelling up approaches are too short-termist and do not enable fundamental, long-standing economic weaknesses to be addressed…With short timescales, the emphasis is on deploying all of the investment rather than ensuring the optimum results and value for money."*

**Glasgow City Council**

*"Three years is too short a period as you are no sooner starting delivery under one programme than you have to start thinking about the next…The current UK system puts a premium on projects that can deliver quickly rather than necessarily the best projects"*

*"Having had a dash for design we are… now in a dash to deliver."*

**Wigan MBC**

*"Spending rounds…present a challenge in establishing and maintaining a longer-term strategic 'pipeline' of regeneration and development projects…including brownfield sites that are often complex to prepare for development. Bringing projects of this type to fruition involves activity at multiple stages from initial concept development, through technical due diligence and development, to funding and delivery. Ideally there would be the ability to commit funding across all stages of this activity at the outset…so that investment decisions could be made with less concern about the potential for abortive spend."*

## Appendix 2 – List of Local Authorities in Industrial Communities Alliance

Barnsley
Blaenau Gwent
Bolsover
Bridgend
Caerphilly
Carmarthenshire
Cumberland
Derbyshire
Doncaster
Dover
Dumfries & Galloway
Durham County
East Ayrshire
East Dunbartonshire
East Renfrewshire
Fife
Forest of Dean
Gateshead
Gedling
Glasgow
Inverclyde
Kent
Merthyr Tydfil
Midlothian
North East Derbyshire
Neath Port Talbot
Newcastle under Lyme
North Ayrshire
North Lanarkshire
Northumberland
Powys
Redcar & Cleveland
Renfrewshire
Rhondda Cynon Taf
Sheffield
South Ayrshire
South Tyneside
South Lanarkshire
St Helens
Staffordshire Moorlands
Sunderland
Torfaen
Warrington
West Dunbartonshire
Westmorland and Furness

Wigan

Economy and Resources Board

29 February 2024

# Local Government Finance Update

## Purpose of Report

For information.

## Summary

This report provides a summary of the work by the LGA on various local government finance issues since the last meeting of the Resources Board on 5 December 2023.

**LGA Plan Theme:** A sustainable financial future

## Recommendation(s)

**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 the Economy and Resources Board updated on developments and seek the views of the Board where possible or of the Economy and Resources Board Lead Members.**

**Contact details**

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Position: Head of Local Government Finance

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Economy and Resources Board

29 February 2024

# Local Government Finance Update

## Background

1. This report provides a summary of the work by the LGA on various local government finance issues since the last Economy and Resources Board meeting on 5 December 2023.

## Local Government Finance Settlement

2. On 18 December the Secretary of State for Levelling Up, Housing and Communities delivered the Provisional Local Government Finance Settlement for 2024/25 via a written ministerial statement. The published figures set out details for all local authorities across England, including fire and rescue authorities. We issued an on the day briefing, highlighting key information from the settlement, and a press release. We also responded to the settlement consultation. The response was cleared by the LGA Chairman, Group Leaders and Lead Members of your Board.

3. On the 12 January a cross party delegation of LGA members and other sector stakeholder bodies met with Minister Simon Hoare. The Minister set out an analysis of the issues facing the sector that was largely in line with the LGA's views. His assessment was broadly welcomed and recognised by attendees who reinforced existing LGA lines on cost pressures relating to social care, homelessness and Special Educational Needs and Disabilities (SEND).

4. On 24 January, following a campaign by the LGA and others in sector highlighting the financial challenges councils are facing, the Secretary of State issued a further written update announcing an additional £600 million of funding for local government. This was confirmed in the Final Local Government Settlement which was published on 5 February and approved by Parliament on 7 February.

5. Overall there will now be a potential increase of 7.5 per cent in Core Spending Power available to local authorities in 2024/25. This includes:

   5.1. An increase in Revenue Support Grant of 6.7 per cent in line with the September 2023 Consumer Prices Index (CPI). Assumed income from retained business rates and the compensation for under-indexing the business rates multiplier, together, rise by 6.7 per cent. The small business rates multiplier is frozen at the 2023/24 level.

   5.2. A £1.5 billion increase in grant funding for social care.

   5.3. New Homes Bonus (NHB) worth £291 million for 2024/25. As in 2023/24, there are no NHB legacy payments in respect of previous years.

5.4. A reduction in the un-ringfenced Services Grant from £483 million in 2023/24 to £87 million in 2024/25.

5.5. A Funding Guarantee worth £269 million which will give all authorities an increase of 4 per cent in Core Spending Power before any decisions about council tax levels for 2024/25.

5.6. An increase of £15 million in the Rural Services Delivery Grant to £110 million.

6. Core Spending Power also includes the assumption that all councils will raise council tax by the maximum permitted by council tax referendum principles:

6.1. a core increase of 3 per cent for all councils, with a 3 per cent or £5 increase (whichever is higher) for shire districts;

6.2. an additional 2 per cent adult social care precept for authorities with social care responsibilities;

6.3. a 3 per cent increase for fire and rescue authorities;

6.4. a £13 increase for Police and Crime Commissioners;

6.5. a £24.26 increase for the non-police element of the Greater London Authority;

6.6. Bespoke council tax referendum principles for Woking Borough Council, Slough Council and Thurrock Council. The bespoke referendum principle for Birmingham City Council is outside of Core Spending Power.

6.7. No referendum principles for Combined Authorities or town and parish councils.

**Lobbying and other activity in the run up to the settlement**

7. Alongside the settlement there was considerable media and lobbying activity. The results of the rapid temperature check, sent to all council leaders and chief executives to help us strengthen our campaigning activities ahead of the Local Government Finance Settlement, showed that one in five council leaders and chief executives in England think it is very or fairly likely they will receive a Section 114 notice this year or next. Half of respondents were not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.

8. News media activity included publishing a press release on 6 December on our survey. This press release and the survey findings were reported widely both on the day and in the following weeks. Our statement in response to the provisional Local Government Finance Settlement was also reported widely.

9. Parliamentary and departmental lobbying included: sending the LGA's on-the-day briefing to relevant Ministers and the Levelling Up, Housing and Communities Committee; and briefing LGA Vice Presidents (MPs and Peers) on the LGA's on-the-day briefing, reiterating the financial problems facing local government. We also submitted written evidence to the Public Accounts Committee inquiry on reforming adult social care, which included the LGA's lines on the disappointment and concern that the 2024/25 provisional Local Government Finance Settlement provided no new investment for adult social care.

10. Social media and digital marketing activity included a video from Cllr Pete Marland on Twitter and LinkedIn highlighting the financial challenges facing councils following the Autumn Statement, according to our survey (23,000+ video views), and promoting our on-the-day briefing across social media (11,000+ impressions). Visits to the web page were up 46% compared to the previous year's on-the-day briefing.

**Other Announcements**

11. Allocations for the Public Health Grant in 2024/25 amounting to £3.6 billion, were published alongside the final Local Government Finance Settlement. The Department for Education confirmed that High needs funding is increasing by £440 million, or 4.3 per cent, in 2024/25 and that funding through the mainstream schools national funding formula (NFF) is increasing an average 2 per cent per pupil in 2024/25.

12. A number of other announcements were made on the day of the provisional and final settlements, and/or the local government finance policy statement for the year 2024 to 2025. The Government also returned to some of these themes in the Written Ministerial Statement published alongside the final settlement on 5 February 2024. The Government:

    12.1. Confirmed that the statutory override for the Dedicated Schools Grant will continue up to the 31 March 2026.

    12.2. Reaffirmed that, in their view, now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth. In the statement on 5 February the Government said it was "committed to improving the local government finance system beyond this settlement in the next Parliament" and said that the Minister for Local Government will be engaging with the sector over the coming months.

    12.3. Continued to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of pressures.

12.4. Stated that the Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget and where councils need additional support. As part of that process, the Government said it would consider representations from councils, including on council tax provision.

12.5. Announced a data collection exercise, to run alongside the consultation period on the settlement, to determine which local authorities' current or proposed operations for 2024/25 fall within the definition of the 'four day working week'. In the statement alongside the final settlement it said that it would "consider responses carefully as part of continuing policy development to deter local government from operating these practices, with any changes at future Settlements subject to further consultation."

## LGA submission to the 2024 Spring Budget

13. The Chancellor's 2024 Spring Budget will take place on 6 March 2024 and will include Office for Budget Responsibility (OBR) forecasts for the economy. The Chair and Group Leaders agreed that the LGA's submission to the 2024 Spring Budget would be a letter focussing on the financial challenges faced by the sector, and also setting out how local government can support the Chancellor in delivering his budget. The letter was cleared by the Chair and Group Leaders. In order to meet HM Treasury's official submissions deadline. The letter was submitted before the £600 million of funding was announced.

14. The first part of the letter set out the financial challenges currently faced by the sector. It focused in particular on the pressure created by the 9.8% increase in the National Living Wage for 2024/25. To address current financial issues the letter restated our asks for sufficient funding provided through multi-year settlements.

15. The second part of the letter provided evidence on the contribution that councils can make to support the Chancellor in delivering his budget. The letter used a framework developed from the LGA's ongoing thinking for the White Paper around the themes of: driving economic growth; delivering better life opportunities while protecting the public purse; and acting as convenors of place to improve public services. Within this framework we restated a range of the LGA's key asks in areas such as: housing; social care; culture and leisure; and delivering net zero.

## LGA Local Government Finance conference

16. The LGA Local Government Finance Conference was held on 9 January at Smith Square. The conference was chaired by the Chair of the Board. Speakers, at the sold-out event, included Simon Hoare MP, Minister for Local Government; Jim

McMahon MP, Shadow Minister for Local Government and Devolution; and Cllr Shaun Davies, the Chair of the LGA as well as senior officers from the sector, Government officials and economists from the Institute for Fiscal Studies.

## Business rates

17. Councils have been working with the Valuation Office Agency following the passing into law of the Non-Domestic Rating Act 2023 including the introduction of the one year Improvement Relief in April 2024.

18. The Government has not yet replied to its Summer 2023 consultation on business rates avoidance and evasion. The LGA response which was signed off by Lead Members of your Board, welcomed the consultation and the methods proposed to tighten up on avoidance including giving billing authorities more discretion on reliefs, provided that authorities do not lose resources through business rates reliefs being made discretionary rather than mandatory.

## Council tax

19. A response to the DLUHC consultation on exemptions for the empty and second homes council tax premium is still awaited. As reported to your last meeting, the LGA's response says that the Government needs to assure itself that it has adequately taken account of the sector's views on whether new regulations are necessary, or whether expanding the existing guidance on empty homes is sufficient. Meanwhile councils are proceeding with planning for charging council tax premiums for homes which have been empty for one year from 1 April 2024, and for second homes from 1 April 2025.

## Capital

20. Lead members of the board approved a response to DLUHC's call for views on wider flexibilities for the use of capital finance and borrowing. In our response, we welcomed proposed new flexibilities to use capital to finance some revenue activities, but we emphasised that capital receipts can only be spent once and that the flexibilities are no substitute for a long-term plan to sufficiently fund local services through multi-year settlements.

21. Lead Members also approved a response to a consultation on revised guidance on Minimum Revenue Provision (MRP). This followed a consultation in 2021 to which we responded, and a further post consultation survey on revised proposed regulations that we also responded to. In our latest response, we welcomed changes that had been made to the proposals to avoid the potential problems with drafting in the original proposals, that we and others in the sector highlighted. However, we called for the implementation to be delayed until the financial year 2025/26. This is because the timing of the consultation means that

the regulations will be laid after councils have set their 2024/25 budgets and MRP policies, and also the original consultation highlighted significant possible financial consequences that have not been addressed.

## Audit

22. Lead Members approved a response to a consultation from HM Treasury on the valuation of non-investment assets for financial reporting purposes. This followed on from HM Treasury's Thematic Review of the same topic last year, to which we responded. The consultation was for the whole public sector and we expect there to be a separate consultation focussed on local government in the future.

## Economic Activity of Public Bodies (Overseas Matters) Bill

23. The Bill has now reached the House of Lords with second reading on 20 February 2024. The LGA issued a further briefing ahead of second reading. ahead of second reading.

24. Informal discussions with the Bill team have continued and have included discussions with the team at The Pensions Regulator responsible for implementing the enforcement element of the Bill in relation to the Local Government Pension Scheme.

## Implications for Wales

25. The new funding announced in the final local government financial settlement will have an impact on Welsh councils through the Barnett consequential system and subsequent decisions by the Welsh government. The Welsh LGA is leading on work related to this although we are engaging regularly with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

## Financial Implications

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

## Equalities implications

27. This paper outlines how the LGA is working on a range of initiatives on local government finance 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 councils to fund work that improves services for those with protected characteristics. Working with the Government on improving guidance on finance should also help with enabling better outcomes.

## Next steps

28. Members are asked to note this update.

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

Economy and Resources Board

29 February 2024

# Local Audit Proposals

## Purpose of Report

For direction.

## Summary

Members are asked to approve responses to the consultations from DLUHC and the National Audit Office (NAO) on proposals to clear the audit backlog.

**LGA Plan Theme:** A sustainable financial future

## Recommendation(s)

**That Members of the Economy and Resources Board approve the draft consultation responses appended to this report, subject to any amendments agreed at the meeting, for submission to DLUHC and the NAO.**

**Contact details**

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# Local Audit Proposals

## Background

1. Members will be aware of the ongoing crisis in local audit; it has been discussed by the LGA's Economy and Resources Board (and its predecessor Resources Board) on several occasions, having first been raised as a problem in 2019. A list of all the formal submissions made in that period (just under 30) is appended to this report.

2. According to monitoring by Public Sector Audit Appointments (PSAA), at the end of 2023 there were over 770 audits from 2022/23 and earlier years outstanding. This is down from a peak of 918 at the end of September 2023.

3. The causes of the crisis are not simple. It has been recognised that they are multi-faceted and complex and will take time to address. The solution requires a concerted response from a range of stakeholders including Central Government, the audit firms, the regulators and Chartered Institute of Public Finance and Accountancy (CIPFA). We have been pressing DLUHC for a long time to set a firm timetable by which timely audits will be restored. It is therefore welcome that proposals have now been published. This report seeks approval to responses to consultations from DLUHC and the National Audit Office (NAO) on the proposals.

4. Members will recall that at its meeting in September 2023, the Board had a confidential briefing from DLUHC and the Financial Reporting Council (FRC) on the proposals that were being developed. The published proposals are very much along the lines presented at that meeting, although new dates have been proposed.

5. Formal proposals were published on 8 February. These included: a consultation from DLUHC on the arrangements to be put in place and changes to the Accounts and Audit Regulations; and a consultation from the NAO on changes to the Audit Code of Practice to support and enable the changes by directing auditors to follow them. The FRC also published supporting and explanatory material. The consultations run for four weeks and close on 7 March. A further consultation on associated changes to the accounting code is expected from CIPFA.

## Proposal

6. As outlined in the consultation documents, the proposals have three phases:

    - Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.

- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

7. The detailed proposals being consulted on concentrate on phases 1 and 2 (reset and recovery). While there is reference to long-term proposals ("reform"), more attention is paid in the proposals to the short term reset and arrangements up until 2028. So, for example, there are interim measures, but no clarity on the long-term plan, to resolve the issue of valuing infrastructure assets and pension valuations that have contributed greatly to the audit crisis. While this is understandable (and the interim measures should be sufficient to allow the "recovery" phase to take place), the suggested responses emphasise that it is crucial that actions taken are part of a long-term plan that will restore confidence in the local audit arrangements, restore timely audits permanently, and improve financial reporting.

8. In outline, the proposals for the reset and recovery phases principally cover back stop dates to be implemented for each financial year. At these dates audited accounts have to be published whether or not the audit has been completed (and if the audit has not been completed the auditor will need to issue a "modified" audit opinion saying so, and explaining why this is so).These dates start at 30 September 2024 for all financial years up to and including 2022/23, and there will then be a backstop for each subsequent year up to and including 2027/28 as follows

   - 2023/24 31 May 2025
   - 2024/25 31 March 2026
   - 2025/26 31 January 2027
   - 2026/27 30 November 2027
   - 2027/28 30 November 2028

9. Following the publication of the consultations DLUHC hosted a webinar to explain the proposals. It was attended by over 430 people from local authorities and audit firms. The FRC has also been running a series of round tables that to go into more details on the proposals.

10. At the consultation events. it has been emphasised that Public Sector Audit Appointments will be given powers to vary audit fees to take account of audit work not done. However, there is little or no reference to this in the actual consultations and associated documents. The need for fees to reflect work done

is something that members have raised before, so this issue is therefore raised in the suggested response.

11. The suggested responses are attached as appendices for members' approval. Appendix 2 is the suggested response to the DLUHC consultation, appendix 3 is the suggested response to the NAO consultation. It is suggested that the responses are supportive of the proposals, on the basis that there is a need to come to a pragmatic solution to the backlog and that, overall, the proposals now represent the best opportunity for resolving the situation. However, it is suggested that the point is also made that this must not lead to reputational damage for councils as a result of a problem that is not of their making. It is acknowledged that there is much in these proposals that will be hard for local authorities to deal with (and also much that will be hard for others in the system).

## Implications for Wales

12. The proposals affect England only.

## Financial Implications

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

## Equalities implications

14. The audit of a council's accounts can relate to all aspects of local authority services. The audit of the accounts affects local authorities and their residents as a whole and it is difficult to assess what individual impacts there are on people with protected characteristics. Ensuring the accessibility of the accounts to all is an important part of achieving transparency and good governance. Improving the position on completion of audits of the accounts should help local authorities in deploying resources to deliver services and aid them in being able to improve equalities generally.

## Next steps

15. That officers make any amendments to the draft responses and arrange submission to DLUHC and the NAO.

Economy and Resources Board

29 February 2024

## Appendix 1

**Summary of LGA submissions on Local Audit through Economy and Resources Board (and its predecessor Resources Board) since June 2019**

**This only includes formal cleared public documents. It does not include confidential submissions, informal discussions, informal correspondence and other contact between members and officers and Ministers and officials, nor attendance at Ministerial roundtables on this subject.**

| 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 |
| **March 2022** | Response to CIPFA Emergency consultation on temporary changes to the accounting code 2021/22 and 2022/23 |
| **June 2022** | Response to Urgent CIPFA consultation on temporary changes to the accounting code (Infrastructure assets) |

Local Government Association

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| | |
|---|---|
| **September 2022** | Response to Public Audit Forum consultation on Practice Note 10 2022 |
| **September 2022** | Response to PSAA consultation on audit scale fees for 2022/23 |
| **November 2022** | Response to DLUHC consultation on statutory override for infrastructure assets accounting |
| **February 2023** | Response DLUHC request for views on deadline draft unaudited accounts |
| **March 2023** | Written evidence submitted to PAC inquiry on Timeliness of Local Auditor reporting on Local Government in England |
| **April 2023** | Written evidence submitted to Levelling Up and Housing Committee enquiry into Financial Reporting and Audit in Local Authorities |
| **May 2023** | Response to HM Treasury review of non-investment asset valuations |
| **June 2023** | Response to CIPFA Survey – "Impact of the Move to Improve the Reporting of Infrastructure Assets including a (possible) move to a Depreciated Replacement Cost Measurement Basis" |
| **October 2023** | Response to Public Sector Audit Appointments Consultation on the 2023/24 audit fee scale |
| **October 2023** | Response to Invitation to comment on the 2024/25 Code of Practice on Local Authority Accounting in the United Kingdom, October 2023 |
| **February 2024** | Response to HM Treasury on Non-investment Asset Valuation for Financial Reporting Purposes. Exposure Draft |

## Appendix 2

# LGA response : Consultation: addressing the local audit backlog in England

February 2024

**About the Local Government Association**

1. The LGA is the National Voice of Local Government. We're on the side of councils: promoting their work, supporting them to improve and helping them make a difference to people, places, and the planet. As the national membership body for local authorities, we provide the bridge between central and local government and we help councils deliver the best services to their local communities.
2. This response has been cleared by the LGA's Economy and Resources Board.

**Introduction**

3. It has been clear for a long time that local audit is in crisis. Identifying the causes of the crisis is not simple; it has been recognised that the causes are multi-faceted and complex and will take time to address. We have been pressing the Government to set a firm timetable by which timely audits will be restored so it is good that the proposals being consulted on have been published and we welcome the opportunity to comment.
4. The need to come to a pragmatic solution to the backlog is urgent. However, this must not lead to reputational damage for councils as a result of a problem that is not of their making. There is much in these proposals that will be hard for local authorities to deal with (and also much that will be hard for others in the system). Nevertheless, overall, the proposals represent the best opportunity for resolving the situation and must therefore be supported overall, subject to some caveats that are outlined in responses to individual questions.
5. The fact that the proposed reset period will take until 2028 shows the complexity of the problem to be solved. Ultimately, a long-term solution is needed to this crisis which will require a joint effort from a range of stakeholders including the Government, the audit firms, the regulators and Chartered Institute of Public Finance and Accountancy (CIPFA). While there is reference to the long-term proposals, more attention is paid in the proposals to the short term reset and the implementation of backstop arrangements. While this is understandable, it is crucial that the actions taken are part of a long-term plan that will restore confidence in the local audit arrangements, restore timely audits permanently, and improve financial reporting.
6. There are some areas that need further clarification. In particular the process for how audit fees will be adjusted to reflect work actually done needs to be clear (this is also picked up in answers to questions 5 and 9).
7. It is also not clear how the backstop proposals will impact on the role of members of audit committees in having to sign off audited accounts. In signing off accounts,

Local Government Association

Submission

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audit committee members rely on both the views of the auditors and on the views of the section 151 officer. The backstop approach could potentially limit the information on which they can rely, as there could be accounts that members are asked to sign off that have had a very limited audit (or even, in extreme cases, no audit at all) and where the view or opinion of the auditor is therefore very limited.

8. It is also important that the proposals in this consultation and in the parallel one from the National Audit Office align with the forthcoming consultation from CIPFA on changes to the accounting code.

**Specific Questions**

**Question 1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure).**
**Do you have any comments on this issue?**

9. Agree.
10. This is clearly a necessary part of implementing the proposals to reset the system.
11. Although the legal position is that it is the responsibility of the local authority to publish the accounts, it has to be recognised that this can only be done once an audit report and opinion have been received. The requirement on the auditor to deliver an opinion (report) in order to enable the publication of the accounts by the back stop date needs to be clear. In the draft Code of Audit Practice being consulted on by the NAO the proposal is for the auditor to deliver the opinion (report) "in time" for publication at the backstop date. "In time" needs to be defined more clearly and set at a time that is sufficient to allow publication by the back stop date – for example it might need to be at least two weeks or maybe a month before the back stop date.

**Question 2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)**
**Do you have any comments on this issue?**

12. Agree.
13. Removing this requirement should help to avoid confusion when the backstop arrangements are put in place.

**Question 3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)**

**Please explain your response.**

14. Agree.
15. It is important to show that objections have been dealt with fairly and transparently. The same point applies to future years (see question 7).

**Question 4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)**

**Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.**

16. Agree.
17. It is possible that there will be exceptional circumstances. If so, it is important that (i) Such potential circumstances are identified up front and (ii) that the process for applying them is clear, open, and transparent and decided independently. It is vital that all parties have confidence that any such exemption has been applied fairly. We note that the National Audit Office (NAO) draft code of practice consultation running alongside this one already specifies the circumstances that would justify an exemption; clearly this needs to be consistent.
18. The same points apply to future years (see question 8).

**Question 5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)**

**Please explain your response and, where relevant, include any suggested consequences.**

19. Unsure.
20. As mentioned in the answer to question 1, above, although it is the responsibility of the local authority to publish the accounts, it has to be recognised that this can only be done once an audit report and opinion have been received. Details of whether the statutory deadline is met or not should be completely transparent. Such information will be in the public domain already at a local authority level and it is not clear what publishing such a list centrally would seek to achieve.
21. It is not clear what additional consequences (eg financial penalties or something other such as removing auditors' accreditation?) are being considered and this needs to be clear before a view can be taken on whether there should be any. Arguing over apportioning blame for missed deadlines is unlikely to be good use of time and this will be more likely if there are consequences attached.
22. It is more important that Public Sector Audit Appointments (PSAA) have strong powers to impose variations to reduce fees for audit work that has not been carried out, for previous as well as current years. That this is being proposed has been highlighted in the communications alongside the consultation, and we

understand that such a move will require a change to the regulations. However, there are no formal proposals in either the DLUHC consultation or in the NAO consultation; in the documents published by the Financial Reporting Council (FRC) it just says that PSAA will “revisit” scale fees for 2023/24. This suggests that no adjustment will be made for audit work not done for 2022/23 and earlier years for the September 2024 backstop which is not satisfactory and clear proposals need to be brought forward.

23. These points apply to all years – see response to question 9.

**Question 6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)**

- **2023/24: 31 May 2025**
- **2024/25: 31 March 2026**
- **2025/26: 31 January 2027**
- **2026/27: 30 November 2027**
- **2027/28: 30 November 2028**

**Do you have any comments on these dates? (open text)**

24. These dates seem sensible as a plan. However, we would emphasise again that although it is the responsibility of the local authority to publish the accounts, it has to be recognised that this can only be done once an audit report and opinion have been received. We would also reiterate that the requirement on the auditor to deliver an opinion (report) in order to enable the publication of the accounts by the back stop date needs to be clear. In the draft Code of Audit Practice being consulted on by the NAO the proposal is for the auditor to deliver the opinion (report) “in time” for publication at the backstop date. “In time” needs to be defined more clearly and set at a time that is sufficient to allow publication by the back stop date – for example it might need to be at least two weeks or maybe a month before the back stop date.

**Question 7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)**

**Please explain your response.**

25. Agree.
26. As with our answer to question 3, it is important to show that objections have been dealt with fairly and transparently.

**Question 8. Do you think there would be any other exceptional circumstances which might create conditions in which it would appropriate for Category 1**

**authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)**

**Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.**

27. Agree.
28. As outlined in our answer to question 4, it is possible that there will be exceptional circumstances. If so, it is important that (i) Such potential circumstances are identified up front and (ii) that the process for applying them is clear, open and transparent and decided independently. It is vital that all parties have confidence that any such exemption has been applied fairly.
29. We note that the NAO draft code of practice consultation running alongside this one already specifies the circumstances that would justify an exemption; clearly this needs to be consistent.

**Question 9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)**

**Please explain your response and, where relevant, include any suggested consequences.**

30. Unsure.
31. As mentioned in the answer to question 1, above, although it is the responsibility of the local authority to publish the accounts, it has to be recognised that this can only be done once an audit report and opinion has been received. As outlined in our response to question 5, details of whether the statutory deadline is met or not should be completely transparent and such information will be in the public domain already at a local authority level. It is not clear what publishing such a list centrally would seek to achieve,
32. It is not clear what additional consequences (eg financial penalties or something other such as removing auditors' accreditation?) are being considered and this needs to be clear before a view can be taken. Arguing over apportioning blame for missed deadlines is unlikely to be good use of time and this will be more likely if there are consequences attached to apportioning blame.
33. It is more important that PSAA have strong powers to impose fee variations to reduce fees for audit work that has not been carried out, for previous as well as current years. That this is being proposed has been highlighted in some of the communications alongside the consultation, and we understand that such a move will require a change to the regulations. However, there are no formal proposals in either the DLUHC or the NAO consultation and in the documents published by the FRC is just says that PSAA will "revisit" scale fees for 2023/24. This is not enough and clear proposals need to be brought forward.
34. These points apply to all years – see response to question 5.

**Question 10. The Accounts and Audit Regulations (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)**

**Please explain your response.**

35. Unsure.
36. In our response to the consultation on moving the deadline to 31 May for the 2022/23 accounts, we argued that 30 June would be a more practical option for that year, and in hindsight it is clear that the move to 31 May for 2022/23 did cause problems. It meant for the first time that a significant number of local authorities did not publish their draft unaudited accounts by the deadline. Some of our members would prefer the deadline to be moved to 30 June, while others do not object to the 31 May deadline. We suggest the DLUHC review the responses to this question from individual local authorities before making a final decision.
37. It is more important that auditors start work on auditing the accounts as soon as possible and complete as much work as possible to reduce the number of modified opinions.

**Question 11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)**

**Please explain your response.**

38. Unsure.
39. In theory this should not cause problems for most local authorities. The backstop date is a not a target and in theory most audited accounts should have been published in advance of it (the target date will be 30 September, several months earlier), so in theory there shouldn't be a clash. In reality, however, it must be accepted that is likely that many publications will be delayed until the backstop resulting in many local authorities having a clash at 31 May 2025. This will mean that accounts preparers will have to decide which set of accounts to prioritise. It therefore needs to be made completely clear (either by DLUHC or by FRC as system leader) to local authorities what the priority should be and which set of accounts and deadline should be prioritised – should it be to meet the backstop for 2023/24 or should it be to publish the draft unaudited accounts for 2024/25? We recommend that the FRC, as system leader, issues guidance on prioritisation, following consultation with the sector and with auditors.

**Question 12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion**

**at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the Joint Statement, do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?**

40. This is an area of concern. If a modified or disclaimed opinion in the first year were to result in an adverse opinion in the next year due to the auditor's inability to rely on opening balances, then the process will have failed. There ought to be sufficient time for auditors to obtain the necessary assurance as the proposed backstop dates are all later than the accounts deadline. But the existence of the backlog shows that this is an optimistic assumption. It is therefore crucial that other actions are taken to increase capacity and reduce the amount of audit work needed.

**Question 13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)**

**Do you have any comments on this issue?**

41. Agree. This should improve timeliness of information and so is supported.

**Question 14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?**

42. The audit of a council's accounts can relate to all aspects of local authority services. The audit of the accounts affects local authorities and their residents as a whole and it is difficult to assess what individual impacts there are on people with protected characteristics. Ensuring the accessibility of the accounts to all is an important part of achieving transparency and good governance. Improving the position on completion of audits of the accounts should help local authorities in deploying resources to deliver services and aid them in being able to improve equalities generally.

**Question 15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?**

**(Where possible, please limit your response to 500 words)**

43. Please see comments made in the introduction, above, paragraphs 3 through to 8.

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## Appendix 3

# LGA response : Local audit in England Code of Audit Practice. Draft Code Consultation

February 2024

**About the Local Government Association**

1. The LGA is the National Voice of Local Government. We're on the side of councils: promoting their work, supporting them to improve and helping them make a difference to people, places, and the planet. As the national membership body for local authorities, we provide the bridge between central and local government and we help councils deliver the best services to their local communities.
2. This response has been cleared by the LGA's Economy and Resources Board.

**Introduction**

3. It has been clear for a long time that local audit is in crisis. Identifying the causes of the crisis is not simple; it has been recognised that the causes are multi-faceted and complex and will take time to address. We have been pressing the Government to set a firm timetable by which timely audits will be restored so it is good that the proposals being consulted on have been published and we welcome the opportunity to comment.
4. The need to come to a pragmatic solution to the backlog is urgent. However, this must not lead to reputational damage for councils as a result of a problem that is not of their making. There is much in these proposals that will be hard for local authorities to deal with (and also much that will be hard for others in the system). Nevertheless, overall, the proposals represent the best opportunity for resolving the situation and must therefore be supported overall, subject to some caveats that are outlined in responses to individual questions.
5. The fact that the proposed reset period will take until 2028 shows the complexity of the problem to be solved. Ultimately, a long-term solution is needed to this crisis which will require a joint effort from a range of stakeholders including the Government, the audit firms, the regulators and Chartered Institute of Public Finance and Accountancy (CIPFA). While there is reference to the long-term proposals, more attention is paid in the proposals to the short term reset and the implementation of backstop arrangements. While this is understandable, it is crucial that the actions taken are part of a long-term plan that will restore confidence in the local audit arrangements, restore timely audits permanently, and improve financial reporting.
6. It is also important that the proposals in this consultation and in the parallel one from DLUHC align with the forthcoming consultation from CIPFA on changes to the accounting code.
7. We understand that the current consultation from the National Audit Office (NAO) is solely concerned with changes to the Code of Audit Practice that will enable or

Local Government Association

Submission

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support the introduction of back stop dates. We are responding separately to the consultation from DLUHC which covers the actual introduction of the back stops.

**Specific Questions**

**Question 1. Do you agree with the principles of effective co-operation during the handover period where there is a change in the appointed auditor? (The handover period is defined as the period from the date from which the new auditor's appointment takes effect to the date on which the outgoing auditor certifies completion of their audit).**

8. This is straightforward and is supported.

**Question 2. Do you think that the proposed Code requirements in respect of the 'backstop' dates are sufficient to require and enable auditors to report their opinion at the backstop date, apart from in the exceptional circumstances set out?**
**If not, what needs to be added or strengthened?**

9. We note that the wording says that the audit opinion (report) has to be issued "in time for the relevant authority to publish its accounts by the specified date." "In time" is vague and needs to be better defined in the code, and set so that it is clear that this is sufficient to allow for publication by the back stop date. For example the code could specify that auditors have to deliver the audit opinion (report) at least two weeks before the actual back stop date, (if two weeks is a reasonable time; it may need to be a month). This would clarify the requirements being placed on auditors.
10. We note that the "exceptional circumstances" are defined in the draft code but that the DLUHC consultation running alongside this asks for views as to what should count as "exceptional circumstances". Clearly the two need to align.

**Question 3. Do you agree that the Code should require auditors to perform a reduced scope of work on proper arrangements to secure VFM on a temporary basis for incomplete audits up to and including 2022-23?**

11. We agree. This is something we have suggested before as a response to the backlog, for example in our written evidence the LUHC enquiry into Financial Reporting and Audit in Local Authorities in 2023.

**Question 4. Do you have any comments on the proposals for the reduced scope of proper arrangements set out under the reporting criteria that auditors are required to report for incomplete audits up to and including 2022-23?**

12. The proposals appear to be prescriptive in outlining what should be covered. This is supported and should help avoid confusion.

**Question 5. Do you agree with the approach to enable the auditor to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022-23?**

13. We agree with this approach. This is something we have suggested before as a response to the current backlog.

**Question 6. Do you agree that auditors should be required to return to the full scope of VFM arrangements work under the three reporting criteria set out under paragraph 3.11 of Chapter Three of the Code from audit year 2023-24 (the year of which the new audit appointments contracts under PSAA's national scheme start)?**

14. This is supported. With the introduction of the backstops each of these years will be audited separately and it makes sense to return to separate reports for each.

**Question 8. (there is no question 7). Do you agree that the Code should specify the 30 November as the date by which auditors should issue their auditor's annual report based on the work they have completed so far rather than wait for the audit to be fully completed?**

15. This should help with ensuring reporting is up to date and that any issues are identified at an appropriate time and is therefore supported.

**Question 9. Are there any other comments you wish to make?**

16. No further comments.

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Economy and Resources Board

29 February 2024

# Support for low income households update

## Purpose of Report

For direction.

## Summary

This paper provides an update on the Household Support Fund and seeks direction on next steps for the LGA's campaign to call for the fund's extension.

**LGA Plan Theme:** Stronger local economies, thriving local democracy

## Recommendation(s)

**That the Board considers and advises on next steps regarding the campaign on Household Support Fund and articulating local government's longer term role in supporting low-income households.**

**Contact details**

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Economy and Resources Board

29 February 2024

# Support for low income households update

## Background

1. Local Welfare Funding, which covered aspects of the Social Fund that was administered by DWP, was devolved to councils in April 2013, with separately identified funding of £347m for 2013/14 and 2014/15 combined. Councils used the funding to set up local welfare schemes to help households at risk of financial crisis or hardship. Separately identified funding from DWP was removed to the mainstream grant in 2016, which led to some councils reducing the amount of local welfare support they provided.

2. Since funding was devolved in 2013, the LGA has made the case for local welfare funding to be put on a long-term, sustainable footing to enable councils to improve financial wellbeing and resilience in their places, as part of their wider work to improve life chances, reduce inequality and improve economic prosperity in their places.

3. In response to COVID-19 and the current rise in cost of living, government has expressed a renewed interest in local welfare and has provided councils with various emergency funds to support their most financially vulnerable residents.

4. The Government first introduced the Household Support Fund (HSF) in October 2021 following the removal of the £20 a week uplift to Universal Credit, to support households who would otherwise struggle to buy food, pay essential utility bills, or meet other essential living costs or housing costs. The HSF has subsequently been extended several times, initially on a six-month basis. The current year-long fund runs from 1 April 2023 to 31 March 2024 and has provided £820 million in funding for local welfare and crisis support.

5. Since the fund was introduced, the LGA has welcomed its local delivery and flexibility, which has enabled councils to tailor support to the needs of their communities. We have consistently called for more flexibility in how the fund can be spent and for a longer-term funding model. We have welcomed that the government has listened to this feedback, by providing the most recent fund for a year and by removing spending restrictions. Notably, since April 2023, councils have been able to use the HSF to fund advice services which can help to improve residents' longer-term financial resilience.

6. The HSF has enabled councils to significantly expand their local welfare provision; provide vital crisis support, and work with partners to prevent hardship and promote financial inclusion and wellbeing. Since October 2021 it has increased investment in local welfare by over £2 billion and in 2022/23 it funded 62 per cent of all local welfare provision.

7. Councils have used HSF to provide residents with a variety of support and services including:

    7.1 Cash grants or vouchers to help people in crisis with energy, food and other essentials.
    7.2 Targeted support for people in receipt of council tax support, free school meals or pension credit, such as energy vouchers for pensioners living in fuel poverty.
    7.3 Helping with significant or unexpected costs, such as furniture, white goods or repairing broken boilers.
    7.4 Funding the voluntary sector to deliver support, like foodbanks, social supermarkets or schemes to deliver home energy efficiency improvements for low-income households.
    7.5 Providing vouchers to children eligible for free school meals to prevent holiday hunger.

8. Evidence shows that many households continue to face considerable challenges meeting their essential living costs. This includes households who may not traditionally have sought help from their council, but who are now struggling as they have reduced their savings or increased their borrowing to cope with rising costs. A recent LGA survey of councils found that:

    8.1 84 per cent of respondent councils said that hardship had increased in their area in the last year;
    8.2 73 per cent said they expected hardship to further increase in the next year.

9. Councils continue to highlight that the HSF has wider benefits for their communities beyond the initial crisis payment, both in improving residents' outcomes and reducing pressure on wider services. Councils routinely refer residents in crisis to wider services, including benefits advice, debt advice and health, housing, and employment services, to help address residents' underlying financial, social and health needs. HSF can therefore act as a gateway to provide wider wrap-around support that can lift people out of the cycle of poverty and crisis.

## Current position on the fund – impact of the HSF ending

10. The Government have not yet made a decision on whether the HSF will be renewed beyond 31 March 2024. The current official position is that, "No further decisions have been taken on the Household Support Fund, and the government continues to keep all its existing programmes under review in the usual way."

11. It was agreed by the Economy and Resources Board on 16th November 2023 that the LGA will continue lobbying for an extension of the Household Support

Fund for at least another year. It was also agreed that the LGA will continue to highlight the need for urgent clarity on the future of the HSF to allow councils to plan effectively.

12. At the beginning of January, the LGA conducted a survey of unitary authorities, county councils, metropolitan districts, and London borough's to assess whether councils wanted the fund to continue; understand the impact of current uncertainty, and identify the impact of the fund ending on service delivery. A total of 93 responses were received, resulting in a response rate of 61 per cent. The survey found:

13. 96 per cent of respondents said that they supported a continuation of the HSF 'to a great extent'. While 3 per cent supported a continuation 'to a small extent', and 1 per cent responded that they 'don't know.'

14. If the HSF comes to an end on the 31 March it would result in a significantly reduced welfare offer. 62 percent of respondent councils said that they would not be able to provide any additional funding for local welfare support if HSF ends in March.

15. Ending the HSF in March would also coincide with other forms of support and services being withdrawn, resulting in a cumulative reduction in support for some low-income households. The Government's Cost of Living payments for low-income households will end in April. Just under a fifth of respondents (17 per cent) said that alongside the HSF ending, they will also have to reduce their discretionary funding for local welfare in the next financial year due to financial pressures.

16. The survey highlighted that the ongoing uncertainty over the future of the HSF is negatively impacting councils' ability to set their budgets and plan local initiatives to support low-income households in the next financial year. Some councils expressed that if the government extends the HSF at the last minute, their ability to deliver the next tranche of funding and support residents will be compromised as many will have already lost experienced staff that deliver the scheme.

17. The uncertainty is causing difficulties for councils and their partners in communicating with residents about the future of support that they may have come to rely on. This is a particular issue for councils that have consistently offered targeted help to certain vulnerable cohorts (for example holiday food vouchers for children who are eligible for free school meals) since the HSF was introduced, which may now have been factored into household budgets.

**LGA lobbying activity on the Household Support Fund to date**

18. The LGA has delivered a comprehensive campaign to urge the Treasury and the Department of Work and Pensions to extend the HSF. This has included:

    18.1 The Chair of the LGA's Economy and Resources Board, Cllr Pete Marland, wrote to the Chief Secretary to the Treasury, Laura Trott MP, on 14 December 2023 to call for urgent confirmation that the Fund will be continued.

    18.2 Media and parliamentary engagement. Actions have included emailing all MPs to highlight councils' concerns and outline how much funding for local welfare will be lost in their area if the HSF is discontinued. We have worked with MPs to secure parliamentary questions and a Westminster Hall debate on the Future of the Household Support Fund on 31 January, which we briefed MPs for. We have proactively briefed our lines to the press, securing coverage in national and trade press.

    18.3 At the beginning of January 2024, we surveyed councils to identify the immediate impact of HSF ending. The findings were published alongside a media release and social media activity, securing extensive national media coverage.

    18.4 The LGA continues to work closely with a broad range of national stakeholders, including national local government representative bodies and charities, to amplify our lobbying efforts.

    18.5 Continuing to build the evidence base for councils' work in this area through the cost of living hub and network, and through continued engagement with key partners and stakeholders.

    18.6 Ongoing engagement with Department of Work and Pensions officials to share evidence from councils on the benefits and impact of the fund.

    18.7 The LGA has coordinated an open letter from council leaders to the Chancellor on HSF ahead of the Budget, which is set to be published on the week commencing 26th February 2024.

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## Proposed next steps

19. Councils continue to emphasise the benefits – both in outcomes for residents and reduced pressures on services – of increasing financial wellbeing and resilience in their places. It is proposed that the LGA:

    19.1 Until an announcement on the fund is made, the LGA will continue to call for the HSF – or equivalent localised fund for local welfare – to be continued and for government to provide urgent clarity on the future of the HSF.

    19.2 If the government decides that the HSF will not be extended beyond 31 March 2024 or significantly reduces the quantum of funding, we will continue to engage with councils through the LGA's Cost of Living Network to identify the impact of the scheme ending on residents and wider public services.

    19.3 Continues to make the case for local welfare funding to be put on a long-term, sustainable footing to enable councils to improve financial wellbeing and resilience in their places, as part of their wider work to improve life chances, reduce inequality and improve economic prosperity.

    19.4 Commission 'think pieces' on the long-term role of councils in the benefits system, including the design and delivery of an effective local safety net, to share with the sector through our cost of living hub, webinars and networks.

    19.5 Continues to work with Government departments to set out a clear, long-term role for councils in supporting low-income households, including work with the Universal Credit programme on 'managed migration', the Department for Education on Free School Meals and work with the Government Debt Management Function in HM Treasury.

## Implications for Wales

20. Welfare is devolved. We continue to work closely with Welsh councils and the WLGA to share learning where possible.

## Financial Implications

21. No financial implications

## Equalities implications

22. Reducing socioeconomic inequality remains a priority for councils. The LGA is engaging with an increasing number of councils who are developing proactive and preventative local anti-poverty strategies

23. Financial hardship and disadvantage affects people with some protected characteristics more than others. For example, councils' role in improving outcomes for disabled people will be an important consideration in our developing work on employment support and conditionality. There are particular risks faced by children and the elderly from living in cold, damp homes and from food poverty. We will continue to take all of these matters into account in our work.

## Next steps

24. We would welcome views from members on delivering the proposals set out in paragraph 19 – 19.5.

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# Support for care leavers

## Purpose of Report

For discussion

## Summary

The Chair of the Local Government Association (LGA), Councillor Shaun Davies, has announced that one of his priorities for 2023-24 is corporate parenting, in particular support for care leavers. Recognising that all councillors are corporate parents to children in care and care leavers, all policy boards are being asked to share their own ideas for this priority area, to shape the LGA's work in relation to supporting care leavers. This report outlines current ideas for this programme and next steps, and is an opportunity for Board members to put forward their own ideas and good practice.

**LGA Plan Theme:** Putting people first

## Recommendation(s)

**That the Board comments on the current plans for this programme of work and suggest any additional ideas as to how the LGA can promote positive outcomes for care leavers, including those based on their own councils' work.**

**Contact details**

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Economy and Resources Board

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# Support for care leavers

## Background

1. The Chair of the LGA, Councillor Shaun Davies, announced at the LGA Annual Conference that one of his priorities for 2023-24 is corporate parenting, and in particular how the LGA can support improved outcomes for care leavers and others with care experience. This was also discussed at Executive Advisory Board on 20 July 2023.

2. The Children and Young People Board will lead on this work, with regular updates also going to Informal Group Leaders and the Executive Advisory Board for organisation-wide oversight and join-up.

3. All policy boards at the LGA are being asked to consider how services within their remit could improve outcomes for care leavers, including potential policy positions and sharing of good practice. This reflects the fact that all councillors and council officers are corporate parents to children in care and care leavers.

4. The Children and Social Work Act 2017 outlines the following corporate parenting principles that all local authorities must have regard to when carrying out functions in relation to children in care and care leavers:

   4.1. To act in the best interests, and promote the physical and mental health and wellbeing, of those children and young people;

   4.2. To encourage those children and young people to express their views, wishes and feelings;

   4.3. To take into account the views, wishes and feelings of those children and young people;

   4.4. To help those children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners;

   4.5. To promote high aspirations, and seek to secure the best outcomes, for those children and young people;

   4.6. For those children and young people to be safe, and for stability in their homes lives, relationships and education or work;

   4.7. To prepare those children and young people for adulthood and independent living.

## Outcomes for those with care experience

5. Many people with care experience leave care and go on to happy, fulfilling lives. Care experienced people told the Independent Review of Children’s Social Care

that it was important to recognise that, while a lot of policy and media attention is given to the disproportionate numbers of care experienced people who experience negative outcomes, such outcomes are not inevitable and care can be a "positive, transformational and lifesaving experience"[1]. For example, there is evidence that longer-term care can be a protective factor in children's educational outcomes. One of the aims of the LGA's campaign is to emphasise a more positive narrative around those with care experience.

6. However, by understanding where those with care experience are more likely to experience negative outcomes than their peers, it is possible to identify opportunities to address these issues. The Care Review highlights several key areas where government, business and society can play a role in supporting care experienced people:

   6.1. An estimated 26 per cent of the homeless population have care experience.

   6.2. Almost a quarter (24 per cent) of the prison population in England have spent time in care.

   6.3. Four in ten (41 per cent) of care leavers aged 19-21 are not in education, employment or training (NEET) compared to 12 per cent of all other young people of the same age.

   6.4. Adults who spent time in care between 1971-2001 were 70 per cent more likely to die prematurely than those who did not.

   6.5. Six per cent of care leavers report having no-one at all to provide emotional support, and nearly one in ten only had support from their leaving care worker.

## Current work programme

7. Colleagues across policy, improvement, leadership and communications have been working to develop a programme of work to support the Chair's priority.

8. Partner organisations are being engaged in this work, including Spectra which runs the Care Leaver Covenant, Become (the national charity for children in care and care leavers) and the National Leaving Care Benchmarking Forum (NLCBF) which connects local authority leaving care teams.

9. Ensuring that the voices of those with care experience directly influence this work is vital to ensure the impact and relevance of the programme. Become and the NLCBF have provided advice on engaging those with care experience, as well as evidence from their own work with care experienced people on key priorities.

[1] Independent Review of Children's Social Care 2022

10. Work is being considered across three strands:

    10.1. The LGA as an employer: including training for all staff, guaranteed interviews where minimum criteria are met for roles (subject to legal advice) and ring-fenced apprenticeship positions.

    10.2. The LGA as a convener: working with the Care Leaver Covenant to promote their work and encourage sign ups; communications campaign to raise awareness; Work with LAMIT (Local Authorities' Mutual Investment Trust) and CCLA (Churches, Charities and Local Authorities Investment Management) to publicise their work to support care leavers.

    10.3. The LGA's work to support and improve local government: dedicated outreach and support for care experienced graduates applying to the National Graduate Development Scheme; guidance and case studies for councils; lobbying government in relation to funding for children's social care and to support care leavers who were formerly unaccompanied asylum-seeking children; training for councillors and officers on corporate parenting, including across the 'corporate core'.

## What care leavers say is important to them

11. The following list has been compiled from a variety of organisations (including the National Leaving Care Benchmarking Forum, the Care Leavers National Movement, Barnardo's and the Children's Commissioner) that have worked with care leavers to identify key support that they would like to see, noting that young people would like to see support offered to all care leavers, including those who are living outside of their local authority area.

| Issue and asks from care leavers | Examples of good practice |
|---|---|
| **Finance:** support managing household bills; cold weather allowance; council tax exemptions; savings; higher rate of universal credit for under 25s | Winter fuel payments in Gateshead; paying council tax for those living out of authority in Doncaster |
| **Housing:** priority access to housing; Staying Put and Staying Close; access to a 'handyman' service and a maintenance fund. | Rent guarantor schemes (e.g. in Devon); home improvements via EQUANS |
| **Travel:** support with the cost of getting to appointments, work and staying connected with family and friends; driving lessons. | Greater Manchester free bus travel; Cornwall free bus travel; free driving lessons and paid for licenses in Medway; bicycle packages in Reading |

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| | |
|---|---|
| **Health:** timely access to mental health services; access to Child and Adolescent Mental Health Services until 25 where necessary to avoid moving into adult support too early; paid-for prescriptions; NHS dentists; optician appointments. | Dedicated mental health worker in Lincolnshire; paid prescriptions in Oldham |
| **Digital connection:** devices and access to WiFi and data to connect with health services, apply for jobs and stay connected to friends and family. | TalkTalk free broadband and data for active job seekers; Greater Manchester free data, devices and digital skills training |
| **Leisure:** gym passes, including for a friend to go with them; funds for leisure activities. | Cornwall Culture Card; free activities in leisure centres in Dudley; Christmas/festival allowance in Cheshire West and Chester |
| **Education, employment and training:** guaranteed interviews for apprenticeship roles; "work wardrobes"; financial support until a first pay check clears; education bursaries up to the age of 25 (these are currently available for those aged 16-19). | Year-round accommodation at the University of Kent; interview clothing through Smart Works or Suited and Booted; financial support between benefits ending and first wage payment in Cheshire West and Chester; |
| **Practical support:** starter packs for new homes or going to university; mentoring or buddying schemes; clothing allowance; passports. | Clothing allowances in Kent; setting up home start packs and TV licences in Northamptonshire; coaching for care leavers in Southwark |
| **Offers for specific groups of care leavers:** including care experienced parents, former unaccompanied asylum-seeking children, young people with additional needs, those involved with the criminal justice system and the LGBTQ+ community | Support for care experienced parents in Hertfordshire; building community for former unaccompanied asylum-seeking children in Leeds; |
| **Accessing records:** including support through the process. | Access to Records training by the Rees Foundation |
| **Post 25 support:** to avoid a 'cliff edge' or support. | "Always here" support for those with care experience beyond 25 in North Yorkshire |

## Issues for the Economy and Resources Board to consider

12. Board members will be aware of the significant pressure that children's social care budgets are under, and the increasing proportion of budgets that are spent on placements for children in care, reducing available funding for wider support including additional support for care leavers. The LGA is working with the Department for Education to identify ways to reduce placement costs and ensure that children and young people receive the support they need. This includes work around foster carer recruitment and retention; oversight of large providers of placements; and understanding of placement costs. Members may wish to highlight any action that their councils have taken to reduce placement costs, or to ensure the availability of suitable homes for care leavers.

13. A specific challenge in relation to funding and support for care leavers is the rate paid by the Home Office to support care leavers who were formerly unaccompanied asylum-seeking children (UASC). These young people now make up 26 per cent of all care leavers aged 19-21. The Home Office pays councils between £41,610 and £52,195 per year to support UAS children, but this drops to £14,040 per year when the young person turns 18. Many councils have raised that this does not cover the cost of supporting former-UASC care leavers, and we continue to lobby the Government on the need for funding to cover the costs of the support young people need.

14. A key issue raised by charities and campaigners in relation to care leavers is in relation to Universal Credit. The housing element of Universal Credit – the shared accommodation rate – is lower for under 35s, however care leavers under 25 are exempt which is helpful in recognising specific challenges faced by care leavers. However, the standard allowance for Universal Credit is lower for those under the age of 25 (£265.31 per month, compared to £334.91 for those over 25) and care leavers are not exempt from this. In its recent report, "No Bank of Mum and Dad: The impact of the cost-of-living crisis on care-experienced young people", Barnardo's called on the Department for Work and Pensions to ensure that all care-experienced young people calling Universal Credit should receive the over 25 rate in recognition of the fact that the cost of essentials such as food, energy and transport cost the same for under 25s, yet these young people are far less likely to have access to financial support from their own family. The Board may wish to consider if it would like to support this recommendation from Barnardo's, including whether the recommendation should be extended further, for example to vulnerable groups such as homeless young people and young parents under the age of 25.

15. Most councils offer council tax discounts (including 100 per cent discounts), exemptions or refunds for care leavers, though these vary across the country according to the Children's Society. In some areas, care leavers aged 18-20 are

eligible, while in others the exemption applies up to 25, or discounts may become lower over time. Some councils pay the council tax of their care leavers regardless of which council area they live in, while for others this is only if the young person lives in their “home” council area. Care leavers report frustration at this “postcode lottery” of support available and it is a key area of lobbying for campaigners. Councillors may wish to consider whether they believe the LGA should seek a funded national exemption for care leavers to the age of 25, or if there are other policies they would like to ask the Government for.

16. The Workforce Team continues to argue for additional flexibility in the Apprenticeship Levy for councils to use their levy funds for specific projects, for example targeting apprenticeship support at care leavers. Some councils have done that but have had to use funds from other sources to resource it whereas there would be greater scope if councils were able to use some of the £3 million a month that is returned to HMRC for this purpose.

## Implications for Wales

17. Children’s social care is devolved in Wales however learning from the programme can be shared with the Welsh Local Government Association.

## Financial Implications

18. This programme will be delivered within existing budgets.

## Equalities Implications

19. This programme is focussed on reducing inequalities for those with care experience.

20. Around one quarter of care leavers are former unaccompanied asylum-seeking children. Specific consideration will be given to how the specific needs of this group are recognised in the programme of work.

## Next steps

21. Feedback from the Board today will be taken forward by LGA officers and reported to the Children and Young People Board as part of ongoing oversight of the programme.

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