



Economy and Resources Board

Agenda

Thursday, 16 May 2024
2.00 pm

Hybrid Meeting - 18 Smith Square and
Online

There will be a meeting of the Economy and Resources Board at **2.00 pm on Thursday, 16 May 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:

Member Services
memberservices@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
Substitutes	
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, 16 May 2024

2.00 pm

Hybrid Meeting - 18 Smith Square and Online

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Date of Next Meeting: Thursday, 11 July 2024, 2.00 pm, Hybrid Meeting - 18 Smith Square and Online

Local Government Finance update

Purpose of Report

For information.

Is this report confidential? No

Summary

This report provides a summary of the work by the LGA on various local government finance issues since the last meeting of the Economy and Resources Board on 29 February 2024.

LGA Plan Theme: A sustainable financial future

Recommendation

That the Board note this update.

Action

Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of 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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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 29 February 2024.

Spring Budget 2024

1. The Chancellor's Spring Budget took place on 6 March 2024. In advance of the Budget, the Chair of the LGA [wrote to the Chancellor](#) setting out the financial challenges faced by the sector, and how local government can support the Chancellor in delivering his budget. In addition, there was a substantial programme of lobbying leading up to the Spring Budget including, press releases, parliamentary and departmental lobbying, and social media activity. Much of this activity focussed on calls for [the continuation of the Household Support Fund](#).
2. The Chancellor's Budget contained announcements on business rates avoidance and evasion which are covered in the section on business rates below. The Chancellor also announced that the Government would provide an additional £500 million to enable the extension of the Household Support Fund (HSF) in England from April to September 2024.
3. The LGA welcomed the extension of the HSF and called on the Government to use the next six months to agree a more sustainable successor to the fund. However, the response from the LGA to the Budget overall was one of disappointment with the [Chair](#) stating that, "It is disappointing that the Government has not announced measures to adequately fund the local services people rely on every day".

Business rates

4. Councils have been working with the Valuation Office Agency (VOA) on the 2026 revaluation, for which the antecedent valuation date is 1 April 2024. They have also been working with the VOA on the one-year Improvement Relief which is now in force.
5. The Government published, at Spring Budget, a [summary of responses](#) to its [consultation on business rates avoidance and evasion](#). The Empty Property Relief "reset period" has been extended from six weeks to thirteen weeks from 1 April 2024 in England. The Government also announced that it will consult on a "General Anti-Avoidance Rule" for business rates in England. This consultation is expected shortly.
6. In our [briefing on the Spring Budget](#) we welcomed the Government's commitment to tackle business rates avoidance and evasion. We also welcomed the extension of the reset period for empty property relief, however, we believe this should have been extended to six months.

7. The Chancellor also announced a 40 per cent rate relief for eligible film studios. Guidance on this is expected shortly.

Council tax

8. On 11 March DLUHC published a [response](#) to the consultation on [exemptions for the empty and second homes council tax premium](#). The Government confirmed that it will legislate to bring the exceptions into effect before the 2025/26 financial year and issue guidance in due course. 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

9. DLUHC has published the [consultation outcome](#), [revised guidance](#) and [regulations](#) on Minimum Revenue Provision (MRP). This followed an extended consultation process, starting with a [consultation](#) in 2021 to which we [responded](#), a further [post consultation survey](#) on revised proposed regulations that we also [responded](#) to, and a final [consultation](#) in February this year. In our [response](#) to the final consultation we agreed that the final proposals avoided potential problems with drafting that were in the earlier proposals. However, we called strongly for implementation to be deferred until 2025/26 in order to avoid problems as the regulations were being agreed so late in the year. This call was successful and the changes have been deferred for a year.

Local accounts and audit

10. There is a paper updating on local audit elsewhere on the agenda.

Counter fraud

11. Lead members of the board approved a [response](#) to the Cabinet Office / Public Sector Fraud Authority's annual [consultation on the National Fraud Initiative \(NFI\) proposed workplan and fees](#). In this we called for the abolition of fees for local authorities. We argued that since participation in the NFI exercise is compulsory and no action can be taken by a participant to vary fees charged, the exercise of charging, invoicing and paying fees just adds an unnecessary layer of bureaucracy.

Economic Activity of Public Bodies (Overseas Matters) Bill

12. The [Bill](#) has continued its progress in the House of Lords. Since the last Board meeting there have been two Committee debates (Committee of the whole house) on 20 March 2024 and 17 April 2024 with two further debates scheduled for 7 May 2024 and 14 May 2024.
13. Peers have put forward 79 proposed amendments to the Bill, of which seven have so far been withdrawn, 11 'not moved' with 61 remaining to be debated. The LGA issued [an updated briefing](#) ahead of the debate on 17 April, the briefing

specifically supported a number of amendments which – if adopted – would ensure the LGPS can continue to operate largely as it does now.

14. As the briefing states, we have significant concerns about the effect of the current drafting of the Bill on the operation of the LGPS and at the very least need ‘on the record’ clarification from the Government on the intent of some specific provisions in the Bill. Discussions are ongoing with the Bill team and we are working with peers to support them in the debates.

Local government pension scheme investment in children’s homes

15. At Spring Budget, the Chancellor announced the intention for Government to work with the Local Government Pension Schemes (LGPS) to “consider the role they could play in unlocking investment in new children’s homes”.
16. During April, the DLUHC pensions team have hosted three working group meetings with attendance from the LGA, DLUHC children’s social care policy team members and DfE policy team members, as well as representatives from several of the eight LGPS pools and a few LGPS funds.
17. The working group heard from representatives of the Vardy Foundation and Clackmannanshire Council, as well as from the asset manager Alpha Real. They set out the structure of the pilot currently underway in Clackmannanshire and the group discussed whether that pilot could be scaled up in more areas, and the nature of any LGPS investment.
18. The next step will be advice to the Local Government minister, Simon Hoare MP, on the barriers to more LGPS funds and pools making these kinds of investments. Fundamentally, for the LGPS this is a property investment – but from the information gained from the pilot, it is heavily reliant on pro bono work from the Vardy Foundation and Ernst and Young as well as the building company involved operating on a non-profit basis. It is therefore yet to be seen whether it is a truly scalable model.

Implications for Wales

19. The new funding announced for the HSF 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

20. The work covered in this paper is included in the LGA’s core budget.

Equalities implications

21. 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

22. Members are asked to note this update.

23. 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.

Local Audit - update

Purpose of Report

For information.

Is this report confidential? No

Summary

This report contains an update on progress on the proposals for the reset of local audit, following discussion of the LGA's responses to the consultations on those proposals at the last Board.

LGA Plan Theme: A sustainable financial future

Recommendation(s)

That the Board note the progress being made since the last board on the proposals for the reset of local audit. That officers continue to seek advice from lead members and from the Board on how to respond as the proposals develop. That members comment on the proposal for at least one backstop date to take place in a pre-election period and on whether in this case mitigating actions such as clear protocols to be followed and strong communication on the meaning of audit opinions would help. That officers continue to work with officials on the implications for the sector of the implementation of the proposals

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Local Audit Update

Background

1. At the last meeting of the Board members discussed the LGA's responses to consultations on proposals, to resolve the local audit crisis, from DLUHC and the Financial Reporting Council (FRC), and from the National Audit Office (NAO). This paper updates the Board on what has happened since the last meeting, including a further consultation from the Chartered Institute of Public Finance and Accountancy (CIPFA) on changes to the accounting code.
2. As has been previously discussed, the number of outstanding audits (covering several years) peaked at 918 at 30 September 2023, and at that point about 99% of all English local authorities had an audit opinion outstanding. By 31 December 2023, this had decreased to 770 outstanding audit opinions. At 31 March 2024, latest monitoring by PSAA shows that there are still 642 outstanding opinions going back to 2015/16 and that these are spread across 348 local authorities, whilst 119 local authorities now have no outstanding audit opinion.

Proposals for Local Audit

3. 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](#). On 1 March CIPFA published a consultation on [amendments to the accounting code](#).
4. In outline, the proposals are that a backstop date of 30 September 2024 will be implemented to clear the backlog of historical audit opinions up to and including the financial year 2022/23, and then back stop dates will be implemented for audit opinions for each financial year up to and including 2027/28. Audits not concluded at each backstop date will be subject to a "modified" audit opinion.
5. Following the discussion at the last meeting, responses to the consultations from [DLUHC](#) and the [NAO](#) were finalised with the agreement of Lead Members and submitted. As discussed at the Board, the proposals in the two consultations represent the best opportunity for resolving the situation. The responses therefore supported the proposals overall, subject to some caveats. These caveats included the following (amongst other detailed points):
 - 5.1. concerns over the reputation of, and other practical problems for, individual local authorities and the sector as a whole given the expected large number of modified audit opinions;
 - 5.2. lack of information on long term proposals;
 - 5.3. lack of clarity on fees for both past years and future years; and

- 5.4. need for further clarity on dates for the delivery of audit opinions to enable publication by backstop dates.
6. Lead Members also agreed a [response to the consultation from CIPFA](#), which was submitted by the end of March. In the response to this consultation, we raised concerns that the changes proposed to the accounting code would not have had a significant impact on simplification or on the workload of auditors or accounts preparers. This is also a concern for what is likely to be proposed to support the long-term reform of the audit system.
 7. The DLUHC and NAO consultations closed on 7 March and the CIPFA consultation closed on 28 March. At the time of writing, the formal outcomes to the consultations have not been published.
 8. One of the proposed backstop dates in the consultation proposals was 31 March 2026. This will be during a pre-election period for local elections and a query has been raised as to whether this will cause problems and, if so, how serious they will be. It is likely to mean that some local authorities will publish accounts with a modified opinion during the election period. Members views are sought on this issue, and also on whether mitigating actions such as clear protocols to be followed when this happens and strong communication on the meaning of the opinions would help.
 9. Officers are continuing to discuss the proposals with officials from DLUHC and the FRC and a further verbal update will be given at the meeting.
 10. Given the number of opinions currently outstanding (quoted above) and the likely progress in signing these off over the next six months, it is likely that the number of modified opinions (covering several financial years up to 2022/23) to be issued in September will run into several hundred. The maximum number of local authorities that can be affected is 348, though the actual number is likely to be less.

Public Accounts Committee

11. The Public Accounts Committee are carrying out an [inquiry](#) into the [Whole of Government Accounts \(WGA\) for 2021/22](#) (they carry out an inquiry into each year's accounts and 2021/22 have recently been published).
12. The [call for evidence for the inquiry](#) highlights that one of the (many) reasons for the qualification of the WGA 2021/22 is the high number of local authorities that were unable to submit their accounts in time due to the delays in local audit. Lead members of the Board have approved a written submission of evidence to the inquiry that outlines our views on this point (based on the recent consultation responses), and also outlines our views on the valuation of infrastructure assets (from several consultations over the past two years). Differences in the method used by local authorities to value infrastructure assets from that used by central government is another reason for the qualification of the WGA. We have suggested that if qualification due to local authority accounts is seen as a major problem then consideration should be given to exclude local authorities (or some of their figures) from WGA, either temporarily or permanently.

Implications for Wales

13. The proposals affect England only.

Financial Implications

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

Equalities implications

15. 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

16. That members note the progress being made since the last board on the proposals for the reset of local audit,

17. That officers continue to seek advice from lead members and from the Board on how to respond as the proposals develop.

18. That members comment on the proposal for at least one backstop date to take place in a pre-election period and on whether in this case mitigating actions such as clear protocols to be followed and strong communication on the meaning of audit opinions would help..

19. That officers continue to work with officials on the implications for the sector of the implementation of the proposals.

Local Government (Pay Accountability) Bill.

Purpose of Report

For direction.

Is this report confidential? No

Summary

The report summarises the Local Government (Pay Accountability) Bill.

LGA Plan Theme: Support to the LG Workforce

Recommendation

That Members of the Economy and Resources Board consider whether and how the LGA should respond to the Local Government (Pay Accountability) Bill

Contact details

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Local Government (Pay Accountability) Bill

1. A [Private Members' Bill](#), presented by Paul Bristow MP, and supported by the government, has passed second reading and is on track for Committee stage (at time of writing).
2. The Bill as drafted would require councils (and Fire authorities) to approve by resolution, the salary for any roles advertised or appointed at or over £100,000 a year. It will not apply to non-local authority schools.
3. In terms of local authority schools, the position is less clear. On a plain reading of the current pay accountability provisions in the Localism Act, (the Act), which the Bill if passed will amend, and the Bill's terms, they do where relevant cover school staff if they are employed by the local authority. This is because the Act and Bill talk in terms of "*its [the relevant authority's] employees*" and "*a relevant authority...may not appoint a person as an employee*".
4. However, the [current pay accountability statutory Guidance](#) states, "*7. The provisions in the Act do not apply to the staff of local authority schools and therefore teaching staff need not be brought within the scope of a pay policy statement.*"
5. We are unable to find anything in the Act or elsewhere that expressly provides for the exclusion of those staff from the Act and would do from the Bill's relevant provisions. Therefore, we have approached Department of Levelling Up, Housing and Communities (DLUHC) to find out the basis of that statement in the guidance. We have had one meeting with the team in DLUHC who have agreed to consult colleagues in the Department for Education (DfE) to confirm the position.
6. Existing pay policies do not count for this purpose and the £100,000 figure (as required by the [Localism Act 2011](#)) is not indexed; it could only be changed by Regulation. The original discussion of this policy was more than a decade ago and the £100,000 figure was used then. Had it [increased in line with the Consumer Price Index](#), it would now be £138,490. Some indexing would seem prudent to prevent an ever expanding number of roles being covered by this requirement (requiring the requisite increase in time for full council consideration). One alternative could be to link it to a civil service pay band, perhaps most appropriately, [Senior Civil Service pay band 3](#). If it were to be the level would be set now at £127,000 .
7. This proposal would not include salaries that go above the £100,000 threshold as the result of a pay award or other increment.
8. Members will be aware that [Sections 38-43](#) of the Act set out pay accountability requirements for local authorities, including that they must approve and publish

pay policy statements for each financial year. The policy must cover the remuneration of the authority's chief officers, including pay on appointment, subsequent increases, and the use of any performance or bonus pay. [2012 statutory guidance](#) further provides, at paragraph 14, that full council should be offered the opportunity to vote before salary packages of £100,000 or more are offered on a new appointment.

9. That requirement was set out again in [2013 supplementary guidance](#), alongside a statement that pay policies should set out whether this is being done. The 2012 statutory guidance also recommends that authorities publish their pay multiples (the ratio between the highest paid employee and median average earnings).
10. Two separate Joint Negotiating Committees (JNC) are the bodies responsible for national collective bargaining on the pay and conditions of service of the overwhelming majority of local authority Chief Executives and Chief Officers in England and Wales. The JNCs agree annual uplifts to the individual salaries of both groups, the details of which are determined locally by each council.
11. The JNCs' Conditions of Service Handbooks set out terms and conditions that are basic provisions which constitute a standard throughout England and Wales, all of which can be improved by local negotiation.
12. The Conditions of Service Handbooks for both groups contain joint guidance for English councils on the establishment and remit of council Remuneration Committees. Such committees are responsible for providing advice and have delegated authority for making decisions or recommendations to the full council (or another committee) on pay and remuneration issues within its agreed remit in relation to the Chief Executive and Chief Officers.
13. The JNC guidance provides that the Remuneration Committee should meet at least annually to: *'determine any requirement for a formal review of the relevant pay market; where determined necessary, to commission relevant research and analysis and make recommendations thereon; and review any remuneration issues arising from established performance / contribution-related pay assessment.'*

NB: in Wales, the [Independent Remuneration Panel](#) for Wales must be consulted on any proposed changes to a chief executive's salary, unless the change is in keeping with changes applied to other officers of that authority (whether the change is an increase or decrease). The authority must have regard to the recommendation(s) of the Panel when reaching its decision.

14. The JNC will consider whether the guidance needs amending once the Bill has received Royal Assent.

15. Members are asked to consider whether and how they wish the LGA to respond to this Bill.

Implications for Wales

16. There are no particular implications for Wales in any of the issues covered other than where explicitly stated. The local government and fire pay negotiations cover Welsh authorities.

Financial implications

17. There are no new financial implications for the LGA.

Equalities implications

18. There are no specific equalities implications for the LGA.

Next steps

19. Members are asked to note the report and direct next steps.

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