

Meeting: LGA Resources Board

Date: 15 November 2022

Local Government Finance Update

Purpose of report

For information

Summary

This report provides a summary of the work by the LGA on funding and finance issues since the previous meeting of the Board on 22 September 2022. This includes updates on business rates, audit, and capital. A separate paper on the agenda covers the 2022 Autumn Statement and the forthcoming local government finance settlement.

Recommendations

That Members of Resources Board note this update.

Action

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

Contact details

Contact officer: Nicola Morton

Position: Head of Local Government Finance

Phone no: 020 7664 3197

Email: nicola.morton@local.gov.uk

Local Government Finance Update

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Resources Board meeting on 22 September 2022. A separate paper on the agenda covers the Government's 2022 Autumn Statement and the forthcoming local government finance settlement.

Funding for adult social care reforms

2. Lead Members of Resources Board cleared a response to a consultation from the Department for Health and Social Care (DHSC) on [the distribution of funding to support the reform of the adult social care charging system in 2023 to 2024](#). This consultation focuses on the distribution of funding for the extension to the means test, the cap on care costs and for implementation and additional assessments. [In our response](#), we called on the Government to ensure social care reforms are properly funded, and to defer elements of the proposals in order to allow time to learn from the Trailblazers and ensure the proposed regime is fit for purpose. We also pointed out the need to use the best available data to ensure allocations are as accurate as possible and to ensure that where there is evidence to suggest authorities are underfunded, they are provided with additional funding.

Energy Rebate through councils

3. Earlier this year the Government introduced a scheme to support domestic energy users through payments via councils. [Monitoring data for the scheme](#) shows that, by 30 September, 99 per cent of eligible households had been paid. The mandatory scheme was due to close on 30 September. This deadline has been extended to 30 November, which is the date by which councils must also complete payments under the discretionary part of the scheme. They will carry out a single reconciliation exercise for the whole scheme after the discretionary scheme closes. DLUHC has also commenced work on the second part of the New Burdens exercise, following the down payment of £28 million in May.

Business Rates

Business Rates Revaluation 2023

4. We understand that the Valuation Office Agency has completed the valuation work needed for compiling new valuation lists, based on estimated values as at 1st April 2021, which are due to come into force on 1st April 2023. At the time of writing this report, the VOA has not confirmed when the provisional valuation list will be published. It is expected to be around the end of November or the beginning of December and we would also expect the provisional multiplier and

transitional relief schemes to be published at the same time. We called for these to be announced no later than Autumn 2022 in our [response](#) to the [DLUHC consultation](#) on transitional arrangements. This is to make the process as smooth as possible for both ratepayers and billing authorities and allow time for any necessary software changes.

Non-Domestic Rating Bill

5. The Non-Domestic Rating Bill which was announced in the [Queen's Speech](#) has not yet been introduced into Parliament. It is expected to set into law three yearly revaluation, new duties for ratepayers to provide information to the Valuation Office Agency, as well as introducing a new mandatory one-year Improvement Relief. The Government had intended for this new relief to come into force on 1st April 2023. LGA Officers are continuing to work closely with officials from the Valuation Office Agency and DLUHC and are pressing for them to provide clarification to councils on reliefs in 2023/24 as soon as possible.

Digitalisation of business rates

6. Following Board approval, the [LGA response](#) to the [consultation](#) on digitalising business rates was submitted to HMRC.

COVID-19 Additional Relief Fund (CARF)

7. The COVID-19 Additional Relief Fund (CARF), a £1.5 billion fund designed to help businesses not eligible for other business rates reliefs to deal with the effects of the pandemic, and which was delivered through discretionary business rates relief, was to have been awarded by 30th September 2022. We are waiting for information from DLUHC on the distribution of the relief by councils to businesses. Councils report that many businesses haven't applied for the relief or have turned it down and Government officials did not pursue suggestions from the LGA that the guidance should be amended to allow awards after 30th September or allow awards to properties such as retail which might have received other COVID-19 related business relief. The [guidance](#) for the relief indicates that reconciliation will be carried out at the same time as authorities submit their certified outturn business rates forms.

Local Authority Accounts and Audit

8. Following the last meeting of the Board, the various consultation responses on accounts and audit cleared at that meeting have been submitted. These were a [response](#) to a [consultation](#) from the [Public Audit Forum](#) on revisions to recommended practice for auditors of public sector bodies, a [response](#) to the annual [CIPFA consultation](#) on the Code of Practice on Local Authority Financial Reporting (2023/24) and a [response](#) to a [consultation](#) from Public Sector Audit and Appointments (PSAA) on the 2022/23 audit fee scale. Since then there have been further discussions on the ongoing crisis with local audit. The new Director of Local Audit is now in post at the Financial Reporting Council (which will

become the system leader for local audit when it becomes the Audit Reporting and Governance Authority, the ARGA). He has had an introductory meeting with the LGA's Chief Executive and other officers.

9. We have also had further discussions with DLUHC and CIPFA about the ongoing delays to finalising accounts due to the issue with infrastructure assets. CIPFA has been discussing proposed changes to the accounting code with the Financial Reporting and Advisory Board (FRAB), and DLUHC has undertaken a [very quick consultation](#) on issuing the necessary statutory override to provide a temporary solution to any problems still not resolved by the change to the accounting code. Resources Board Lead Members approved a response supporting this proposed action. Hopefully this means that a temporary resolution to this may soon be in sight which, when enacted, would enable finalisation of many of the 2020/21 accounts that are currently stalled.
10. On October 3rd Public Sector Audit Appointments announced the [outcome of the audit procurement](#) for 2023/24 to 2027/28. The procurement has been successful in obtaining coverage for the audit of the opted in bodies. Three new audit firms have joined the market (two are completely new, one is a returner from earlier contracts) and two existing firms are not continuing. The tender has resulted in a significant expected increase in total fees for 2023/24, with an average increase of 150% over 2022/23 being quoted and opted in bodies have been advised accordingly. The actual total fees will depend on the amount of work required. At the last Board meeting members stressed the need for good communication on this with councils and other opted in bodies and this has been stressed to PSAA by the LGA.

Capital

11. We have submitted the [response](#) to the [consultation](#) on the future of the [statutory override](#) for International Financial Reporting Standard 9 (IFRS 9), mitigating the impact of fair value movements of pooled investment funds. This was cleared at the last meeting of Resources Board. We have continued discussions on this with DLUHC and understand that there were a number of other responses to the consultation which DLUHC are now evaluating. The Chartered institute of Public Finance and Accountancy (CIPFA) submitted a joint [response](#) with the Institute of Chartered Accountants in England and Wales (ICAEW) in which they called for the override to end. This represents a change of direction for CIPFA who called for the override to be made permanent in their [response to the 2018 consultation](#) and are also quoted in the [Public Accounts Committee report on Local Authority Financial Sustainability](#) as saying that without the override there would be a "real revenue hit" on local authorities.

Implications for Wales

12. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work on local government finance.

Financial Implications

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

Equalities implications

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

Next steps

15. Members are asked to note this update.
16. Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Board Lead Members.