

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.

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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.