



**Local Authority Governance and
Accountability Framework Review Panel Meeting
27 August 2020 11.00 – 13.00
Virtual Meeting**

Meeting Note

Attendees

Catherine Frances	Director General for Local Government and Public Services MHCLG (Chair)
Michael King	Local Government and Social Care Ombudsman
Graeme McDonald	Managing Director, SOLACE
Rob Whiteman	Chief Executive, CIPFA
Andrew Burns	Associate Director, CIPFA
Abdool Kara	Executive Leader, Local Services, NAO
Jacqui McKinlay	Chief Executive, Centre for Governance and Scrutiny
Mike Newbury	Director Audit, NAO
Dennis Skinner	Head of Improvement, Local Government Association
Phillip Horsfield	President, Lawyers in Local Government
Duncan Whitfield	President, Association of Local Authorities Treasurers Society
Alex Skinner	Director of Local Government Finance, MHCLG
Suzie Clark	Deputy Director, Local Government Finance Reform MHCLG
Matt Hemsley	Senior Policy Advisor, Local Government Finance, MHCLG
Leon Clement	Policy Adviser, Local Government Finance, MHCLG
Edward Wagstaff	Acting Director, Cities and Local Growth Unit, MHCLG
Nick Humfrey	Policy Adviser, Cities and Local Growth Unit, MHCLG
Ruby Dixon	Senior Policy Adviser, Local Government Stewardship, MHCLG
Julie Stephenson	Policy Adviser, Local Government Stewardship, MHCLG
Ashwin Patel	Policy Adviser, Governance Reform and Democracy, MHCLG
Aisling Lyon	Policy Adviser, Local Government Stewardship, MHCLG

Apologies

Joanne Roney OBE	Joanne Roney Lead on leadership and learning, Solace (Chief Executive Manchester City Council)
Mark Lloyd	Chief Executive, Local Government Association

1. Introduction

The Chair welcomed Panel members.

2. Agree Minutes and Actions from Previous Meeting

The Panel agreed the minutes of the last meetings (15 July 2020).

Action 1: MHCLG to publish, in September 2020, the minutes of the Panel meetings: 3 September 2019, 3 December 2019, and 15 July 2020; and the Panel's Terms of Reference.

Actions from the last meeting

- a. Panel members have provided MHCLG with details of working-level contacts within their organisation to work with MHCLG on issues coming out of the Panel. MHCLG will lead these meetings. The first item to be discussed with the Panel Working-level Leads Group will be characteristics of 'well-run and failing' governance.
Action 2 - Following the meetings of the Panel Working-level Leads Group meetings, MHCLG will report back to Panel meetings.

- b. MHCLG presented a revised Panel discussion topic list for views from the Panel. The Panel agreed that the September Panel meeting would cover The Redmond Review. Michael King said that redress was an important issue to address and should be added to the Panel topics list.
Action 3 – MHCLG will share, at the next Panel meeting, a revised topic list to cover Panel meetings to the end of the year. LA redress will be added to the list of topics for future consideration.

3. Local Government Finance Presentation and Discussion.

The Panel received a presentation from the MHCLG Local Government Finance Directorate.

Key points from the presentation included:

- The government has provided three tranches of financial support. MHCLG are engaging with councils and providing support as needed.
- Depending on the progress of the pandemic there will be a challenging set of questions such as: responding to the wider economic challenges; assessing impact of 2020/21 tax collections; and the role of councils delivering localised response measures, which will need to be considered when planning 2021/22 budgets.

Local Government Commercial Investment

- In recent times councils have increasingly engaged in commercial activities, financed by the Public Works Loan Board.
- MHCLG is working through a range of reinforcing measures to strengthen the Prudential Framework and improve its oversight and ability to monitor risk.
- The Public Accounts Committee report highlighted the need to strengthen the Prudential System. The report also highlights measures that MHCLG need to take to: identify, monitor and have the powers to address risk in a timely way.

The Panel was invited to provide input on MHCLG's approach in supporting councils facing challenges and on the ongoing issue of local commercial investment and borrowing.

Points from the discussion included:

- The whole sector has a duty to talk about the issue of commercial investment. It is a broader issue than just sustainability of councils. The sector welcomes better data, governance and regulation, at times they feel unsighted on sustainability issues.
- In terms of sustainability, it is surprising not to see analysis of the Business Rates Retention Scheme and how that has worked, particularly on how this has worked in a recession. [It was stated here, by MHCLG Local Government Finance that Business Rate outcomes are for future years and MHCLG are considering this].
- Some council's commercial exposure and pressures go back many years. The vast majority of investments made by councils are to support their local economies.

- Whilst changes are important, some investments are good investments and are needed for economic recovery. These points need to be considered when making changes. There is some good investment by some councils.
- Proportionality is needed. Legal definitions are crucial, clear drafting and guidance is needed on what LAs can and cannot do.
- On the governance element of the prudential change proposals, this is an opportunity to consider changes to the sharing of best practice and an opportunity to reinforce local accountability.
- From a sustainability point of view, this is the opportunity to look at local government short-term planning beyond 20/21, not just the implications of Covid-19.
- There appears to be some ambiguity in councils about making yields from investments. What is wrong with councils making yields to invest locally? Clarity is needed on what it is that councils should prevent from happening.
- There should be checks within government that take place over and above what councils undertake locally, through the Prudential Code, though that should be explored more with section 151 Officers and other lead Officers, on how much they want central government to dictate as this takes away the local decision making, however, it would be hard for government to do as all councils are different.
- A strengthened code; strengthened regulations; and better data and governance gives the sector more scope to innovate and invest and gives government more assurance
- We should consider what is the right level of revenue budget which is absorbed by debt financing.
- Conflicts of interest need to be picked up in the Member Code - it is explicit officers and members are pursuing dual roles.
- There may be difficult legal arguments where councils, for example, have a development that produces income directly or indirectly. This may happen by chance, the council may not have had intentions on making money out of public funds.
- Until there is a proper social care funding system, this will continue to be the biggest risk to the sector.

The Chair stated that it was not the intention of government to stop councils making commercial investments but to have the right checks and balances in place.

The Panel's comments will be considered as MGCLG develops its approach to local authority commercial investment; and MHCLG will continue to engage with the Panel on this work.

4. Local Recovery and Devolution White Paper Presentation and Discussion

MHCLG invited the Panel to input into the accountability aspects of the Local Recovery and Devolution White Paper before publication this Autumn.

The White Paper is called the 'Devolution and Local Recovery White Paper', indicating that the government sees devolution as a key to driving both the economic recovery from Covid-19 and the further levelling up agenda.

MHCLG discussed some of the proposition's government are considering. The current accountability and governance arrangements were set out and the Panel was invited to give advice and challenge on how the accountability and governance arrangements are set.

Points from the discussion included:

- In relation to accountability for the new arrangements, as well as institutional and structural accountability, there should be openness to accountability from public challenge and public complaints and concerns.
- As new bodies emerge the existing legislative structure for the accountability framework may be out of date. The current jurisdiction on what the public can complain on is framed on the fundamental structure of what was local government in 1974, not one of Combined Authorities, or elected Mayors, or Local Enterprise Partnerships, although these have been added to the structure.
- In order to build some national perspective into the accountability framework, this may be an opportunity to explore the local Public Accounts Committee proposal.
- How do we recognise potential with growing scope and which model best fits that from a governance point of view?
- The local Public Accounts Committee model is a good point of reference as it bridges the gap between national and local.
- In the success of creating a Combined Authority, a lot depends on the inclusive nature of mayors and their characteristics.
- Under the current devolution framework, there is a negotiated balance of power between the mayor and local leaders of the authorities, that sit within the Combined Authority. That may or may not be the case in devolution going forward, but that may not be a sensible model as it creates many variations.
- While many key local authority services are subject to significant regulation, the role of Mayoral Combined Authorities does not involve these services but instead makes strategic decisions on economic matters. Consequently, they are judged, not by service delivery, but by their governance and delivery of value for money. It seems disproportionate to create local Public Accounts Committees if they did not have scope to cover all services in the area, not just services covered by the Combined Authority.
- In terms of supporting Mayoral Combined Authorities, going forward, in terms of accountability and governance, the LGA have systems that they have set up over the years to support principal local authorities. The LGA have peer challenges that can be applied to Mayoral Combined Authorities, they can provide further training to mayors, as they already provide to councillors.

The Cities and Local Government Unit (CLGU) within MHCLG has commissioned research on the establishment of Mayoral Combined Authorities which looks at public awareness of the new institutions and the impact on civic engagement. The CLGU will consider the Panel's comments and will come back to the Panel at a later date with developments.

AOB

Dennis Skinner mentioned that the LGA Councillor Code of Conduct consultation received a good number of responses and the events the LGA organised received good attendance. The Chair noted this point and said that this could be covered at a future Panel meeting.