



**Local Authority Governance and
Accountability Framework Review Panel Meeting
29 September 2020 3.30 – 5.00
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
Joanne Roney, OBE	Lead on leadership and learning, Solace (Chief Executive Manchester City Council)
Rob Whiteman	Chief Executive, 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
Duncan Whitfield	President, Association of Local Authorities Treasurers Society
Nick Burkitt	Director of Local Government Strategy, MHCLG
Alex Skinner	Director of Local Government Finance, MHCLG
Gareth Caller	Deputy Director, Redmond Review, MHCLG
Beth Addison	Policy Advisor, Redmond Review, MHCLG
Ruby Dixon	Senior Policy Adviser, Local Government Stewardship, MHCLG
Julie Stephenson	Policy Adviser, Local Government Stewardship, MHCLG
Richard Enderby	Policy Adviser, Local Government Stewardship, MHCLG
Urmi Solanki	Policy Adviser, Local Government Stewardship, MHCLG.

Introduction

The Chair welcomed Panel members and introduced a new member to the Panel: Joanne Roney, the lead on leadership and learning, Solace.

Agree Minutes and Actions from Previous Meeting

The Panel suggested two amends to the draft minutes of the last meeting (27 August 2020).

The Panel was informed that the minutes of the Panel meetings on 3 September 2019, 3 December 2019 and 15 July 2020; and the Panel's Terms of Reference have now been published.

The group was reminded of the confidentiality of the discussions and papers, including for any Panel working groups.

Governance Data

Following the PAC's recommendation last year for the Government to assess its governance evidence basis, MHCLG is examining a range of factors to help improve our understanding

of governance issues across the sector.

MHCLG presented the paper 'Characteristics of Governance' to Panel members in July to prompt a discussion on what governance vulnerability might look like. Following this discussion, a working-level leads sub-group was established to take this work forward. The Panel Working-level Leads Group met in September to discuss Governance, specifically, indicators relating to Governance.

During this meeting MHCLG presented possible measures which could be used as indicators of governance at the local level, based upon publicly available data from a range of sources, such as: data provided to MHCLG in annual returns, information from councils websites, external audit VfM opinions, data from the LGSC Ombudsman, LGA data on take-up of Corporate Peer Challenges, and Ofsted ratings.

The Panel Working-level Leads Group was a very valuable discussion. The Group reflected that the data sources that MHCLG has considered are not the wrong sources. Overall, the Group agreed that the use of indicators would not, in of themselves, demonstrate whether a council had good or poorer governance. There was good challenge over whether some of the indicators were a real measure of governance and asked whether we could also look at different sources, such as CIPFA financial resilience index to provider wider context.

This work will help MHCLG in two ways: firstly, it will help the department to understand governance across the sector as a whole, and to identify where there is a need to develop better governance data for the sector, in response to the challenge from the PAC in 2019. Secondly, it will enable MHCLG to understand better what is, and is not, significant and worth further investigation to deepen our understanding of the small subset of councils facing more acute challenges.

The Panel was invited to give comments:

- The Panel agreed it is hard to come up with metrics alone that can show good or bad governance, it is easier to form judgements based on feedback; and
- There may be a way to look for early signs that could indicate governance, drawing on what is already in the system rather than creating new mechanisms.

Redmond Review

Sir Tony Redmond carried out an Independent review into the oversight of local audit and the transparency of local authority financial reporting. The Redmond Review was published on 8 September 2020. An introductory overview of the findings was presented to the Panel by the head of the review team.

The key findings from the report were presented:

- There is a lack of coherence in contracting/performance/accountability for local audit and no system leader;
- The Local Audit market is vulnerable: current pricing is insufficient for producing quality outcomes but increasing the price will not in of itself improve audit quality;
- There is a question about the practicability of meeting the 31 July audit completion deadline;
- Audit teams do not always demonstrate sufficient knowledge/experience of local government finance;
- Currently, the value for money audits pay insufficient attention to financial resilience in LAs. Value for money audits do not sufficiently address the 3 Es of economy, efficiency and effectiveness;

- There is little communication between external audit and other Inspectorates; and
- The number of statutory recommendations and public interest reports are very low.

The Panel was asked for views on the findings and recommendations.

CIPFA welcome the report and its findings and recommendations. A summary statement that links financial reporting to budget performance is a good idea. The additional responsibility for its completion and the audit certificate requirement is good. Local Authority accounts are complex due to the arrangements put in place. This will create extra work but will be worth it.

NAO support system leadership - whether that is a new body or an existing body. In setting the new NAO Audit Code of Practice, a small number of staff will be affected, which is not an issue, however, the NAO has a duty to treat staff well when the recommendations are implemented. The scope of Sir Tony's Review did not extend to the NHS, which was a lost opportunity as this sector is facing similar issues to local government, and the audit code applies to both sectors. They are requesting Government consider this.

The view from the audit community is that the report is helpful and much needed. They are looking forward to the NAO Code of Practice. The consultation for that closed at the beginning of September. The NAO are working through consultation responses.

The forward-looking nature of audit is complex. The NAO was disappointed that there was no distinction in the report between the purpose of audit in the public sector and local government, as opposed to the private sector. Local Government public sector audit is about giving comfort on how public money is spent. It would have been helpful to be clear between public and private.

The LGA is supportive of the review as a good starting point and welcomed further discussion on:

- Extension of audit deadlines and greater system leadership;
- Widening the audit market more beyond local government to also include health, housing associations, higher education, which may make it more attractive to firms; and
- The proposed new regulatory body (which they felt may give rise to a potential conflict of interest, if such a body dealt with both procurement and regulation of audit). LGA commented that it was not sure that these functions fit in governance terms.

Solace understands the forward nature of audit and the important role it plays around identifying risks early. Solace agree with the points on overall system leadership on health and leadership. The report missed an opportunity on the human resource element, where more could be done to develop people into local audit from within the public sector, further noting that there is not the capacity in the system to continue with siloed local government views.

MHCLG is working with colleagues across Government with an interest in how the recommendations are taken forward, including HMT, DHSC and BEIS. This is a cross government piece of work and the Department is aiming to set out a public response by the end of the year.

The Chair informed the Panel that Ministers are interested in the underlying issues, such as transparency and empowering local government. In taking this work forward, it will need to be considered with other pressures, such as work related to Covid.

Forward plan for meetings

The Chair explained that topics for discussion to the end of the year are:

October – Targeted Support for Councils at Risk

November – Freedoms and flexibilities

December – Sector-led support

Abdool Kara asked if this concluded the work of the Panel. The Chair explained that there was a longer list of topics for the Panel which MHCLG would circulate to the Panel before the next Panel meeting. The Panel secretariat explained that the longer list included both redress, raised by Michael King; and statutory and non-statutory services raised by Abdool Kara.

AOB

Mike Newbury said that he had several queries asking about non-attendance at virtual meetings and the 6-month rule for small authorities (Town and Parish councils). the LGA commented that Town and Parish councils were exempted and MHCLG noted it will follow-up and discuss this point further with colleagues as appropriate.