

Minutes of last Executive Advisory Board meeting

Title: Executive Advisory Board
Date: Thursday 22 October 2020
Venue: Online via Zoom

Attendance

An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions	Action
1	Declarations of Interest	
	No declarations of interest were received from members.	
2	Redmond Review	
	<p>Sir Tony Redmond introduced the report and set out that review was required due to concerns expressed about the price and quality of audit contracts. There was scope for improvement, and testing of financial resilience and fees were variable, and there was no oversight or coordination of local audit. There were also concerns on the ability for audit committees and the general public to understand the technical aspects of audit reports. There was no high level of consistency. Reaction from Ministers was still awaited, and some of the recommendations arising from the review would require primary legislation, while others could be developed in a shorter time scale.</p> <p>Sir Tony highlighted the main recommendations from his review, including:</p> <ul style="list-style-type: none">• The establishment of a new body, the Office of Local Audit and Regulation (OLAR) to manage, oversee and regulate local audit. This body would take over all of the functions current exercised by PSAA, as well as some functions carried out by other bodies such as the National Audit Office (NAO), the Financial Reporting Council (FRC) and the Institute of Chartered Accountants in England and Wales (ICAEW). The cost of this body was estimated to be £5 million per annum. It would not be similar to the Audit Commission but have the power to hold auditors to account for their performance. Costs around the creation of this new office should be considered in detail by MHCLG in due course.• OLAR would be supported by a Liaison Committee comprising key stakeholders and chaired by MHCLG.• Auditors should have adequate skills and training and be properly resourced.• The audit fee structure should be reviewed, and Sir Tony suggested that they were too low.	

- Links between external auditors and Inspectorates such as Ofsted, the Care Quality Commission and HM Inspectorate of the Constabulary and Fire and Rescue Services should be formalised.
- The deadline for publishing audited local authority accounts should be revisited with a view to extending it to 30 September from 31 July each year. This should be considered in the light of deadlines for the audit of local NHS bodies outside of the scope of Sir Tony's review, but audited by the same auditors.

Cllr Richard Watts, Chair of the Resources Board, highlighted that the report contained a summary of the Resources Board discussion of the Redmond Review. The Board had agreed that there was a structural problem, and it was difficult for local authorities to get auditors to undertake good quality work within the current timescales. There were some recommendations to welcome, such as the move of the deadline and the liaison body with MHCLG. However, moving procurement and regulation into the same function was not regular practice and was not supported. The draft LGA response to the Review was set out in full in the report.

In the discussion which followed members raised a number of points including:

- Members welcomed the suggestion that the deadline for publishing local authority accounts be moved back to 30 September, which could increase the capacity of audit firms to deliver audits. It was suggested that the change in deadline be undertaken first and other recommendations be considered if that did not improve the system. Sir Tony highlighted that the capacity of audit in the sector as a whole should be considered, and moving the deadline was only one part of that process.
- As it was recommended that procurement and regulation would be linked as part of the OLAR there were concerns on independence. Sir Tony noted that issues around conflict of interest would have to be considered, and there was a suggested structure in the annex to his review on separation of powers, but the system should be designed in a more coordinated and coherent way.
- Members raised that there was no detail in the review on the potential value for money of the new OLAR function. There was a risk that the new body would become similar to the Audit Commission, when local government audit had improved a great deal since the Commission had been abolished. Sir Tony added that there were opportunities for efficiencies in bringing together different elements into one new body. The OLAR would not be a new quango but would be restricted in its brief to address issues in coordination and system leadership.
- Local authorities would currently be unsure about their financial resilience until they knew how much funding they would be getting from the Government for 2021/22.
- Although health audit was not in Sir Tony's remit, it was difficult to look at local government audit in isolation of the rest of the public sector.

The Chairman thanked Sir Tony for his presentation.

Decision

The Executive Advisory Board **approved** the lines for the response to the Redmond Review as outlined in paragraphs 10 to 14 of the report, which would be used to draft a response to the Government.

3 The LGA's Current 'Hot Topics'

Mark Lloyd, Chief Executive, introduced the report which set out a high-level summary of the most pressing issues facing member councils currently.

In particular Mark highlighted the news that the Government has decided to agree a one-year spending settlement, with the exception of education and health. More detail was expected on the additional £1bn announced for local government this year. A further half billion was expected to support councils in their contact tracing and enforcement work as a contingency depending on what tier of restrictions had been imposed and would be separate to negotiations on Tier 3 entry.

On management of local response, the LGA was pressing for more localisation of test and trace and the Chairman had been involved in those conversations with the Government. The LGA was working with Government and councils to ensure that businesses were complying with the restrictions and were Covid secure. Further detail had been requested from the Government on how areas would transition out of Tier 2 and 3 regulations.

During the discussion which followed Members raised the following points:

- A one-year financial settlement did not give councils any certainty for the next financial year, which was a major concern.
- The Government should confirm support for residents and businesses in Tier 2 areas, and the LGA should lead on lobbying for this support. It was agreed that more clarity was required on how areas moved into and out of the various tiers, particular in areas without a metro mayor to lead discussions with Government. Discussions on support for Tier 2 areas would be held with BEIS tomorrow, particularly over if support was retrospective for areas who had already moved into Tier 2.
- Councils in Tier 3 areas may not be able to set balanced budgets for 2021/22, and the Government should support councils in those areas to ensure they had financial security for the next financial year.
- There should not be a 'one size fits all' approach to moving in and out of Tiers, as transmission rates differed between Districts and Counties in large rural areas.
- A focus on the cost pressures around homelessness and rough sleeping should be revisited, as the Government had stated an aim

to end rough sleeping by 2027.

Decision

The Executive Advisory Board **noted** the LGA's 'Hot Topics' for October 2020.

4 LGA Lobbying Strategy

Hannah Berry, Head of Campaigns and Digital Communications, introduced the report which set out the #CouncilsCan campaign priorities and approach to lobbying. The approach would be to extend the campaign to demonstrate the work that councils had been undertaking during the Covid-19 pandemic and into the recovery phase. The campaign had been planned in line with members' priorities, and feedback had been included from the LGA Chairman and Group Leaders.

In the discussion which followed Members raised the following points:

- It was disappointing that the Spending Review would be for one year rather than three years and therefore further consideration should be given to how the debate around funding should continue in 2021/22.
- Devolution of powers to local government would require more devolution of funding and revenue raising powers. There should be an increased focus on a long-term settlement and devolution of powers and funding as a way to address the levelling-up agenda and be resilient to future shocks.

Decision

The Executive Advisory Board **agreed** the #CouncilsCan campaign plan, subject to the comments above.

5 Local Government Finance update

Cllr Richard Watts, Chair of the Resources Board, introduced the report which provided a summary of the work by the LGA on funding and finance issues since the previous meeting of the Board on 10 September.

The LGA had sent a Spending Review submission to HM Treasury, but it had subsequently been announced that there would be a one-year agreement rather than the originally proposed three-year agreement. The LGA would continue to lobby for certainty for councils as there was currently no clarity on the control totals for the 2021/22 financial year. Cllr Watts also noted the various announcements of funding from the Government, including on leisure and the infection control fund, but reflected that it would be easier for local authorities to plan if these announcements were coordinated.

In the discussion which followed Members raised the following points:

- On Brexit, Cllr Bentley, Chairman of the Brexit Task Group,

highlighted that the UK Shared Prosperity Fund would be in the one-year Spending Review agreement. The Brexit Task Group would meet with Treasury Ministers in the first week of November and Members would ensure that money got to areas which needed it most. Should a deal be agreed between the UK and the EU there would be a six-month transition period.

- Discussions were still ongoing with the Government on lost income for councils, particularly around lost Business Rates. Civil Servants had acknowledged the income gap, and this would continue to be discussed with the Government in future meetings.

Decision

The Executive Advisory Board **noted** the update.

Actions

Officers would proceed with the delivery of the LGA's work in advance of the Comprehensive Spending Review and the response to, and recovery from, Covid-19 as well as wider local government finance matters.

6 Response to Tranche 2 Business Rates Review

Cllr Richard Watts, Chair of the Resources Board, introduced the report which provided an introduction to the response to Tranche Two of the Business Rates Review Call for Evidence. He highlighted that the Board had agreed the response to Tranche One at the previous meeting, which had subsequently been submitted and published on the LGA website. The Tranche Two submission reflected the views of the Business Rates and Local Government Finance Reform Task and Finish Group who had considered a partial draft of the submission on 29 September.

Members noted that the response set out that the solution to the Business Rates Review should not depend on property taxes, and the LGA would welcome the consideration of an online sales levy. Following the Tranche Two submission the Task and Finish Group would go on to prioritise future work, and report back to the Board in due course.

Decision

The Executive Advisory Board **agreed** the Tranche Two submission.

Action

Officers to forward the Tranche Two response as agreed to HM Treasury and arrange for publication on the LGA website.

7 Note of the last Executive Advisory Board meeting

Decision

The Executive Advisory Board **agreed** the minutes of the Executive Advisory Board held on 10 September 2020.

Appendix A -Attendance

Councillor

Authority

Cllr James Jamieson (Chairman)
Cllr Izzi Seccombe OBE (Vice Chairman)
Cllr Howard Sykes MBE (Vice-Chair)
Cllr Marianne Overton MBE (Vice-Chair)

Central Bedfordshire Council
Warwickshire County Council
Oldham Metropolitan Borough Council
Lincolnshire County Council

Cllr John Fuller OBE
Cllr Robert Alden
Cllr Teresa O'Neill OBE
Cllr Peter Fleming OBE
Cllr Ian Hudspeth
Cllr David Renard
Cllr Kevin Bentley
Cllr Anntoinette Bramble
Cllr Tudor Evans OBE
Cllr Georgia Gould
Sir Richard Leese CBE
Cllr Richard Watts
Cllr Ruth Dombey OBE
Cllr Gerald Vernon-Jackson CBE
Cllr Bridget Smith
Cllr Clive Woodbridge
Cllr Paul Woodhead
Cllr Rosemarie Harris
Cllr Marc Bayliss
Cllr Simon Henig CBE
Cllr John Hart
Cllr Shabir Pandor
Cllr Roy Perry
Cllr Nicholas Rushton
Cllr David Williams

South Norfolk District Council
Birmingham City Council
Bexley Council
Sevenoaks District Council
Oxfordshire County Council
Swindon Borough Council
Essex County Council
Hackney London Borough Council
Plymouth City Council
Camden Council
Manchester City Council
Islington Council
Sutton London Borough Council
Portsmouth City Council
South Cambridgeshire District Council
Epsom and Ewell Borough Council
Cannock Chase District Council
Powys County Council
Worcester City Council
Association of North East Councils
South West Councils
Kirklees Metropolitan Council
South East England Councils (SEEC)
East Midlands Councils
County Councils Network (CCN)

Apologies:

Cllr Nick Forbes CBE
Cllr Michael Payne
Cllr Judith Blake CBE
Cllr Anita Lower
Cllr Robert Stewart
Cllr Peter John OBE
Cllr Linda Haysey
Sir Stephen Houghton
CBE
Alderman Sir David
Wootton

Newcastle upon Tyne City Council
Gedling Borough Council
Leeds City Council
Newcastle upon Tyne City Council
Swansea City and County Council
Southwark Council
East Herts Council
SIGOMA

Local Partnerships