

Boosting value for money in the council finance system

- Plans to strengthen council finance and protect public funds published
- New consultation on proposals to strengthen local audit framework in response to Redmond Review
- Plans will support councils across England to level up and ensure that councils can build back better from the pandemic

Plans to strengthen council finances, reduce risk to public funds and ensure councils are delivering value for money for taxpayers have been published by the government today (28 July 2021).

Changes to the capital finance system will see improvements in the way that risks are monitored and will drive effective decision-making and ensure council funds are spent effectively.

Local Government Minister Luke Hall has announced the changes in a drive to boost public trust and ensure that residents are receiving the quality of services they deserve as we build back better from the pandemic.

Also confirmed today is a [new consultation](#) on our proposals for how the new regulator, the Audit Reporting and Governance Authority (ARGA), should act as the system leader for local audit within a new, simplified local audit framework.

It also includes proposals for how the government intends to implement other areas of the [Redmond Review](#), which was an independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in councils. These include:

- strengthening the ways that the findings of audit are used by local bodies, including proposals for the inclusion of independent members on local audit committees
- ensuring the supply of appropriately experienced and qualified local authority auditors, including amending guidance related to Key Audit Partners
- consider the functioning of local audit for smaller bodies, including whether the threshold for smaller bodies is set at the right level

Alongside this consultation, we have published two responses to previous local audit consultations – [allocating £15 million to local bodies to help with the costs of audit](#), and [changes to regulations that will help to provide greater flexibility in payments for audits](#), both of which show significant support for the government's proposals.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made

in response to the Redmond Review.

Minister for Regional Growth and Local Government Luke Hall MP said:

Throughout the pandemic, we have worked closely with councils to ensure they have the resources they need to deliver vital services for their communities.

As we build back better, we are strengthening the local audit system, to deliver value for money for taxpayers, support sound investment decisions and sustain public confidence in local government.

The government will continue to monitor the sector, and keep under review whether further action and reform is needed. We will also be engaging with local authorities, and other bodies, as we develop the actions for oversight and intervention, to ensure capital framework remains fit for purpose.

The capital finance system will be improved through a multi-action approach to successfully address all the issues that create risk to the system:

- The first line of control is the scrutiny of local authority activity, enabled by transparency and reporting. This includes effective monitoring by government and others with a regulatory function, but also ensuring that there is sufficient transparency such that local authorities can be held to account locally.
- The second line of control is the system of controls within local authorities. At this level, government actions can directly address local mismanagement through direct intervention or support strengthening of local authority controls and capability to achieve better outcomes. This aims to strengthen local decision making and risk management by supporting improvements to capability and governance of investment decisions.
- The third line of control is the Prudential Framework itself. It uses the existing statutory powers for intervention, alongside previously unused opportunities to strengthen the Framework

[See the Redmond Review.](#)

In response to Sir Tony's Review, since December we have:

- Announced £15 million for this financial year to support councils with likely additional costs in audit fees. We have consulted on the distribution of this funding.
- Launched a consultation on proposed changes to regulations related to fees that will allow more flexibility to ensure that audit firms receive payment for additional work required.
- We are working with stakeholders to deliver the other recommendations where a sector-led or system-wide response is appropriate.
- Extended the deadline for when councils must publish their audited accounts from 31 July to 30 September, for an initial two years, to give

firms more time to complete audits.