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| Policy Brief |
| **Local Audit and Accountability Bill** |
| July 2013 |

Services which may be impacted by this Bill

* Finance
* Council Tax
* People and Organisational Development
* Strategy, Localism and Communications

The [Local Audit and Accountability Bill](http://www.publications.parliament.uk/pa/bills/lbill/2013-2014/0004/2014004.pdf) was announced in the Queens Speech on 8 May 2013.

Further information and the full Bill can be found at <http://services.parliament.uk/bills/2013-14/localauditandaccountability.html>

**Purpose**

The Bill would close the Audit Commission, make new arrangements for the audit of local public bodies and increase local accountability. The bill also allows local council taxpayers to veto council tax rises caused by bodies such as waste disposal authorities and gives the government powers to intervene when it does not think a council is complying with the code of practice on local authority publicity – a measure designed to protect local newspapers from unfair competition by council free-sheets.

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| **House of Lords** |  |
| 1st reading First reading | [1st reading: House of Lords 9 May, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130509-0001.htm#13050924000744)  Bill introduced. |
| 2nd reading Second reading | [2nd reading: House of Lords 22 May, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130522-0002.htm#13052251000685)  Debate focused on how the bill could strengthen local democracy and transparency and save money. Lords discussed plans to replace the current Audit Commission with a new framework for local audit, under the new legislation auditors would be appointed by local authorities following the advice of an independent auditor panel.  Broad support came from across the chamber, however, concerns were raised about whether the bill would affect the quality and independence of the audit process and safeguard whistleblowers. Questions were also raised about the cost of the new system, and what gaps would arise from the demise of the Audit Commission.  Proposed **tighter controls on council publications were also debated.** Liberal Democrat Lord Shipley, vice president of the Local Government Association, said that while information from councils was right, he saw "a weekly newspaper as a step too far and it is likely, inevitably I think, to verge on the propagandist". His fellow Liberal Democrat peer Lord Palmer of Childs Hill also thought the clause was unnecessary and said the government did not need to legislate against council newspapers which "contained political propaganda". Speaking for Labour, Lord Beecham described the proposal as "objectionable" and the reality was that local media was suffering because of free newspapers, social media and a decline in advertising.  There was debate about provisions concerning council tax referendums. Lord Mackenzie stated that proposals coud threaten city deals where authorities had made commitments to raise revenues in future years. Baroness Eaton raised concerns that authorities would be obliged to hold referendums triggered by the actions of other bodies and Lord True noted that local authorities have no power to reduce or reject levis and precepts set by levying and precepting authorities despite the outcome of any referendum |
| Committee stage Committee stage **(opportunity to submit comments)** | [Committee: 1st sitting: House of Lords 17 June, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130617-gc0001.htm#13061745000356)  [LGA briefing](http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10171/4001310/ARTICLE-TEMPLATE) to peers called for clauses on council tax referendums and local authority publicity to be deleted from the Bill, and for the audit clauses to be amended to create a framework that would allow councils to procure audit through a national appointment process.  Line by line examination of the Bill. Amendments discussed covered clauses 7-13 and 16 of the Bill relating to the creation of a framework through which councils could procure their audit services through a national appointment process. It was confirmed that the Government were prepared to amend the Bill to allow for a framework for national procurement provided that it was not mandatory. Other amendments proposed that auditor panels need only be chaired by an independent member instead of having to consist of a majority of independents. Whilst the Government opposed this amendment, it was confirmed that should a council enter into a national procurement process they would not need to appoint an independent panel. The LGA will be working closely with Government and parliamentarians so that the Bill can be amended to ensure that a national procurement framework is created that will save councils money.  Amendments were introduced designed to allow local authorities to create a voluntary sector led body to appoint auditors but later withdrawn following the Minister’s commitment to look seriously at the proposal and talk further with the LGA. Another proposed that all local authorities should be required to have audit committees which would take o the role of the independent auditor panel. An proposed new clause allowing auditors to have access to contractors’ documentation so far as was necessary to conduct a full audit was withdrawn.  An update on progress of the Bill to date was published on 25 June. [The Local Audit and Accountability Bill: progress through Parliament](http://www.parliament.uk/briefing-papers/SN06674.pdf)  On 26 June Peers will debate the clauses on local authority publicity and council tax referendums, with the LGA briefing that these clauses should be deleted from the Bill. [Lord Tope is also leading an amendment](http://email.local.gov.uk/t/9900/2224313/14060/29/) to remove the duties on local authorities to publish statutory notices in their local newspapers. The LGA has been calling for the removal of this duty as the current law does not take into account the move to digital technology and the different ways people access information through online platforms. If passed, the amendment should save councils £26 million per year at a time when they are under serious financial pressure.  On Wednesday 26 June 2013 the House of Lords held the final day of Committee Stage for the Local Audit and Accountability Bill, during which Peers [debated the role of the National Audit Office](http://email.local.gov.uk/t/9977/2254706/14198/26/) (NAO), statutory notices, local authority publications and council tax referendums, and ahead of which [the LGA briefed Peers](http://email.local.gov.uk/t/9977/2254706/14199/27/)  **National Audit Office –** amendments seeking to both limit the studies the NAO would be able to undertake into local government and prevent the NAO from carrying out inspection for the purpose of providing data-matching and comparative performance league tables. It was confirmed "it is not the Government's intention to replicate the Audit Commission's programme of studies”.  **Statutory notices -** amendment seeking to remove the duty on local authorities to publish statutory notices in their local newspapers. Baroness Hanham responded for the Government by arguing that statutory notices are important for transparency and local accountability. The LGA continues to encourage the Government to use this opportunity to lift a costly burden on local government.  **Local authority publications – contentious debate about the impact of local authority publication on local newspapers.** Baroness Hanham said the power was only going to be directed against a few authorities. The LGA remains opposed to the clause and will be calling for it to be substantially revised.  **Council tax referendums -** Lord Beechman opened the debate on council tax referendums by opposing the retrospective nature of the powers. In response, the minister claimed the clause was not retrospective: "I am happy to confirm that subsection (15) does not apply referendum principles retrospectively. It does not make any changes to the setting of council tax in previous years or change the referendum limits that applied." Despite this assurance, the LGA is concerned that the Bill gives the minister the power to impose referendum limits for 2014/15 on the basis of whether their council tax in 2013/14 would have been excessive had the new law been applied.  LGA Vice-President the Earl of Lytton led an amendment opposing the clause on the principle that the local election cycle is the rightful place for residents to pass judgement on their councils. Peers also used this opportunity to highlight concerns the sector has about the unintended consequences this clause may have on infrastructure funding and the City Deals. These concerns were rebutted by Baroness Hanham: "The Government does not accept that local councils will simply have an excessive increase forced on them by levying bodies. We have had representations that this clause could constrain authorities that have already come together to collaborate and pool resources. We must be clear about this, too. In many areas, transport and waste disposal are run by local authorities. "  The Bill will receive its Report Stage on the 17 July 2013, in advance of which the LGA will be working to promote further amendments to the Bill. |
| Report stage Report stage | [Report: 1st sitting: House of Lords 15 July, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130715-0001.htm#13071513000839)  [Report: 2nd sitting: House of Lords 17 July, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130717-0003.htm#1307184000188)  The debate opened with amendments which aimed to provide a "route to securing national procurement", which the LGA supported further, having secured the desired commitment on this during Committee Stage. Baroness Hanham gave further detail on the process, informing the House that her officials were now in contact with the LGA to clarify arrangements and to get the detail of the amendment correct. She said that "the Government intend to make an amendment to the Bill in the Commons, which will allow for optionalised, centralised procurement to be made in regulations".  The publicity code was also debated. Lord Tope and the Earl of Lytton led LGA-supported amendments to remove the wide ranging nature of the Secretary of State's powers of direction; to give authorities more time to respond; to make the financial motivations for publishing outside the code a factor in deciding a direction; and to make sure that any direction is given in writing. A Government amendment was tabled to specify this and, while it doesn't negate clause 38, it is something we have been arguing for that has now been added to the legislation. Lord Beecham said that "It would not be acceptable for the Government simply to reject the Motion and do nothing about this ridiculous list of notices that have to be published in a paid-for publication at the present time. A gesture from the Government in that respect, other than the normal gesture that one tends to get metaphorically across the Dispatch Box, would be helpful."  This did receive some traction, with the minister saying that "under present conditions it could perhaps be removed, but the requirement to ensure that these notices are available easily remains as valid today as it always has" and "In the internet age, it is clear that commercial newspapers should expect less state advertising over time, as my honourable friend Brandon Lewis has made clear, as more information is syndicated for free online. We accept that newspapers need to develop new business models rather than relying on revenue from statutory notices. However, the newspaper industry is very clear that competition with local authority newspapers, for example, can be damaging." So while the Government are conceding the point of principle – that a duty to publish a notice in a newspaper is an anachronism – there remains a lack clarity over how and when to reform the law.  Lord Beecham and the Earl of Lytton led amendments opposing the retrospective nature of the clause on council tax referendums. Lord Beecham set out the financial impacts to those authorities most affected by the changes, opposed the entire concept of referendums and suggested it would be statesman-like of the Government to admit that they've over-reacted and reconsider the implementation of the proposals, even if they keep the clause in the legislation. LGA Vice-President Lord Shipley called the clause "bad policy" and set out the reasons why. The Earl of Lytton also said that it was "retroactive" in its effects and "calculatedly destabilising". |
| 3rd reading Third reading | [3rd reading: House of Lords 24 July, 2013](http://www.publications.parliament.uk/pa/ld201314/ldhansrd/text/130724-0001.htm#13072444001047)  The [LGA briefed](http://email.local.gov.uk/t/10219/2359282/13898/28/) ahead of the debate to highlight remaining concerns with clause 38 (local authority publicity) and clause 39 (council tax referendums).  The LGA also supported an amendment by Labour peer Lord Wills that would extend the existing freedom of information rules to include documentation held by the auditor(s) charged with auditing a local authority. In response to the Lord Wills amendment, Lord Wallace told the House that the Government were "keen to promote transparency", but agreed with the assessment of the Justice Select Committee which considered it better to "preserve transparency through contractual provisions, rather than the formal extension of the Freedom of Information Act at this time." The amendment was voted on by peers and narrowly defeated.  The Bill will now pass to the House of Commons to be debated by MPs in the autumn, before being signed into law in the New Year. |

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| **House of Commons** |  |
| 1st reading First reading | [1st reading: House of Commons 29 August, 2013](http://www.parliament.uk/business/bills-and-legislation/current-bills/bills-before-parliament-no-debate/)  Having completed its passage through the House of Lords, the Bill was presented to the House of Commons. It received no debate. |
| 2nd reading Second reading |  |
| Committee stage Committee stage |  |
| Report stage Report stage |  |
| 3rd reading Third reading |  |

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| Consideration of Amendments Consideration of amendments |  |

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| **Royal Assent** |  |