

**Society of District Council Treasurers**

**Response to MHCLG’s consultation on the “Redmond Review response – Changes to the audit fees methodology for allocating £15 million to local bodies”**

**Introduction**

The Society of District Council Treasurers (SDCT) was formed in 1974 and represents the 181 district council finance functions in England. The Society provides a forum for members to share expertise on financial issues affecting district authorities. It also enables districts to speak with a united voice; as a Treasurers’ Society it is recognised as a key local government stakeholder by central government and the Local Government Association.

**Consultation Response Questions**

1. **With regard to the allocation of the £15 million to affected bodies, do you agree with the proposal at paragraph 7 that is to base individual allocations on each body’s scale fee as a proportion of the total scale fee that each body currently pays?**

Response– We disagree that this would be the most appropriate approach to allocation of funds. Whist we recognise that this may be one of the simplest and clearest ways to allocate the funds, it does not reflect the fact that the costs associated with responding to the requirements, specifically those which the funding is designed to support, will be comparable for all authorities.

2. **Alternatively, do you think that one of the methodologies proposed in paragraph 8 would be more equitable? What are your reasons for this?**

Response – As referred to in the response to question one, the costs to responding to several of the requirements the funding is being provided to support, will be comparable for all authorities. This is particularly the case for the development and implementation of standardised statements of service information and costs. For this reason, an allocation based upon a more standardised methodology that meant all bodies of a specific type receiving an equal allocation would be more appropriate.

**3. If you think that we should consider a different methodological approach, what factors in your view should be used to determine the proportionate element of funding? For example, might regulatory standards that only apply to certain bodies be a suitable contributory factor?**

Response – The preferred method of SDCT is an allocation based upon a more standardised methodology that meant all bodies of a specific type receiving an equal allocation. However, it is also recognised that there is a desire to keep the scheme as simple as possible, and we would not support bringing in additional factors for this reason.

**4. We would also welcome views if you have an alternative proposal to those described?**

Response – Taking the desire for simplicity, transparency and fairness into account, along with the fact there will be elements of the new requirements which will have broadly comparable costs for all councils, the best alternative to the preferred option would be a hybrid of MHCLGs preferred option and SDCTs preferred option.

This would mean part of the allocation being determined based upon existing scale fees, and part of the funding based upon bodies of a specific type. For ease we would recommend a 50/50 split for these allocations.

**5. We would also welcome any more general comments on the proposals and any unintended consequences that might arise from their implementation?**

Response – It is unclear at this stage what the increases in audit fees will be. It will be important for the PSAA to recognise, when setting rises in audit fees, that this funding is being provided to councils to not only meet the rising cost of audit, but also to support local authority costs in meeting new requirements. For this reason, it is expected that rises set by PSAA should be lower than funding received.

In addition, SDCT has previously raised concerns to the PSAA that there have been significant proposals in relation to the level of audit fees, but that we have not seen a corresponding requirement for the auditors to ensure that the quality of the audit is substantially improved and that audits are completed within the required timescale. This is a crucial for when the PSAA determine any fee increases, even if these increases are supported with additional funding, we would expect to see an improvement in quality and timing of audits.

**6. Any comments relating to the equalities impact of the above proposals would be welcomed**.

Response – The SDCT does not have any comments on the equalities impact of the proposals.