CIPFA The Chartered Institute of Public Finance & Accountancy

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response to consultation

As the Chartered Institute of Public Finance and Accountancy we feel it is right and proper for the Institute to comment on consultations concerning local government finance.

We have restricted our comments to several high level observations as below.

The focus on spending power in principle may be valid but we share the concern in the sector that it becomes a presentation device that risks sometimes obscuring rather than illuminating the impact of the local government settlement. We would urge the Department to work proactively with the sector to develop a consistent and accepted measure.

The local government settlement through to 2019/20 involves a £7.8bn or 78% reduction in Revenue Support Grant. This is the sector's real contribution to deficit reduction.

We welcome the boost to the Better Care Fund and the freedom for upper tier councils to introduce a 2% social care precept. The combination of these two measures provide a considerable boost to the funding for the pressing matter of social care. However, our concern is that it is still significantly short of the established need and the assistance is largely back-loaded when the funding gap is stark now.

CIPFA do not take sides in distributional matters but we are concerned about the unexpected introduction of significant RSG distributional changes late in the process. This is not helpful for short or long term financial planning within councils and we suspect the local impact, especially next year, is much more significant for the losers than implied by the spending power measures referred to above.

CIPFA have long campaigned for some form of independent body, perhaps akin to the OBR and national finances, to give advice on the impact of grant changes. This would help build confidence and trust across the sector.

We welcome the proposal of a true four year settlement for local councils. However, we would caution against this being associated with increased bureaucracy. The requirement for an accompanying so-called 'efficiency plan' is a case and a risk in point. It would also be unfortunate if the name itself gave the wrong impression to the wider public that securing and delivering efficiencies had not been a successful feature of local government over the last few years also.

More fundamentally, if the Government's hope is that grant settlement certainty will allow councils to better frame their use of reserves, and in particular reduce the level held for grant risk, four year RSG certainty is not sufficient. Most Councils are also heavily reliant on a whole range of other specific grants sponsored by other Government departments. The absence of the equivalent four year certainty for these other specific grants will inevitably diminish the sense of overall funding certainty that Councils will feel they can rely on.

To conclude, on business retention, the Institute does wish to be positively involved in the development of proposals for the future and will look to inform the debate as part of that process.