

Welsh Government

**Strengthening Local Government:
Delivering for people**

A Submission by:

**The Chartered Institute of Public
Finance and Accountancy**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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1. Executive Summary

- 1.1 CIPFA is the leading expert on local government financial management. CIPFA sets accounting standards and directly assists local government throughout the UK to drive public service improvement. The extent of our assistance and experience is set out over a series of documents and tools and materials. The scale is such that it is not possible to properly summarise all in a single document. We have therefore elected to submit this short summarised response but in doing so make an offer to discuss assistance further.
- 1.2 The reorganisation of the 22 Local Authorities in Wales is at the centre of this Green Paper. Structural reform on its own will not necessarily lead to better outcomes. CIPFA recommends that prior to any reform there should be clarity on how the delivery of outcomes can be improved. CIPFA's previous work on *Aligning Local Public Services*¹ explores this in depth and we would consider it a useful model to share.
- 1.3 Financial pressures within the public sector shows no sign of improvement. This means that Local Government will continue to operate within a constrained financial envelope. CIPFA continues to urge the Welsh government to consider creating the foundations for the future sustainability of all public services. CIPFA has previously recommended a five point blueprint² and would be keen to talk through the merits of this approach with Government.
- 1.4 The impact of EU funding changes must be taken into consideration. CIPFA has recently responded to the consultation on EU funding and any future local government reorganisation must have regard to the consequences associated with the withdrawal of EU funding.³
- 1.5 CIPFA would support additional research to ensure that any final decision is made on the basis of robust evidence. Data on the cost of the reorganisation and longer term financial benefits does not

¹ *Aligning Local Public Services* CIPFA 2017

² CIPFA submission *The Commission on Public Service Governance and Delivery* September 2013

³ *Inquiry into preparations for replacing EU funding for Wales* May 2018

appear to be complete. CIPFA's previous work on the costs of reorganisation identified the significant costs that can be incurred. Based on data at that time CIPFA estimated that merger costs ranged from £159m to £268m.⁴ Crucially, these costs would be incurred to drive organisational change only, rather than service improvement.

- 1.6 CIPFA would welcome the opportunity to provide oral evidence as part of this consultation and, as indicated at the outset of this paper, to develop these recommendations further.

⁴ CIPFA report for the Welsh Government Associations Report on the transitional cost benefits and Risk of Local government reorganisation Nov 2014

2. Aligning Local Public finances

- 2.1 CIPFA's work in this area has confirmed that only by coming together and aligning local public services, can the public sector address current delivery challenges.
- 2.2 This research identifies the challenges involved in delivering aligned local public services, and uses case studies to illustrate how some local areas are succeeding in doing that to achieve pre-agreed outcomes for local people, places and communities.
- 2.3 CIPFA believes that when looking to collaborate it is important to understand and map the range of services and resources that are available within that local delivery landscape⁵
- 2.4 The work contained in this publication would allow organisations that are subject to change to take a structured long term view and allow improved medium term financial planning.

3. Financial Resilience

- 3.1 CIPFA's work on financial management, budgeting and resilience would assist councils during this period of transition. This builds on the original blue print⁶ which created a framework for future sustainability of public services in Wales.
- 3.2 CIPFA would recommend that this framework is revisited in light of the current consultation and suggested approach.
- 3.3 In the light of recent financial headlines, CIPFA is in the process of developing further its own response and support to local government. We plan to develop a new professional code which effectively would set mandatory standards for budget setting and financial management within local government. The proposed Code would be applicable to the UK and consequently to local government in Wales. Representatives from the Welsh Government have been invited to contribute to CIPFA's steering group.

⁵ CIPFA aligning Local Public services – mapping the delivery Landscape

⁶ CIPFA submission The Commission on Public Service Governance and Delivery September 2013

4. EU funding

- 4.1 Uncertainties with Brexit funding make it difficult for organisations to develop strategic plans. Structural and Investment funds received from the EU into Wales amount to €3.1bn over the funding period 2014 to 2020. These EU funds leverage additional finance for projects and infrastructure, raising the total funds available to €4.7bn over this period.
- 4.2 CIPFA would argue that reaching agreement between the Welsh and UK governments on structural and investment funding post Brexit needs to take place quickly, in order to offset any uncertainty and mitigate delays in project planning and implementation due to future funding concerns.⁷

5. The Cost of Mergers

- 5.1 The Green paper provides a number of options for the way forward. It also allows flexibility around the timescale. Therefore, it is difficult to estimate costs at the current time. Once the consultation has concluded it will be clearer and a more accurate measurement of cost can take place. CIPFA would welcome the opportunity to discuss the measurement of cost and support an independent assessment.

⁷ Inquiry into preparations for replacing EU funding for Wales May 2018

