

# **Response to the consultation document**

## **Local Government Finance Settlement 2017 to 2018**

### **Technical Consultation Paper**

## **CIPFA**

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolios of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. Our in-house CIPFA Education and Training Centre as well as other places of learning around the world teach them.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

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## **Introduction**

1.1 CIPFA welcomes the opportunity to comment on this consultation and CIPFA supports the Government introduction of a four-year settlement. It is vital to understand how local government services are to be funded across the country over the medium and long term. At CIPFA we continually look to further good financial management in public finances and in the context of this consultation around funding we look to promote a transparent, fair and stable framework for local government finance across the whole of the country that is fit for purpose.

Our key points:

- CIPFA supports greater certainty around grants over the medium term.
- CIPFA supports the sector in their wish for council tax flexibility subject to local democratic controls.
- CIPFA has concerns over the funding of adult social care.

1.2 Notwithstanding our position on council tax referendums, set out above, if they are to remain as present, it is not unexpected or surprising that the regime is extended to cover parish councils. However, that may generate a number of implementation issues which the relevant treasurer societies will no doubt deal with in their consultation responses.

1.3. The 2% precept flexibility in Adult Social Care (ASC) has been generally welcomed as the lack of funding within this area is of great concern to the whole sector. At the national level, this additional capacity plus promised increases in Better Care Fund (BCF) funding over the medium term is real recognition of the funding pressures being faced. However, alongside the rest of the sector we would reiterate that this additional capacity is still insufficient both in terms of its timing and scale compared to current and increasing demand.

1.4 It would appear that the improved better care fund distribution methodology will be based on the assumption that all relevant authorities will increase the council tax by the maximum 2% allowable for social care. We would observe that it raises the highly unusual, if not unprecedented position, that a council who exercises the democratic right not to avail themselves of the full 2% social care element in their council tax decision will also be penalised in relation to their share of the increased BCF funding.

1.5. More fundamentally, on the allocation of increased BCF. We note the proposed methodology employs a version of spending power by involving the relative council tax capacity, from raising the 2% social care element, in the allocation of the increased national BCF fund. We would not anticipate unanimity from the sector on this point. It clearly favours relatively lower council tax areas over those with relatively high council tax bases. The implicit argument is that this is a fairer

approach overall and in the round that may prove to be the case. However, as social care increases have already been committed, we would be concerned about transparency and public expectations. Especially in the cases where it ended up with zero or negligible increased BCF in the higher tax bases areas. Clearly, the Department will know that as a proposed allocation methodology it does not incorporate any explicit recognition of relative need.

## **2. Additional Detailed comment**

2.1 The use of the ASC precept in 2.1.2 mentions that it is "subject to consideration of the use made of the Adult Social Care precept in the previous year". CIPFA would like to ensure the DCLG is aware of the complications around identifying budgetary transactions for comparison purposes. It is not a like for like budget and the 151 officers were required to agree to specific conditions when the precept was set.

2.2. CIPFA understands the DCLG decision to choose a proxy for revaluation. The approach and reasons are set out in the consultation paper. However, this will result in both winners and losers and this is a concern for the sector as a whole as this will increase the financial pressure on specific authorities. CIPFA welcomes the fact that DCLG will keep this methodology under review (B.8) and will seek to ensure that government is transparent in their use of this approach.

2.4 Following comments in earlier documents we are not surprised by the introduction of a referendum limit on certain parishes. In principle we do not object to this but have concerns over the implementation challenges and would ask that consideration is given to this especially as the distribution of this implementation is uneven across the country.

2.5 CIPFA notes the methodology for calculating the additional local share in pilot areas (3.5.5) and appreciates the challenges faced in calculating these figures. It should however be pointed out that the pilot authorities do not reflect the makeup of local authorities.