

1 August 2019

The Rt Hon Robert Jenrick MP
Secretary of State for Housing, Communities and Local Government
Ministry of Housing, Communities and Local Government
2 Marsham Street
London
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Dear Secretary of State

Many congratulations on your appointment to one of the most important jobs in government and an area ripe for groundbreaking reform.

Comprising parish and town councils, over 400 principal councils and their 20,000 councillors, combined authorities, local enterprise partnerships and, increasingly, new forms of governance such as sustainability and transformation partnerships and integrated care systems, the sector in England that you represent at the Cabinet table is complex. To be frank, over the decades it has been organised by a succession of piecemeal legislative whims rather than clear design principles or a binding constitutional settlement.

Your Cabinet colleagues, who are responsible for a wide spread of policy from education, health and policing to trading standards, are most likely being briefed that national solutions are the key to local delivery issues. Indeed, it is not rhetoric to say that England is one of the most centralised states in the developed world. We should ask why this is – and if it is the intention of government to change it.

CIPFA is a registered charity and we hold a royal charter; we set accountancy standards and we represent the finance profession in local government. Our qualified accountant members are also found in health, central government, policing, the firms, and across the public sector in the four nations of the UK and indeed around the world.

Based on our broad experience, I hope the following four suggestions will be helpful to you as you gather your thoughts as our new Secretary of State:

1. In general, the local government sector demonstrates good financial management. Through the development of our new Financial Management Code, which complements other high quality accounting and borrowing codes, CIPFA is working to maintain these standards and help spread the good practice shown by the majority to the few councils where arrangements are less resilient. Developing robust medium-term financial plans is not easy for any council given the degree of resource reduction this decade, and the whole sector deserves non-party political and neutral support from the department. Your help to praise the good without impugning councils that can improve will be beneficial.

2. Councils have to balance their books by law, and actions taken to do this, even by those with good financial management, can sometimes have unavoidable ugly consequences. We can especially see this in much-needed preventive services. Youth services, for example, are relatively easy to stop funding, with few immediate acute consequences. Pending a full comprehensive spending review, urgent specific cash is needed for services for vulnerable children and adults. And general resourcing is needed to protect preventive services and stop the hollowing out of strategic capacity. A Fair Funding Review should not occur until the new quantum under the CSR is clear. And if you succeed, as we hope you do, in securing funds from the Treasury, please avoid strings that limit usefulness. We welcome the reduction in ring-fencing and argue that there is further to go, for example with parking income.
3. Please don't review local government finance unless you mean it. The sector has seen reviews aplenty over the decades that were never implemented. My respectful advice is to ask officials for a copy of Sir Frank Layfield's 1976 report, which has not been bettered. The question posed to government was: what is the function of local government? Decide this and the form of finance is easier to determine. We argue that one of the systemic problems over the years has been governments engineering the funding system to favour councils of their own political hue. We favour the creation of an independent, non-political body that would take over the distribution of funding to local authorities, within a policy framework that governments can publicly alter.
4. We welcome the Redmond Review of the local audit and reporting landscape announced at our recent annual conference, although we believe the review would be stronger if it also covered health bodies. It is right to explore how best to enhance the market for local audit services provided by the firms, which underpins effective local governance. The sector is at its best when given independent professional challenge. The firms have long been a training ground for specialist local government financial skills. We must maintain a pipeline of future finance leaders alongside the many similar workforce pressures that councils face.

So I have put forward two questions: what is local government for? And, why is the UK state, and England in particular, so very heavily centralised compared to other nations?

If your view is that councils are best left as they are, you can in the short term stabilise finance arrangements. However, in the long run, I should note that retaining all business rates alongside the council tax will not be sufficient to meet social care pressures.

If you take the view that the potential of areas in England should be unleashed with devolved powers on education, skills, health, welfare, housing, criminal justice, infrastructure and the environment, then the finance system will need more radical reform and wider tax-raising powers linked to reorganisation where needed.

The latter is much more exciting!

We look forward to working with you in the years ahead.

Yours sincerely



Rob Whiteman
Chief Executive