

Independent local government finance commission

Purpose of report

For discussion.

Summary

The LGA and CIPFA have established an Independent Commission on Local Government Finance tasked with making recommendations for the reform of local government finance and finding better ways to fund local services and promote economic growth in England. An interim report based on analysis of the Commission's call for written evidence is expected to be published in the coming weeks.

Recommendation

Members to consider issues that the Board may wish to discuss further with the Finance Commission or on which they may want to commission more analysis directly, in light of their broader discussion on devolution.

Action

Officers to take forward as directed by members.

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Independent commission on local government finance

1. The Independent Commission on Local Government Finance has been established by the LGA and the Chartered Institute for Public Finance (CIPFA), the professional body for public finance professionals. It is chaired by Darra Singh, partner in EY (formally Ernst & Young)'s government and public sector team.¹ The Finance Commission has been set up to impartially examine the current position of the local government finance system; a potential new system that enables better public services and encourages economic growth; and practical options for changing the system that could be implemented by an incoming government.
2. The Finance Commission is exploring how an improved local government finance system could help to address five key challenges facing the country within the context of lower public spending:
 - 2.1. Promoting economic growth and investment in infrastructure.
 - 2.2. Ensuring sufficient housing is provided in every place.
 - 2.3. Integrating the health and social care systems to promote independent living, including preventing unnecessary health interventions.
 - 2.4. Achieving a welfare benefits system that promotes work and protects the vulnerable.
 - 2.5. Supporting families and developing young lives through early intervention.
3. In June, the Commission launched a call for evidence that sought views from business and business organisations, the faith and voluntary sector, public sector organisations and local government on the strengths and weaknesses of the current local government finance system; the problems and opportunities it creates in tackling the challenges above; potential reforms that would make it easier to tackle these challenges; and specific practical solutions for changing the system. Analysis of the written evidence is nearing completion and an interim report will be published in the coming weeks. The final report of the Finance Commission report is due to be delivered in January and will be available to influence new ministers and importantly the first Comprehensive Spending Review of the new or returning Government.
4. Sir Richard met with Darra Singh in early July to signal the interest of the City Regions Board in engaging with the Commission. There are a number of financial issues that are significantly linked to the devolution agenda, including the design of a system that enables city regions to become self-financing – or indeed net contributors to the public purse – while maintaining safeguards for areas starting with a more challenging financial position; proposals for local accountability over public spending; and the range

¹ A full list of Commissioners is available at <http://www.localfinancecommission.org/people>.

of fiscal levers that city regions need in order to be on a level playing field with global competitors.

5. Some of these issues are likely to be raised in the Commission's interim report whilst others may fall outside its scope. The interim report will be circulated to all members of the Board once it is published and it is suggested that lead members consider whether there is more detailed work they would wish to recommend that the Finance Commission explore for its final report, as well as the interests of the Board in directly commissioning more specific policy analysis to ensure a comprehensive evidence base on the future finances of city regions.