

# **COMMISSION ON STRENGTHENING LOCAL DEMOCRACY**

**A Submission by:**

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

**20 December 2013**

**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](http://www.cipfa.org)

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## **1. EXECUTIVE SUMMARY**

- 1.1 CIPFA considers that decisions on how to spend public money sit at the heart of strong local democracy and that it is the existence of local accountability which will drive the right choices to be made. Good financial management provides the underlying infrastructure to enable those choices to be made. CIPFA therefore supports the Commission's specific remit to establish:

"a funding process that improves democratic control and accountability locally".

- 1.2 We provide specific and focused comment on local accountability and on the link to local priorities and we consider them in the context of how financial management can contribute to stronger local democracy.
- 1.3 Our vision is for a local government that is truly local, where the level of local taxation is a matter for local decision-making and where local government is the leader in a modernised 'place based' resource planning and budgeting framework.

### **Local Accountability: Local Taxation and the Cost of Services**

- In Scotland, elements of government grant are now conditional upon a prescribed level of local taxation being set and which has resulted in a council tax freeze since 2007/8. The balance of local accountability has been fundamentally altered, distorting the previous relationship between, local government, the citizen and central government. Responsibility for local taxation, should sit clearly at a local level;
- We have calculated the cost of providing local government services to be £19.5bn and, taking into account unrealised gains and losses, when compared to reported income, there is an estimated accounting deficit of more than £900m. This represents a deficit of £175 for each person in Scotland.

### **Local Priorities: Linking National Priorities to Local Decisions**

- While central government funding envisages a standard level of service, local choices can result in variations in service provision, in cost and in the level of fees and charges. In making these choices, the link to accountability can be served by being better able to understand the reason for these local variations and implementing a 'place based' consideration of priorities and resources.

### **Strengthening Local Democracy: A Modernised Planning Framework**

- The current system of public finance does not support the delivery of better outcomes. The historic formulae-based mechanisms of funding local government remain largely input based and budgets remain configured around internal structures rather than outcome delivery. Modernisation of the existing budgeting and choice-based framework is necessary, but will need to reflect a locality or 'place based' approach which reflects the resources of community planning partners.

## 2. LOCAL ACCOUNTABILITY

### The Role of Local Taxation

2.1 Locally raised revenues provide one of the direct links from taxation to service provision which makes local government directly accountable to its citizens. A high level of tax autonomy at local level also provides clear incentive to ensure best value in use of taxpayers' funds. The Layfield report of 1976 expressed the view that tax raising and spending together guarantees accountability.<sup>1</sup>

2.2 We consider that local taxation is levied specifically to contribute to funding the local delivery of public services. This simple but central purpose ensures the link between local democracy and accountability. Accountability is one of CIPFA's principles of taxation:<sup>2</sup>

*In a democratic society the first requirement of any system of taxation is that 'the government, whether central or local, should be accountable to the electorate' for the tax which it raises. The relationship between local tax raising powers and democratically elected members has always been viewed as a strength of local authority accountability.*

2.3 Article 9 of the European Charter of Local Self Government<sup>3</sup> underpins this principle:

*Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate.*

2.4 We conclude that the existence and purpose of local taxation is a recognised and critical part of local accountability.

2.5 Since 2007 the Scottish Government has offered financial support to local authorities to enable a council tax freeze.<sup>4</sup> Since then, support of £70m each year has been provided to freeze council tax at 2007/08 levels. As this marks the seventh consecutive year, the actual cost of the freeze to 2014/15 is some £490m per annum.<sup>5</sup> In contrast to England, the uptake of the freeze in Scotland has been 100% across local authorities.<sup>6</sup>

### International Comparison of the Role of Local Taxation

2.6 From our research we observe that internationally, local tax revenue is an important part of local accountability although there is variation in the level of revenue raised locally as a percentage of total government tax revenue.

2.7 A recent OECD report<sup>7</sup> suggests that the tax revenues of local government are more resilient than that of central government. Such local revenues, many of which are property based decreased slightly following the 2008 crisis, but have remained relatively stable since then. Inter-governmental grant transfers have

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<sup>1</sup> Committee of Enquiry into Local Government Finance Local Government Finance 1976. HMSO

<sup>2</sup> CIPFA Submission: The Scottish Association of The Institute of Revenues, Rating and Valuation: Committee of Inquiry into Local Taxation, January 2010

<sup>3</sup> [European Charter of Local Self-Government, Article 9: Financial resources of local authorities](#)

<sup>4</sup> As part of the package of measures introduced by the 2007 Concordat: Scottish Government, [Concordat between Scottish Government and Local Government](#), November 2007

<sup>5</sup> Scottish Parliament, sPICE Financial Scrutiny Unit Briefing, [Draft Budget 2014-15: Local Government](#), September 2013

<sup>6</sup> Scottish Government, News Release, [Council Tax frozen for sixth year in row](#), February 2013

<sup>7</sup> OECD, [Fiscal Federalism 2014: Making Decentralisation Work](#)

generally remained stable, although some countries have seen reductions as a result of restrictions on public spending.

- 2.8 The report concludes that austerity has not resulted in much change in the fiscal inter-governmental relationships. However, some countries have allowed increased autonomy over spending, but without accompanying revenue-raising powers.
- 2.9 In general local government has tended to balance their books by reducing spending rather than by increasing the taxes over which they have control. Together these factors lead to questions about who local government is accountable to – the population or central government as funding provider.

**Table 1: Local government tax revenue as percentage of total general government tax revenue**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
												<i>Percent</i>
Australia	3.0	3.1	3.0	3.0	2.9	2.9	2.9	2.9	3.2	3.5	3.5	..
Austria	3.6	3.2	3.2	3.3	3.2	3.3	3.3	3.2	3.2	3.3	3.3	3.2
Belgium	4.1	4.5	4.8	5.0	4.8	4.7	4.8	5.0	4.4	5.4	5.1	5.1
Canada	8.1	9.3	9.4	9.3	9.2	9.1	8.8	8.9	9.4	10.0	10.2	10.1
Denmark	33.5	35.1	35.7	35.8	34.4	33.2	33.8	24.4	24.7	25.7	26.7	26.9
Finland	21.6	22.1	21.5	21.1	20.8	20.7	21.1	21.3	22.0	23.8	24.4	23.3
Italy	15.3	15.8	16.4	16.8	16.7	16.6	16.1	16.3	16.0	15.1	15.4	15.9
Portugal	4.5	4.4	4.6	4.5	5.2	5.1	5.1	5.4	5.8	5.9	5.7	..
Spain	9.1	9.0	8.6	8.4	8.8	8.7	8.8	8.7	9.2	9.6	9.5	9.5
Switzerland	16.0	16.7	16.5	16.4	16.2	15.8	15.7	15.8	15.3	15.5	15.6	15.3
United Kingdom	4.0	4.1	4.5	4.8	4.8	4.8	4.6	4.7	4.8	5.3	5.1	4.9

OECD, Fiscal Decentralisation Database: [Tax revenue as percentage of total general government tax revenue](#)  
.. data unavailable

Note: OECD data takes no account of the regional division of the UK, thus data for Wales, Scotland, Northern Ireland is not available.

### Funding Local Government in the UK

- 2.10 In Scotland, England and Wales, local government funding consists of a statistically-based formula-driven revenue grant, supported by local taxation, with the possibility of further revenue raising ability through fees and charges. Typically some 75-80% of net revenue funding is from central government support (including non-domestic rates).<sup>8</sup> There is however evidence of variation in approach within the UK.
- 2.11 In Northern Ireland the existing local government structure is different from the other UK administrations. Local government services comprise leisure and recreation, environmental services and economic development. Services such as education, housing, transportation and social care are not provided by local government. This results in a different balance of local government funding, with some 92% being funded from local taxation, with only 8% relying on central government grants.<sup>9</sup>

<sup>8</sup> Further detail on the funding of local government can be found in the following sources. Scotland: Scottish Government, [2012-15 Settlement - Grant Aided Expenditure](#). England: National Statistics, [Local authority revenue expenditure and financing in England: 2012 to 2013 final outturn](#), November 2013. Wales: National Assembly for Wales, Research Service, [Local Government Settlement](#), May 2011

<sup>9</sup> Northern Ireland, Department of Environment, [Local Government Funding](#)

## **Wales**

- 2.12 In Wales it is understood that funding still includes a significant proportion of specific grant. The Welsh Government has committed to reducing the number of specific grants to local authorities together with a move towards accountability for delivering government priorities through Outcome Agreements.<sup>10</sup> More recently, they have commissioned a review of funding flexibilities for local government.<sup>11</sup>
- 2.13 A review into the NDR system in Wales<sup>12</sup> led to the Welsh Government committing to consider incentivising local authorities to focus on growth; monitor the effectiveness of Tax Increment Financing across the UK; and whether local communities could retain NDR from large renewable projects.<sup>13</sup> More recently the Silk Commission recommended that there should be full devolution of NDR,<sup>14</sup> which was recently accepted by the UK Government.<sup>15</sup>
- 2.14 The Commission on Public Service Governance and Delivery was established this year,<sup>16</sup> to examine how public services are held accountable for their performance and delivered most effectively to the public.

## **Northern Ireland**

- 2.15 The existing local government structure in Northern Ireland is facing major structural reform. The number of authorities will be reduced from 26 to 11, with the new councils intended to be operational by April 2015. This is anticipated to result in responsibility for some public services being transferred to local government. Consequently the grant funding methodology may be amended.<sup>17</sup>

## **England**

- 2.16 In 2011 a review,<sup>18</sup> examining how councils could have greater control over their finances resulted in the localisation of council tax support and retention of a share of growth of NDR income.<sup>19</sup> However, the greater localism in relation to retention of NDR income may well be partially undermined by the recent announcement of a cap on NDR increases.<sup>20</sup> The Local Government Association (LGA) has called for this freeze to be funded by the Government so as not to further undermine local government financial stability or incentivisation.<sup>21</sup>
- 2.17 Since 2011, the UK Government has offered support for local authorities to freeze council tax levels.<sup>22</sup> The take-up rate for this funding has reduced from 100% in 2011/12 to 61% in 2013/14. This freeze marks a diversion in the link between local democracy and accountability, by lessening the accountability to the local tax-payers and increasing that to central government.

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<sup>10</sup> Welsh Government, [Outcome Agreements](#)

<sup>11</sup> National Assembly for Wales, Finance Committee, [Welsh Government's response to scrutiny of the Draft Budget 2014-15](#), December 2013

<sup>12</sup> Welsh Government, [Business Rates Wales Review: Incentivising Growth](#)

<sup>13</sup> Welsh Government, [Response to the Business Rates Wales Review](#)

<sup>14</sup> Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), November 2012

<sup>15</sup> Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), November 2013

<sup>16</sup> Welsh Government, [Commission on Public Service Governance and Delivery](#)

<sup>17</sup> Northern Ireland, Department of Environment, [Local Government Reform](#)

<sup>18</sup> House of Commons Library, Standard Note SN/PC/06030, [The local government resource review](#), February 2013

<sup>19</sup> Department for Communities and Local Government, [Giving local authorities more control over how they spend public money in their area](#), October 2013

<sup>20</sup> HM Treasury, [Autumn Statement 2013](#), December 2013

<sup>21</sup> Local Government Association, Press Release, [LGA responds to Autumn Statement business rates announcements](#), 5 December 2013

<sup>22</sup> Department of Communities and Local Government, [Making sure Council Tax payers get good value for money: Council Tax Freeze](#), July 2013

- 2.18 A recent National Audit Office (NAO) report<sup>23</sup> concluded that the cumulative impacts of changes in local government funding must be understood. With continued reductions and changes to funding mechanisms, financial uncertainty is increasing the challenge to meet statutory duties and avoid financial difficulty. The report also states:

*The accountability framework for local government to address widespread financial failure is untested. ...[it]...relies heavily on the long-established safeguards and assurances within local authorities. The framework has not yet faced a case of widespread financial failure and where there have been 'one-off' failures requiring central government intervention, the failure regime has managed to resolve them.*

### **Accountability as a Fundamental Principle of Funding and Expenditure**

- 2.19 The Layfield Report<sup>24</sup> contributed much to the debate on local accountability of local government, concluding that this had been weakened by the tendency for government grants to grow when compared to the contribution from local taxation.
- 2.20 This remains present within the current system and we re-examined Layfield's consideration of accountability to assess whether it remains fit for purpose in the current era. Layfield recommended that local accountability can be revived by making local government responsible to their electorate for both the expenditure they incur and the revenue they raise and above all for increases in either. The Layfield view was that tax raising and spending together guarantees accountability.
- 2.21 In Scotland, although local government has tax-raising capacity from both NDR and council tax, these systems as they currently operate, dilute accountability rather than support it:
- NDR is effectively a national levy by central government, and outwith TIF schemes, are without direct accountability of authorities to NDR taxpayers (e.g. local businesses); and
  - Elements of Scottish Government grant funding have become conditional upon the freezing of council tax. This has created a disconnect between the accountability of the local authority to its tax payers, fundamentally altering the balance of accountability and creating the situation where local government is more accountable to central government (as a provider of finance) than to the citizens as the electorate and recipients of services.
- 2.22 We conclude that while the council tax freeze is undoubtedly welcome for tax payers, it has resulted in the removal of an important financial lever for local authorities and removes a key layer of local accountability. The narrow benefit of a frozen level of taxation has to be considered against the background of what local authorities have been unable to do as a result of the removal of this important financial lever.

### **Accounting for the Cost of Local Government Services**

- 2.23 CIPFA considers however, that accountability is wider than just the level of taxation set and the level of funding provided by the Scottish Government. Proper accountability would draw attention to the actual level of resources used in

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<sup>23</sup> National Audit Office, [Financial sustainability of local authorities](#), January 2013

<sup>24</sup> Committee of Enquiry into Local Government Finance Local Government Finance 1976. HMSO

providing local services. This is necessary since the actual use of resources in any given year may be more, or potentially less, than the level of taxation raised and income generated.

- 2.24 The way in which the Scottish Government determines the funding requirement for local government and the way in which budget are set, are both different to the way in which local authorities are required to report their financial performance at the end of each financial year. This is because the budget framework is set out in legislation, while financial reporting is based on internationally recognised professional accounting standards. The interaction between legislation and professional standards reflects the need to assess stewardship and to make economic decisions. Traditionally, the result of professional standards has not been used to inform on local government performance, on decision-making or on the required level of funding.
- 2.25 CIPFA calculates the cost of local government services in Scotland in 2012/13 to be almost £19.5bn (Appendix 1).
- 2.26 Funding of £8.5bn was provided by the Scottish Government to meet the cost of service delivery. A further £5.5bn was supported by service income and a further £4.6bn by local taxation and non-domestic rate income<sup>25</sup>.
- 2.27 The significance of this calculation is that by using the information from professional accounting standards, there is an estimated accounting deficit of almost £900m when compared to available income and funding. On a per capita basis for the Scottish population<sup>26</sup> this represents a deficit of £175 for each person in Scotland, although there are variations between individual local authorities. The extent to which the financial statements of local authorities are utilised in any debate on funding or for forward resource requirement is not clear.
- 2.28 CIPFA considers therefore, that a different focus on accountability is required which enables the true underlying cost of services to be recognised. This would result in clear information on the inter-generational effects of local spending decisions on how current services are to be paid for. As an example, options for funding a net deficit situation (as illustrated above) could be:
- The use of previous years' taxpayer receipts; or from
  - Reliance on future taxation income, with corresponding implications for future taxpayers and public service recipients.
- 2.29 Such accountability should be at a local level. Layfield proposed a further option<sup>27</sup> to establish clear areas of responsibility for central and local government in order that the expenditure arising from decisions by either could be clearly defined. We examine this further Section 3 of this paper.

## **Recommendations**

2.30 CIPFA recommends that:

- Responsibility for, and control of local taxation should sit clearly at the local level;

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<sup>25</sup> Taxation includes: Council Tax £2.32bn (11.8% of resources); Non-Domestic Rates £2.28bn (11.6%); General Government Grants £8.46bn (43.1%)

<sup>26</sup> Population of 5,313,600 based on National Records of Scotland, [Mid-2012 population estimates](#) , August 2012

<sup>27</sup> Committee of Enquiry into Local Government Finance Local Government Finance 1976. HMSO



- The level of resources raised from local taxation should promote accountability to local citizens for local choices;
- The sustainability and stability of local government finances should include demonstrable evidence that the full inter-generational and economic consequences of decisions are accounted for. The annual financial statements should be used for that purpose.

### 3. LOCAL PRIORITIES

#### The Role of Local Government

- 3.1 Local government, and therefore elected members, act as agents in two different respects. Elected members are expected to:<sup>28</sup>
- represent and communicate the needs and expectations of local citizens to the Scottish Government; and to
  - identify, with local citizens, the most appropriate means of reflecting national priorities in local service delivery decisions.
- 3.2 This means that decisions made will reflect the choices made at a local level and which will result in variations in cost. The term 'postcode lottery' is often used to reflect area variations in public service delivery, including different approaches to fees and charges for services.

#### Understanding Local Variations

- 3.3 Being able to explain and communicate the reasons for local variation, and why they are suitable for the local population, should be central to implementing service decisions. This should assist communications with both the local population and the Scottish Government, particularly where National Indicators<sup>29</sup> are affected, to identify whether local service variations are impeding the achievement of outcomes.
- 3.4 An example of where this will be critical is the proposed integration of Adult Health and Social Care<sup>30</sup> In particular the financial memoranda for the Bill<sup>31</sup> states:
- "There is variation in per capita expenditure on health and social care across partnerships. For healthcare, the variation cannot be explained by differences in need across partnership populations or in input costs and may be due to inefficiencies. For adult social care expenditure, the picture is less clear and we are unable to determine whether the variation is due to differences in local democratic decisions, input costs, prevalence of unpaid care, the relative size of the voluntary sector or inefficiencies"*
- 3.5 It is therefore imperative that the reasons for apparent variations are investigated, established and explained prior to any decisions regarding local priorities for service delivery. This will assist all stakeholders in assessing and understanding local priorities.
- 3.6 The same principle applies to proposed changes within existing frameworks. For example the Audit Scotland report 'Charging for Services'<sup>32</sup> states that:

*"Charges for services vary markedly between councils, reflecting local circumstances and policy priorities."*

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<sup>28</sup> See paragraph 1.5 of Delivering Good Governance In Local Government Framework (CIPFA). See also [Code of Conduct for Councillors](#) (2010) para 2.1 "You have a duty to act in the interests of the Council as a whole and all the communities served by it and a duty to be accessible to all the people of the area for which you have been elected to serve, and to represent their interests conscientiously."

<sup>29</sup> For details of the National Indicators see Scotland Performs, [National Indicators](#)

<sup>30</sup> As set out in the [Public Bodies \(Joint Working\) \(Scotland\) Bill](#)

<sup>31</sup> As contained within the 'Explanatory Notes' see the Financial memoranda section paragraphs 30 and 33

<sup>32</sup> "[Charging for Services –Are you getting it right?](#)" Audit Scotland (October 2013) see Key Messages item 3 for the quotations and Exhibit 3 illustrating the variation in fees and charges per capita.

- 3.7 This supports the concept that local variation is not in itself inappropriate, but should be explainable. As an example an authority may adopt a different charging policy for leisure centres in area A as compared to area B for a number of reasons, for example to address health issues in a deprived area by encouraging more physical activity. Equally charges may vary dependent upon the client group of service users.
- 3.8 Additionally the use of fees and charges may reflect local priorities concerning the gross level of resources that the local population wish to see being used to provide services. Some local areas may prefer higher charges in order to support a higher or wider level of service provision. Although based on non-domestic rate taxation rather than fees and charges, the implementation of Tax Incremental Financing schemes<sup>33</sup> can be regarded as being similar in nature.

### **Gross Resources used in Service Provision**

- 3.9 In understanding local variation it is considered that the gross resources (gross expenditure before income is deducted) should be compared. This is important to establish whether an organisation is achieving 'best value' from its use of resources,<sup>34</sup> since inefficiencies may potentially be obscured by higher user charges. Being able to compare the cost of service delivery to the charges made can also be helpful in supporting informed discussion and decisions<sup>35</sup> about local priorities.

### **Place Based Approach and Collaboration**

- 3.10 CIPFA has previously<sup>36</sup> supported the adoption of a 'place based' model of horizontal collaboration. The integration of adult health and social care is an example of structural reform to achieve this. The need to maintain fiscal sustainability in public services, taking account of the expected impact of an ageing population<sup>37</sup>, suggests that this approach needs to be more widely embraced.
- 3.11 The implementation of a 'place-based' examination<sup>38</sup> of local priorities and the gross total public sector resources deployed in each locality is therefore regarded as a key step in supporting local priorities, national outcomes and best value for the taxpayer.

### **Recommendations**

- 3.12 CIPFA recommends that:
- The reasons for existing or proposed local variations in service delivery priorities are investigated and appropriately communicated; and
  - A place-based approach to establishing local priorities and public service delivery options is undertaken, informed by information on the gross public resources for each locale.

<sup>33</sup> More details available from Scottish Government, [Tax Incremental Financing](#)

<sup>34</sup> In fact it can be considered a legal requirement as a result of the [Local Government in Scotland Act 2003](#) Part 1 Section 1 (3) (c)

<sup>35</sup> See the example 'What we found – 3' in "[Charging for Services – Are you getting it right?](#)", Audit Scotland (October 2013)

<sup>36</sup> CIPFA submission to The Independent Budget Review (April 2010) section 1 Executive Summary

<sup>37</sup> As investigated by the Scottish Parliament Finance Committee, [Fiscal sustainability](#)

<sup>38</sup> CIPFA submission to The Independent Budget Review (April 2010) section 4 '[Taking a Total Place approach](#)'

## 4. STRENGTHENING DEMOCRACY

### Use of Resources to Deliver Outcomes

- 4.1 In our submission to the Christie Commission<sup>39</sup>, we concluded that the current system of public finance in Scotland does not adequately support the delivery of better outcomes. The resource allocations for local government are distributed with limited consideration of the outcomes to be delivered in each locality and the real cost of doing so which we now calculate to be of the order of £19.5bn.
- 4.2 The historic formulae-based mechanisms of funding local government are largely input-based and we share the view of the Independent Budget Review Panel<sup>40</sup> that there is a need to move towards a more outcomes-based approach to public service management and to improve the quality, availability, evaluation, monitoring and reporting of data in relation to outcomes.
- 4.3 In our 2013 paper<sup>41</sup> we concluded that there was limited evidence of there being real accountability in relation to the outcomes contained in Single Outcome Agreements (SOAs), within existing channels, and there has been little impact on budgets, despite this being an expectation of government. We found that SOAs are not embedded in strategic planning processes and have no significant impact across the public finance distribution system or within budget choice systems. There has been some attempt to link resources to specific outcomes by attaching conditions to central government grants; however this further undermines local democratic decisions.

### Planning and budgeting for outcomes

- 4.4 The challenge at a local level is to reflect outcomes in budgeting systems, moving from incrementally based models to systems which support resource application in line with outcomes. Generally, budgets are configured around organisational structures, thus decisions are not transparently made based on outcomes. While we acknowledge that some local authorities have modernised their budget setting frameworks, the continued use of incremental budgeting hampers the degree to which decisions can be made based on the value for money of programmes and activities.
- 4.5 A pilot project suggests there is a strong foundation for the development of outcome-based budgeting in the Scottish public sector.<sup>42</sup> The project supported two Community Planning Partnerships (CPPs) to understand how their budget decisions affect the delivery of their SOA outcomes. Barriers currently preventing this outcomes approach from being fully implemented were identified, but it was found that a consistently applied and mainstreamed outcome planning framework could help to tackle these issues.
- 4.6 The project clearly identified the need for significant local and national change in processes and cultures. There is clear consensus that a stronger focus on outcomes is needed.<sup>43</sup>

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<sup>39</sup> [CIPFA submission to The Commission on Future Delivery of Public Services](#) (Christie Commission), March 2011

<sup>40</sup> Scottish Government, [Report of the Independent Budget Review Panel](#), July 2010

<sup>41</sup> CIPFA, [Public finances: at the edge of chaos and ready for outcomes?](#) March 2013

<sup>42</sup> [Outcome Budgeting in the Scottish Public Sector: Final Summary Report](#)

<sup>43</sup> Scottish Government, Commission on the Future Delivery of Public Services, [Report on the Future Delivery of Public Services by the Commission chaired by Dr Campbell Christie](#), June 2011

## Collaboration

- 4.7 Broad public service outcomes cannot be achieved by local authorities in isolation. Integration of financial planning and budgeting is required between organisations where services are planned and delivered in a collaborative manner.
- 4.8 Current barriers to such collaboration include: different timescales for financial planning, financial controls and the tax treatment across the public sector (e.g. health boards and local authorities).<sup>44</sup> Actions to better align financial management practices and financial decision-making processes are required.
- 4.9 This was supported by examining international spend and outcomes for education<sup>45</sup>. It was considered that *"It's not the volume of resource that's spent on education that matters, above a certain point, but what you spend the resource on that makes the difference"*.
- 4.10 Overall the paper concluded that ensuring and enabling appropriate budget distribution or usage choices at service delivery organisation level, and at the lower 'sub-organisation' (e.g. locality) level, was more influential than higher level budget distribution in securing outcomes. This reinforces our support<sup>46</sup> for a 'place-based' approach to public service delivery.

## Recommendations

4.11 CIPFA recommends that:

- A consistent public management system integrating funding distribution, service delivery mechanisms and outcomes should be developed to support:
  - A locality 'place-based' approach to public services and outcome budgeting framework which incentivises partnership and collaboration should be developed;
  - The achievement of best value for taxpayer funds and financial sustainability in service provision, regardless of the budget source of the funds; and
  - An embedded outcomes focus in budgeting, monitoring and accountability.

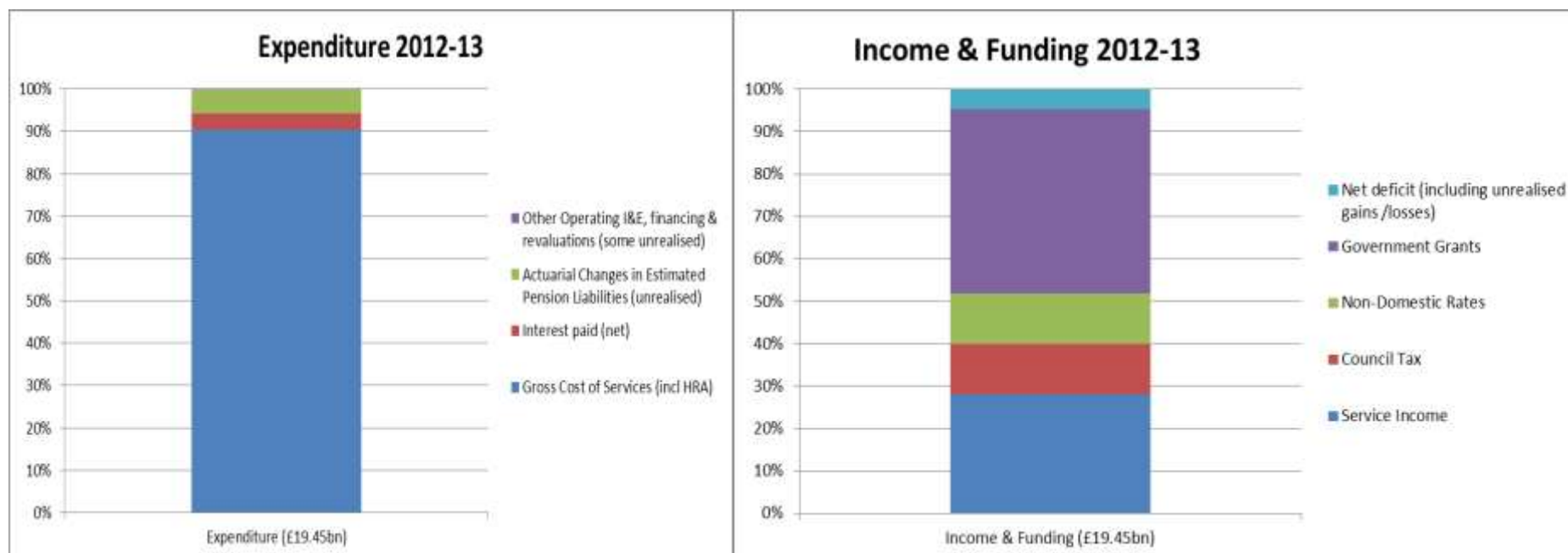
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<sup>44</sup> [CIPFA submission to The Commission on Future Delivery of Public Services](#) (Christie Commission), March 2011

<sup>45</sup> ["Public Finances: At the edge of chaos and ready for outcomes?"](#), CIPFA March 2013,

<sup>46</sup> CIPFA submission to The Independent Budget Review (April 2010) section 4 '[Taking a Total Place approach](#)'

**SCOTTISH COUNCILS: AGGREGATE EXPENDITURE & INCOME**  
**[DATA FROM 2012/13 AUDITED FINANCIAL STATEMENTS]**



Explaining the figures:

- 1 The data was compiled from the audited 2012/13 financial statements of all 32 local authorities and include the Housing Revenue Accounts. The data is for single entity (authority only) statements. Group entities have not been included
- 2 Expenditure is 'Comprehensive Expenditure' and includes unrealised gains and losses.
- 2 Transactions between local authorities have not been excluded
- 5 Interest income (e.g. from investment of cash balances) is netted off in expenditure against interest charges for borrowing.
- 6 Non-service related income and expenditure is included in 'other operating I&E, financing & revaluations' within expenditure
- 7 Service income includes fees, charges, specific revenue grants, and other service related income