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Lifting the Lid on Local Government Finance

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Cumbria House: The Headquarters of Cumbria County Council

Introduction

Local Government is going through a period of significant change, especially with austerity, devolution, and coronavirus. Localisation of business rates is ongoing and revenue support grant is being phased out. There is uncertainty about local government finance because of the Fair Funding Review and 'Brexit'. This is changing local government and how its finances are managed.

In the current climate of financial challenges and uncertainty, a working knowledge of local authority finance will put you and your colleagues in a position of advantage. However, what you really want to know is not only how local government finance is supposed to work but also how it REALLY WORKS in practice. This will not be about theory but about behaviour and managing that behaviour to allow you to get the most out of your budget.

The aim of this briefing paper is to provide you with the knowledge to be able to ask the right questions and better manage your budget and those who are managing it for you. It addresses the following issues:
How do Local Government Finances really work?

- 'Tricks of the trade' including getting beneath what is really happening with budgets, final accounts, reserves, capital programme underspends / overspends and where the money is 'hidden'.
- How to get the financial processes right.

- How to get the most out of your budget and balance the books and explain the budget to the council taxpayer.

This briefing paper is relevant in England, Northern Ireland, Scotland, and Wales. Whether you are in a London Borough, Metropolitan, Unitary, County or District Council or otherwise involved in local government; whether you are an Elected Member, Non-Financial Manager, or a member of the Finance Team, I hope that you will benefit from reading it. For example:

- Elected Members will find out what questions to ask to understand how budgets and accounts are really managed and how to influence how resources are used.
- Non-financial managers will gain a better understanding of how their budgets are prepared and managed.
- Finance managers will gain a better understanding of how to avoid some of the financial pitfalls.

I would like to stress that I have the greatest admiration for all those councillors, chief executives, finance directors, finance staff and operational staff with financial responsibilities in local government. This briefing paper is not a criticism of any of these people.

How do local Government Finances really work?

A councillor from one of England's larger city councils, who is an accountant and had been both Leader and Cabinet member for Finance; once told me that he found the biggest challenge in mastering the council's finances was not in understanding the technicalities of local government finance but the way in which the financial process was managed by the people involved. He explained this further as follows:

"The manuals will tell you that the role of finance function in a council is to help provide councillors with the wherewithal to implement their policies; to ensure the probity and the integrity of the financial management within the council and to achieve a balanced budget. And that is indeed what most councils' finance officers do.

"This does not mean that all operates as clockwork, as laid down in standing orders and policy documents. Budgets are operated by human beings and human beings are flawed. They are flawed because they make mistakes, they are flawed because they have their own perspectives on the world, they are flawed because they exercise self-interest as well as altruism. This applies to both officers and… members."

This struck a chord with my own experience as a member of the finance team, Finance Director and Strategic Director at five different local authorities – two unitaries, two counties and one borough - and as a management consultant advising local authorities on finance.

There are perhaps three key 'players' in the local government finance 'game' each of whom heads a 'team'. They are:

- The Leader of the Council supported by the Lead Councillor for Finance and their political group. The Leader will usually want the budget to follow their political priorities and will want to ensure that funding is available for any projects that are important politically. They will also want to please a political group whose concerns are protecting particular services or promoting particular schemes (often in their wards or divisions) but who may have little understanding or interest when it comes to the overall financial context.
- The Chief Executive. They may want to ensure that there are no surprises and that efficiency gains are realised. They may or may not have a good grasp of the council's finances. They will be supported by Chief Officers who will want to protect and develop the services for which they are responsible and who may or may not have a corporate approach.

- The Finance Director and the finance team. They will want to fulfil their statutory responsibility to ensure 'proper financial administration' and mainly to ensure that the Council continues to be financially viable. They will particularly want to ensure that the Council does not have a significant overspend at the year end. They will also want to be able to find a way of funding any overspend that occurs during the year or to fund any new political or management priorities that emerge during the year.

There are some basic principles that all the 'players' can ignore only at their peril. These include:

- In Councils funding is a zero-sum game. The way that local government finance is controlled by central government means that in practice councils will maximise their resources within the government-imposed constraints. The Council must then decide how to allocate those resources between different services and priorities. If money is spent on one thing it cannot be spent on another. When a need to spend money on something new arises it is common to hear people say that it can be found from within existing resources. However, there is really no such thing as finding money from 'existing resources' only a way of taking it from one budget to spend in another.
- It is sometimes said that revenue budgets can be balanced by capitalising things. This means charging some of the expenditure to a capital scheme rather than to the revenue budget. However, capitalising things doesn't make the problem of having to pay for them go away. It merely spreads the cost over a period of years and adds the cost of interest on the loans that are commonly taken out to finance capital expenditure.
- It is often said that savings in budgets can be made without affecting front line services by cutting out waste or becoming more commercial. However, in the current climate where the level of savings required is often significant, making real cuts to real services cannot be avoided by cutting out waste or becoming more commercial.
- Councils often have significant reserves that can be used to fund a deficit. However, reserves can only be spent once. They cannot be used to fund a structural budget gap. It is often appropriate to spend reserves on capital schemes or on transformation schemes, but it is usually inappropriate to spend reserves simply as a way of putting off the need to make reductions in revenue budgets.

The Effect of the Financial Structure

There are several different ways in which councils can organise their finance function.

One important issue is the location of the Chief Financial Officer in the Council's structure. Are they part of the Corporate Management Team? Do they report directly to the Chief Executive? Do they have responsibilities just for Section 151 (the statutory responsibilities of the Chief Financial Officer) or do they have other management responsibilities such as managing revenues & benefits, information technology, central services, or corporate projects? All these factors will affect the way in which the Chief Financial Officer sees their priorities and is able to carry out their responsibilities.

Then there are the less tangible factors – the nature of the relationships between the Chief Financial Officer and other 'key players' such as the Chief Executive, Leader, Cabinet member for Finance and Chief Officers. Are these relationships mutually supportive? How does the Chief Financial Officer influence things?

The biggest responsibility of the Chief Financial Officer is to avoid a significant over-spend. Problems can arise from:

- Chief Financial Officer having not enough influence to do this.
- Devolved financial administration that makes it unclear who is ultimately responsible.

- A Chief Financial Officer who protects themselves by becoming an 'abominable no man' (or woman). That is, they become over cautious and resist any proposals to spend money or any innovations in the way finance is managed.

There is also the question of whether financial administration is devolved or centralised. Devolved financial administration can empower managers and can lead to finance staff providing more effective support to services. However, centralised financial administration can lead to better strategic decision making.

Tricks of the Trade: Budgets

Councils traditionally have incremental budgets where the budget for the previous year is carried forward, adjusted for known variations such as inflation and then compared with forecast resources to identify if there is any 'budget gap'. If there is a 'budget gap' (as there usually is) managers are then tasked with producing savings options for consideration by Members.

However, this system can end in arbitrary lists of mixed-up options of varying degrees of realism, risk, and unpalatability from which members must pick. This leaves the leader or finance lead holding the ring between competing officers, cabinet members and back benchers defending corners and coming from different angles. It also mixes up front-line savings with back-office savings, cuts with efficiencies, income and charges with a cacophony of options including demands for more savings from back offices and waste that may not be deliverable. The options finally selected result from horse trading among senior members and officers. Meanwhile pressures and assumptions are inadequately scrutinised.

Another problem is 'budget drift' where over the years actual expenditure deviates from the budget figure leading to the budget being over- or under-provided. Where it is under-provided, this will lead to persistent overspends that managers will find impossible to avoid. Where it is over-provided, this will lead to 'budget slack' – a situation where the budget is more than is needed providing little incentive for efficiency and producing either under-spends or a situation where managers desperately try to find things to spend the money on at the year end.

The Chartered Institute of Public Finance & Accountancy identifies the problem of 'budget slack' as follows:

"Carrying forward past inefficiencies to future periods within the budget is one reason for the existence of budgetary slack. Budgetary slack refers to areas of the budget where the value of the budget is more than is really required for delivery of the budget."

So, when management team and elected Members come to consider budget options, they may be working with inaccurate assumptions about the level of savings needed.

If a Council wants to get the budget right it could use this process:

- Setting the Political Priorities
    - Officers need clarity and certainty. Members need to make it clear what they want to preserve and what are they prepared to see reduced.
    - Elected Members need to understand and come to a view on technical issues including reserves and council tax.
- Establishing the Gap
    - In addition to the issues discussed above, officers tend to be prudent (as they should). However, members should challenge the assumptions especially on Treasury Management where excessive prudence can sometimes be found.
    - Everyone should beware of round numbers. It may be a sign that the cost of something or the savings that may result from something are a very rough estimate rather than a thorough evaluation.

- Councils should compare budgets with recent actuals to ensure there has been no 'budget drift'.

- It is important to get the Decision-making sequence right. The sequence could be as follows:
  - Set target savings for departments to achieve.
  - Consider themed reductions (possibly using working parties of officers or members around cross cutting themes)
  - Consider a categorised approach that would include challenging assumptions, agreeing increased charges, agreeing efficiencies and finally agreeing cutbacks.

Tricks of the Trade: Final Accounts

I once attended an interview for the position of Assistant Treasurer in a large local authority where one of the principal responsibilities was to look after the financial aspects of Compulsory Competitive Tendering. While preparing for the interview I had obviously looked at the Council's accounts and had seen some unusual entries in the accounts for the Highways Direct Labour Organisation[1]. At the end of the interview, I was asked if I had any questions, so, among others, I asked: "Are there financial problems in the Highways DLO?"

The Deputy Treasurer answered: "Nothing that creative accounting cannot solve."

This did concern me a bit. 'Creative Accounting' is where the accountant selects accounting policies that are quite legitimate but are designed to ensure that the accounts show a particular outcome. In this instance the Highways DLO had made a loss that the Council did not want to declare so they decided to change the way in which they calculated the DLOs contribution to the Council's Plant & Vehicle reserve. The result was that the DLO got a refund that turned a loss into a profit. This was approved by the District Auditor.

However, the Council did not address the fundamental financial problems in the DLO and eventually they had no choice but to declare losses and close the DLO.

So, we need to be aware of 'creative accounting' that typically occurs in areas that are 'below the radar' – parts of the accounts that are often not scrutinised closely by management teams or elected Members (or even Finance Directors) but are nonetheless potentially important.

Examples of 'Below the Radar' activity include:

- Capitalisations – This is where expenditure is charged to capital rather than revenue or vice versa. While most expenditure is clearly either capital or revenue in nature, there are sometimes some 'grey' areas. Therefore, if there has been an over-spend on a revenue budget, one option may be to capitalise some of that expenditure and charge it to a capital scheme.
- Contributions to earmarked reserves – Earmarked reserves are reserves that are set aside for a specific purpose. I will say more about them below. The recalculation of an earmarked reserve can reduce, or increase declared spend. For example, if there is an overspend it could be decided to fund some of that expenditure from an earmarked reserve. If there is an underspend it could be decided to transfer that into an earmarked reserve. The Highways DLO that I refer to above is an example of this.
- Contingencies – Councils have contingencies within their budgets to cover inflation and unforeseen expenditure. It is therefore quite correct to use contingencies to fund unforeseen expenditure, but this may include a straightforward overspend.

[1] A Direct Labour Organisation is a department of a Council that operates like an independent contractor with its own trading account.

- Carry forwards – Councils often allow unspent budgets to be transferred into reserves and then released into the following year's budget. This enables managers who haven't spent a budget, perhaps because there is 'budget slack' to carry this forward into the following year and perhaps spend it on something different.

Councils also have ring-fenced accounts between which money is quite legitimately transferred. For example, where councils' own council housing they have a ring-fenced housing revenue account that will pay the general fund for services such as finance, information technology and human resources. If there is financial pressure on the housing revenue account or a political wish to increase resources for council housing, these transfers may be calculated in a way that minimises them. Conversely, if there is financial pressure on the general fund or a political wish to concentrate resources in the general fund rather than the housing revenue account the opposite may happen.

Recent decisions by Councils to increase the costs that they transfer from the general fund to the housing revenue account include:
- Barking & Dagenham Borough Council transferring £0.6million of costs of street lighting.
- Brent Borough Council creating a new welfare support team to prepare for universal credit and direct payments at a cost of £400,000 that will be charged to the housing revenue account.
- Lewisham Borough Council transferring £750,000 of costs of maintain and replacing bulk waste bins
- Portsmouth City Council transferring £2.1million of costs over three years from the General fund to the housing revenue account including the costs of libraries, youth clubs, a community centre and car parks.

All these transfers were considered appropriate by the councils' external auditors, but I recall a conversation I once had with the Chief Financial Officer of a unitary council who told me that, as far as he was concerned, the purpose of the housing revenue account was to provide funding for the over-stretched adult social care service and he did the accounts accordingly!

Earmarked reserves are set aside for specific purposes but there may be no specific liability. In some cases, this is because there is a need to estimate the potential liability while in others the reserve really represents funds that the council is free to spend on whatever it likes but which it has chosen to hold in an earmarked reserve rather than the general fund reserves. Examples include:
- Transformation Reserves – These are sums set aside to fund projects to create future efficiencies. Usually, the projects have yet to be identified.
- Vehicle & Plant Reserves – sums set aside for future purchases of vehicles. Usually based on a complex calculation of future needs and replacement costs. The Highways DLO discussed above provides an example of this.
- Insurance Reserves – These are sums set aside for future insurance claims including those incurred but not reported. It is difficult to calculate the value of these claims precisely so there is a tendency (quite rightly) to be very prudent and therefore, in practice, insurance reserves may turn out to be over-provided.

Sometimes councils don't create reserves where perhaps they should. For example, I recently came across a Council that was faced with significant costs for major repairs of public buildings. In my view, they should have been accumulating money for this in a provision or reserve.

Capital Programmes

Councils usually have significant capital programmes, but often these are subject to delays with the result that they under-spend. This is known as 'slippage'. In my experience, most councils experience 'slippage' in most years and some regularly experience significant amounts of 'slippage'.

When I first became a Director of Finance, I put together the funding for the capital programme each year and secured the approval of the management team and the elected members but was then always disappointed that many of the schemes did not happen and much of the money was not spent. I was not the only person who was disappointed. I remember a councillor who was a wheelchair user asking me why there was no disabled access at the council's main cash office and having to explain to her that the scheme had been in the capital programme for three years but had not been progressed by the council's Contracts and Project Management Unit despite my frequent progress chasing. Following this conversation, she made an issue of it in her group meeting, and it was remarkable how the scheme became a priority, although at the expense of other schemes. Clearly, the Council didn't have the capacity to deliver its whole capital programme and so officers concentrated on those with the strongest behind-the-scenes political support.

On the other hand, 'slippage' can have an advantage from the point of view of the Chief Financial Officer. If 'slippage' is hard-wired into the council then it will always under-spend, and the council will never run out of resources.

I think that 'slippage' is usually caused because capital programmes are often put together in a hurry and therefore project appraisal can be weak. Allocating resources to a scheme is only one part of what needs to happen for it to be delivered. The scheme needs to be well thought through and a project manager needs to be in place who can deliver it.

Good project appraisal needs to include:

- Opportunity Cost – if resources are not used on this scheme what could they be used for? Which would be the best alternative?
- Revenue Effect - what will be the revenue costs and benefits of the scheme, including the costs of staff, running costs, interest, inflation, depreciation & debt repayment? What income or savings will it generate?
- Asset values – will the scheme enhance the council's assets?
- Discounted cash flow – the scheme is likely to have initial capital costs and then a flow of increased revenue expenditure and perhaps income. Discounted cash flow can be used to convert these cash flows into a Net Present Value that could be compared with other schemes.
- Non-financial costs and benefits – what are the non-financial costs and benefits of the scheme? Do these justify the expenditure?

There is often a tendency for there to be inadequate scrutiny of high-profile projects especially where they are favoured by government, elected members or senior staff. Project appraisals are often found to be insufficiently robust with costs under-estimated and benefits over-estimated. There is therefore a tendency for delays and over-spends with high profile projects.

Good project appraisal and good project management is therefore required as well as an awareness of the political and behavioural issues that affect capital programmes.

Companies and Partnerships

Councils often transfer significant resources into arms' length companies and partnerships, especially where they represent a high-profile project with strong political support. However, these companies and partnerships often fail to live up to expectations.

Transferring resources to a company or partnership can be a quick way of ensuring that a capital programme is spent. Sometimes it is also seen as a way of transferring resources to an organisation that will be free of traditional council bureaucracy that will therefore be an effective delivery vehicle.

However, there is a need for the council to set clear objectives including realistic targets and regular reporting. The Council should not lose sight either of what it expects of the company or partnership or of what the company or partnership is achieving otherwise it will lose control of the resources that it has transferred.

There are also governance issues. The company or partnership will need appropriate board members; and will need appropriate liaison between the company and the council as shareholder.

An Example

I would like to give an example of how these issues can develop in a real local authority situation. The example I have chosen is a district council with which I am familiar but where I have never been an employee. Unlike some local authorities, it has not issued a section 114 notice and has not been identified as one with financial problems. It is probably a fairly typical district council, but it demonstrates some of the points that I am making in this briefing paper.

The view was expressed in the budget reports between 2015/16 and 2017/18 that reserves should be maintained at between £1.5million and £2.0million – equivalent to about a quarter of the annual spend. In the 2018/19 budget papers there was a reference to 'a normal minimum of £1.5million'. The 2019/20 budget and the medium-term financial plan for 2018 to 2022 both show the Council reducing the level of its balances to £2.2million in 2022 and then as low as £0.7million in 2023. This level would appear to be too low. But to what extent do the budgets correspond with reality?

The table below shows the actual movement in the council's reserves from 2016 to 2020:

	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
General Fund	8.2	8.6	8.3	8.6	3.0
Heart of County[2]	0.0	0.0	0.0	0.0	4.4
Affordable Housing	1.7	1.8	2.0	1.2	1.5
Renewals Fund	0.9	1.1	0.9	1.0	0.8
Community Housing	0.0	0.9	0.9	0.8	0.8
BRRS Reserve	0.0	0.8	0.8	0.1	0.1
Homelessness	0.5	0.4	0.1	0.1	0.1
Capital Funding	0.4	0.4	0.4	0.4	0.4
Other	0.3	0.4	0.6	1.8	1.8
Earmarked Reserves	3.8	5.8	5.7	5.4	9.9
Total	12.0	14.4	14.0	14.0	12.9

Despite constantly budgeting to reduce its general fund balance to £2million, the council has maintained over £8million in general fund balances until 2019/20 when it transferred £4.4million to a Heart of County reserve. Its total reserves have been over £12million over the whole period, ending at £12.9million that is almost three years' Council Tax revenue. Why and how has the Council maintained such a high level of reserves apparently unintentionally?

One reason why this has been the case is a record of significant under-spending as follows:

- In 2015/16 the Council underspent on its budget by £1.5million on a net expenditure of £7.5million – a 20% under-spend.
- In 2016/17 the Council underspent on its budget again, this time by £2.2million on a net expenditure of £8.8million – a 25% under-spend.
- In 2017/18 the Council underspent its budget by £0.4million – a 5% under-spend.
- In 2018/19 the Council underspent its budget by £0.6million – a 7% under-spend.

It is generally considered to be evidence of good financial management if there is an under-spend of less than 2%.

The Council's out-turn for 2019/20 was as follows:

	Budget £,000	Actual £,000	Variance £,000
Services	10,284	9,379	905 –
Corporate Items	1,095	1,048	47 –
Treasury Management	396 -	431 -	35 –
Investment Property	951 -	1,064 -	113 –
Sub-Total	10,032	8,932	1,100 –
Transfers to reserves	2,041	4,432	2,391
Total	12,073	13,364	1,291

[2] Heart of County is the council's arms' length local housing and economic development company. This reserve is used by the Council to hold money pending its transfer to the company.

It will be seen that the Council under-spent on services by £1.1million, but then transferred £4.4million to the Heart of County reserve rather than the planned £2million transfer to reserves, resulting in a reported over-spend of £1.3million. So, despite the reported bottom line the under-spending continued.

The Council openly admits that it sets budgets that it intends to under-spend. Its budget for 2019/20 and budgets for all preceding years included provision of for 'over-budgeting'. This was increased from £150,000 to £220,000 in 2019/20. This is explained (rather strangely in my view) as follows:

"There is a tendency for a degree of underspend. This is a function of having a large number of budgets, some of which are not always fully used due to circumstances."

The capital programme also tends to under-spend as follows:
- In 2015/16 the revised capital programme was £1,593,000 while actual expenditure was £778,000 (49% of budget).
- In 2016/17 the revised capital programme was £1,150,000 while actual expenditure was £717,000 (62% of budget).
- In 2017/18 the revised capital programme was £4,585,000 while actual expenditure was £2,401,000 (52% of budget).
- In 2018/19 the Council's capital programme was for £6.9million but it was later revised downward to £3.2million of which only £1.7million was spent – including £1.0million to purchase equity in 'Heart of County' - (only 25% of the original budget).
- In 2019/20 the Council's capital programme was for £5.7million but only £1.6million was spent (28% of budget). This included a £.05million loan to 'Heart of County'.

It is interesting to note that 'Heart of County' failed to spend most of the money with which it was provided and is now being wound up.

I think in this case:
- Failure to match budgets with actual figures led to 'budget slack' and persistent under-spending.
- The Council was therefore faced with unduly pessimistic budget forecasts leading them to make unnecessary savings thus exacerbating the problem.
- Weaknesses in project management led to 'slippage' in the capital programme and key priorities not being delivered.
- Lack of financial awareness corporately and a risk averse culture in the finance team led to issues not being tackled.
- Surplus resources were accumulated in earmarked reserves so that they would be 'below the radar'

Systems Thinking, Lean Management and Demand Management

Professor John Seddon is an advocate of 'systems thinking'. He believes that systems thinking identifies a weakness in local government as follows:

"A service organisation needs to be designed for customers to 'pull value' from the organisation – to get exactly and only what they want… If the organisation understands and responds to what matters to you (your nominal value), you experience good service, and the organisation is likely to be delivering it in the most economic (least cost) way.

"If, for any reason, the organisation does not recognise and respond to your nominal value, your service experience is poorer and the organisation… consumes more resources in providing the service than it needs to, since it is giving you things that you do not want.

"If the experience is poor, it may also cause you to go away. Unfortunately, many people can't go away from public services… Because of this… public service organisations are sub-optimal: full of waste."

His solution is the local government should:

- Deliver Perfect Value to Customers through a Perfect Value Creation Process with no Waste
- Optimise the flow of products and services through entire value streams
- Eliminate waste along entire value streams creating processes that need fewer resources and create better products
- Have simpler and more accurate information management
- Abandon of 'top-down' management and targets

Meanwhile Anthony Zacharzewski of the Democratic Society advocates Demand Management as follows:

"Demand management is the idea that by investing in mechanisms that reduce use of services… councils can attain their common goal of good services at lower cost.

"Some (think it is) about better communications or about designing 'nudge' into services – like cashpoints requiring you to take your card before you get your cash, so you don't leave your card behind. Other suggestions included flexibility in service delivery, personalised services or service delivery through non-traditional routes.

"You have probably spotted the common thread – demand management is about understanding citizens on a much deeper level than local government currently does."

Getting it Right

Getting the financial processes right involves:

- Getting the right structures in place including the position of the Chief Financial Officer.
- Ensuring that Members and senior officers understand finance enough and are clear about their own roles, making sure that there is a good working relationship between members and officers.
- Getting the right culture in place; encouraging open-ness; not providing perverse incentives to conceal over or under-spending or to 'hide money'; getting the balance right between being innovative and prudent.
- Getting the figures right; reporting accurately; getting the budget in line with reality.
- Preparing early and thoroughly for the annual budget so that it is possible to take considered decisions.

Getting the most out of a budget involves:

- Recognising that councils have limited resources and the same money can't be spent more than once.
- Using those resources to deliver the strategic priorities rather than just repeating past expenditure patterns.
- Using all resources. If a Council keeps money in reserves, it should do it with a clear purpose in mind.
- Making sure that budget processes enable considered choices to be made between options so that resources are focused on priorities and value for money is achieved.
- Making sure that the Council has the capacity to deliver its revenue and capital budgets.

Balancing the books involves:

- Recognising that this is a long-term process and preparing a comprehensive medium-term financial plan.
- Basing the financial planning on accurate data and robust assumptions; including robust capital project appraisals.
- Taking a strategic view of budget options including:
    - Considering what must be protected and what can be cut
    - Avoiding 'salami slicing', instead looking at the big picture and cross cutting issues
    - Investing in priorities and schemes that will increase value for money or make a return
    - Redesigning services from scratch where necessary

How to explain the budget to the Council Taxpayer

Councils should take the trouble to explain their budgets to Council Taxpayers and other stakeholders in the community. Since the introduction of Localism this has been difficult because localism means that the government can claim the credit for reducing expenditure in general while the Council must take responsibility for specific cuts in services. However, the public expect the Council to manage its affairs so simply blaming the government is not a good communications strategy.

Good communications involve building a relationship with citizens and people who use the Council's services so that they understand what the Council is doing and why. This goes beyond press releases and social media. It includes using all channels to engage in a dialogue with all stakeholders.

The role of elected Members

It is not the role of elected members to supervise the finance staff. However, they should:

- Understand how the finances of the Council work.
- Set the strategic direction and take strategic decisions.
- Concentrate on the big numbers and the matters of principle.
- Challenge the assumptions that are made in calculating budget figures.

Conclusions

At the beginning of this briefing paper, I quoted a former Leader of a City Council and I would like to conclude by giving another quote of theirs:

"The more this work progressed, the more I began to appreciate how pivotal the roles of the Finance Portfolio holder and Chief Finance Officer are.

"It became more and more obvious that finance and budgeting generally are as much about psychology and behaviour as about finance and financial technique. And the actual budget settlement itself is about a heady mixture of finance, psychology, and small 'p' politics in which many of the most astute players are not the politicians but the officers.

"The central players in this nexus are the Finance Portfolio holder and the Chief Finance Officer, herding the officer and the councillor cats into a consensus few of them really want to be part of, either because they have to do things they don't want to do… or because what they have to do is just very hard to handle."

My conclusions are that:

- Local Government Finance is influenced by behavioural factors as much as by financial factors.

- There are aspects of local government finance where members and officers can use discretion.
- There are aspects of local government finance that are often 'below the radar' and therefore poorly understood.
- Therefore good financial management is about getting the right structures and culture in place as well as the right financial policies.
- And it is about ensuring that members and officers understand how local government finance works both in theory and in practice.

Further information

Further information about local government finance is available on my website at: https://awics.co.uk/LAFinance

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About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

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- Information Service - http://www.awics.co.uk/aboutUs.asp

Lifting the Lid on Local Government Finance

Webinar

We hold webinars entitled 'Lifting the Lid on Local Government Finance'. The webinar lasts about an hour and costs £30 plus value added tax (a total of £36).

The aim of the webinar is to provide attendees with the knowledge to be able to ask the right questions and better manage the budget and those who manage it. The session will address the following issues:

- How do Local Government Finances really work?
- 'Tricks of the trade' including getting beneath what is really happening with budgets, final accounts, reserves, capital programme underspends / overspends and where the money is 'hidden'.
- How to get the financial processes right.
- How to get the most out of your budget and balance the books and explain the budget to the council taxpayer.

This webinar is relevant in England, Northern Ireland, Scotland, and Wales. Whether you are in a London Borough, Metropolitan, Unitary, County or District Council or otherwise involved in local government; whether you are an Elected Member, Non-Financial Manager, or a member of the Finance Team, you will benefit from "Lifting the Lid on Local Government Finance".

For example:

- Elected Members will find out what questions to ask to understand how budgets and accounts are really managed and how to influence how resources are used.
- Non-financial managers will gain a better understanding of how their budgets are prepared and managed.
- Finance managers will gain a better understanding of how to avoid some of the financial pitfalls.

The webinar will last about an hour and costs £30 plus value added tax (a total of £36).

The webinar is fully up to date.

The presenter is Adrian Waite, who is well known for his ability to explain complex financial matters clearly. To view his biography, please click here.

It is possible to ask questions during and after the webinar. Attendees will be provided with a copy of the slides. A very useful briefing paper and a CPD certificate will be emailed to participants after it has finished. A recording of the webinar is also available after it is completed.

For further information, please click here: https://awics.co.uk/lifting-the-lid-on-local-government-finance-3