Public Services News – September 2014

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Northampton Borough Council is based at the Northampton Guildhall. In 2013/14 the Council has a gross income of £148million.

Local Government Capital Programmes

Capital expenditure in the private and public sectors is often financed by loan, firstly because resources are often not available 'up front' to finance it, and secondly so as to spread the cost of the capital expenditure across all the years during which the benefit is experienced.

However, in local government there is also a specific legal definition of capital. Capital expenditure is defined in section 16 of the Local Government Act 2003 and in Part 5 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (S.I. 2003/3146, as amended). An important change to local government capital finance was made in 2000/2001. Councils can now accrue capital expenditure in their accounts in the same way as they could always accrue revenue expenditure.

Local authorities own significant assets and invest significant sums in them through their capital programmes. There are various ways in which these programmes are financed. Their economic significance cannot be overlooked. A working knowledge of how capital programmes are financed is essential for elected members and service managers in local government and for anyone else with an interest in local government.

The largest capital programmes are for Education, Highways & Transport and Housing; and most of the expenditure is on new construction and conversion of fixed assets. Capital programmes are financed from a combination of government grants, borrowing, capital receipts and revenue contributions. Most of the grants and advances are in Highways & Transport. Over time there has been a trend for investment in Education to increase as a proportion of the total while investment in housing has reduced.

Grants are available from central government, the European Union, non-departmental public bodies and the national lottery. Developers can also make contributions to capital schemes. Councils generate capital receipts from the sale of assets that can be used to fund new capital expenditure. Revenue resources can be used to fund capital, including the major repairs reserve that is used to fund major repairs to council houses and flats. Councils also borrow to fund capital expenditure. This borrowing is sometimes supported financially by the government and sometimes has to be funded from the Council's own resources.

The Greater London Authority Grant provides general support to the Greater London Authority from central government. Decent homes backlog funding is provided through the Homes & Communities Agency to local authorities that have less than 90% of their housing stock compliant with the government's decent homes standard. It is designed to fund part of the costs of bringing those homes up to the standard. Disabled facilities grants are provided to meet part of the costs of installing disabled facilities in the homes of disabled people.

European Funding is accounted for as a separate funding stream and requires matching funding. Funding is provided under objectives one and two but United Kingdom eligibility has been reduced following European Union enlargement.

A Private Finance Initiative scheme involves the private sector financing and managing public services. A key element in this is the transfer of risk to the private sector. Most Private Finance Initiative schemes in local government have been in Education, Highways and Waste Management.

Private Finance 2 (PF2) is a new approach to public private partnerships, and follows the reform of the Private Finance Initiative (PFI). PF2 reaffirms the government's commitment to private sector involvement in infrastructure and services, while recognising recent changes to the economic context.

Capital Receipts arise from the sale of any capital asset. In the past a proportion of capital receipts have had to be 'set aside' to repay debt but this is no longer the case. Where capital receipts arise in the general fund they are 100% useable, whereas if they arise in the housing revenue account a proportion must be paid into a government 'pool'. A high proportion of capital receipts arise in the housing revenue account, in particular, capital receipts from the sale of council houses to tenants.

There is no 'Ring Fence' round usable Capital Receipts – a local authority can use capital receipts in the housing revenue account or general fund regardless of where they arise. Councils commonly use housing revenue account capital receipts to fund the housing general fund programme.

There are no limits on revenue contributions to capital outlay. A council can finance as much Housing Revenue Account capital expenditure as it wants from tenants' rent money, and General Fund capital expenditure as it wants from Council Tax o other general fund revenues.

Credit Approvals were issued to local authorities until 2003/2004. A 'Credit Approval' was not a grant, but a "borrowing allocation" from Government. Local Authorities borrowed most of their money from the Public Works Loans Board which is government controlled. The local authority then used the money borrowed to pay for schemes of a capital nature. The system works well for projects that will achieve a financial return. For example, a Leisure Centre or toll road that will be able to generate sufficient income to meet capital repayments, or investment in information technology that will enable savings in salary budgets to be made.

The Chartered Institute of Public Finance and Accountancy has issued the prudential code that governs the detailed mechanisms through which prudential borrowing operates. The Chartered Institute of Public Finance and Accountancy developed the prudential code as a professional code of practice to support the decision making of local authorities. They consider that while local authorities must determine their own programmes for capital investment in fixed assets to support public service delivery, their prudential code plays a key role in the capital finance of local authorities. Having regard to the code is made compulsory in England & Wales under the Local Government Act 2003.

The prudential code aims to ensure that the capital investment plans of local councils are affordable, prudent and sustainable; that Treasury Management decisions are in accordance with good professional practice; and that it supports local strategic planning, local asset management planning and proper option appraisal.

We have published a comprehensive briefing paper that provides an overview and summary of local government capital programmes. It considers:

- What is Capital Expenditure
- Capital Expenditure and Financing
- Grants and Contributions
- European Funding
- Private Finance Initiative
- Capital Receipts
- Revenue Contributions
- Borrowing
- The Prudential Code
- Treasury Management
- Bonds
- Balance Sheets

The briefing paper can be freely downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/local%20government%20capital%20programmes%20-%20briefing%20paper.pdf

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Local Government Income and Revenues

When local government income is considered attention tends to focus on the Council Tax and the declining Revenue Support Grant. However, councils also receive considerable income from business rates and various sales, fees and charges. The current government is making significant reductions in Revenue Support Grant and has obliged local authorities to reduce Council tax in real terms for all but the poorest in society. This is obliging local authorities to reduce expenditure and to take a more commercial approach to income generation.

Until 1990 local authorities levied and collected rates from domestic and business premises. The rental value of each property was registered and the council set a rate expressed as a rate in the £ of the property's rental value. In 1990 the government introduced the Community Charge for domestic taxpayers and the National Business rate for business taxpayers. The national business rate operates in the same way as the business rate used to operate except that the government sets the rate rather than the local authority and the proceeds are pooled. The Community Charge was based on each resident in a local authority area paying the same amount. It proved unpopular and difficult to collect and was abandoned in 1993.

The Council Tax was introduced to replace the Community Charge. It is now the only local tax. It is essentially a property tax based broadly on the capital value of domestic properties although it does have some elements of personal taxation.

Local authorities set the level of Council Tax, but in practice their ability to do so is greatly constrained by central government.

Universal capping of Council Tax was ended in 1999, but the Local Government Act of 1999 included reserve powers for Secretary of State. The current government has introduced Council Tax Freeze Grant as a way of encouraging local authorities not to increase their Council Tax and their Localism Act 2011 has introduced a requirement for councils to hold a referendum if they wish to increase Council Tax above a limit set by the Secretary of State (currently 2%).

The current government has provided Council Tax freeze funding of up to £5.2billion from 2011/12 to 2015/16 that is an unprecedented five years of Council Tax freezes worth potentially up to £1,100 for an average Band D taxpayer over the lifetime of the Parliament.

Local authorities that freeze or reduce their relevant amount of Council Tax in 2014/15 will receive a grant equivalent to a 1% increase on 2013/14 band D Council Tax levels. This will amount to £550million of grant in both financial years 2014/15 and 2015/16.

Council tax benefit was abolished with effect from 1st April 2013. Councils are now expected to provide their own council tax reduction schemes with the government initially providing funding at a level of 90% of their previous expenditure. Previous levels of benefit for people of retirement age have been protected and councils have therefore had to make significant reductions in support for people of working age or else fund council tax support from within their own resources.

Ministers cut funding for the means-tested benefit by £500million, around 10% of the total, in April 2013 and instructed local authorities to decide how the reduced benefit should be distributed. However, to cushion the blow ministers offered £100million in subsidies to councils that designed schemes that would offer some protection to the poor.

The government sets the level of business rates but it is the responsibility of local authorities to collect them. The yield from business rates is pooled at national level and then redistributed to local authorities primarily on the basis of their resident populations and the services for which the authority is responsible.

The main features of the business rate system are:

- Central government sets the rate of business rates and in practice links increases to increases in the retail price index.
- The rate liability is the rateable value of the property multiplied by the national rate poundage
- Billing authorities (Unitary and District Councils) send out the rate demands and are responsible for collecting business rates
- Some properties are exempt from business rates including agricultural premises, places of religious worship and properties in enterprise zones
- Rate relief is available for small businesses and charitable bodies

From 2012/13 business rates have been 'localised'. This means that 50% of business rates are now retained locally. Authorities are designated either to pay a tariff or to receive a top-up. This is to buffer any difference in income between this system and the previous one of distribution of all non-domestic rates from a central 'pot'.

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Formula Grant is distributed to local authorities on the basis of need and includes the Revenue Support Grant, redistributed non-domestic rates and Police Grant. Non-domestic rates are distributed on a per capita basis and are taken account of in the formula that is used to calculate Revenue Support Grant. Formula grant peaked at £79.2billion in 2010/11 and then fell to £75.3billion in 2011/12 and £71.6billion in 2012/13.

The only reason that three separate components continue to exist is to comply with the underlying legislation: when the national non-domestic rating system was introduced in 1990, the enabling legislation made it a requirement that the subsequent re-allocation to local authorities be identifiable. Similarly, the Principal Formula Police Grant has to be disclosed separately because it is allocated under powers that refer to both England and Wales, rather than to England alone. For all practical purposes, these three components form of single source of finance for English local government.

Formula grants is provided to local authorities on un-ring-fenced basis and so can be spent on any service. Since 2006/07 formula grant has been distributed to local authorities by means of a system that concentrates on the actual cash grant for local authorities rather than notional figures for spending and local taxation.

Local authorities have a significant income from sales, fees and charges. These totalled £11.7billion in 2010/11 and £11.1billion in 2011/12.

We have published a comprehensive briefing paper, the purpose of which is to provide a summary and overview of the income and revenues that are currently received by local authorities in England. It includes sections on:

- Council Tax
- Council Tax Freeze Grants
- Council Tax 2014
- Council Tax Support
- Council Tax Review
- Business Rates
- Localisation of Business Rates
- Formula Grant
- Sales, Fees & Charges

The briefing paper can be freely downloaded from: http://www.awics.co.uk/dynamicdata/data/docs/local%20government%20income%20%20revenues%20-%20briefing%20paper.pdf

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The Environment: Willingness to Accept and Willingness to Pay

In recent years people have become more aware of climate change and the effects it is predicted to have upon the environment in which we live. As climate change becomes a greater threat to society, scientists face a larger challenge in protecting habitats. It has been stated that it is anthropological damage which is threatening the environment the most. This is not just done directly but also indirectly. However trying to locate where the responsibility lies to try to mitigate this environmental damage is often unclear. This is especially the case when dealing with common land or publically used land. In these situations willingness to pay and willingness to accept is often used to generate funds needed to mitigate environmental damage. However in a world where everything ultimately boils down to money, is it moral to put a price on the environment?

There is no activity that is explicitly called 'valuing the environment'. However what environmental economists seek to do is to measure people's opinion of environmental improvement or conservation (Pearce, 1994). In Environmental economics the environment is valued as a physical entity and is valued for its aesthetic attributes (Hanley, 2008). The environment is seen as something which is publically owned. Due to this the market fails to put a value on the environment (Hanley, 2008). As a result non-market valuation techniques must be used. Contingent valuation is the most widely used method to estimate this value (Hanley, 2008). This looks at how an individual is affected by the loss of resource due to environmental degradation (Pearce, 1994). From these measurements environmental economists are able to calculate the value the participant is 'willings to pay' (WTP) or 'willing to accept' (WTA). Both these terms make assumptions about our ability to aggregate these individual valuations (Pearce, 1994).

WTA can be defined as the minimum price at which a person is willing to sell a possession (Zellweger, 2008). Willingness to Accept involves a person receiving compensation due to loss of land. This can be applied with both privately or publically owned land. WTA is used if there a decrease in environmental quantity and the respondents have property right to the pre-change situation (Pearce, 2002; Zhai, 2009). As environmental damage occurs it may become necessary to buffer ecosystems from human interference or to try to relocate habitats. If this is done it may be unavoidable to do this without disturbing humans. This disturbance may have a series of knock on effects to their lives for example loss of income. In this scenario compensation may be offered in the form of Willingness to Accept.

Many scholars have a negative opinion of WTA, stating it is immoral. There is often a view that WTA is just 'getting money for nothing'. For example if the land is used by a community but owned by a council, the community have right to compensation even though they do not own the land. Also a large amount of the literature has criticised WTA as it is seen to be implausible. It is often the case that participants abuse the system and claim a larger amount of money that the land is worth. This is done so they can receive the most money for selfish reasons. This is due to the fact that respondents lack the experience of calculating the level of compensation claims for environmental goods (Ward, 1992). This may lead to protesting or strategic bidding (Lienhoop, 2007). However in Leinhoop's study it was argued that if CV participants are given the time and information they are capable of coming to a logical price. Leinhoop concluded that 'people need time to think about all the relevant attributes associated with a complex good and decide how much they care about each' (Lienhoop, 2007).

Willingness to Pay can be defined as the act of assessing how much people are will pay to avoid any environmental damage. Pearce stated that WTP should be applied to increase quantity in areas where there is no property right to the post-change situation, but have a property right to the pre-change situation (Zhai, 2009; Pearce, 2002). To calculate the WTP the Environmental Kuznets Curve is often used. The Environmental Kuznets Curve uses the average incomes in the area and the GDP per capita (Jacobsen, 2008). WTP can be estimated using the average household income and the GDP per capita for the country from which the sample is drawn (Jacobsen, 2008) .The rate of WTP may also vary if there are rare species present and can differ along with the size of prospective change in the habitat or species (Jacobsen, 2008).

Many studies have indicated that there is usually a difference in the amount people are willing to pay and the amount people will accept (Horowitz, 2002; Plott, 2005; Minkler, 1999). For example if we look at the different levels of money involved it is often the case that WTP is a lot lower than WTA (Minkler, 1999; Bauer, 2008; Thaler, 1980). The difference in price between WTA and WTP can be explained by the 'endowment effect' (Plott, 2005). The endowment theory is based on the psychology of preferences associated with 'prospect theory' (Plott, 2005) . The endowment effect theory explains that people have a preference which leads to the owner resisting to sell goods. This is because they are loss aversive or because selling is perceived as 'losing' the endowed good (Plott, 2005). Numerous studies have highlighted that there is a substantially higher price to give up an object that they already own, than one that is not. Therefore people will accept a much higher price to sell something than to pay to keep it (Bauer, 2008). Knetsch believes that 'the endowment effect and loss aversion has been one of the most robust findings of the psychology of decision making- people commonly value losses much more than commensurate gains' (Knetsch, 1989; Plott, 2005). However, it has been suggested that the existence and magnitude of the endowment effect varies on the commodity employed in the experiment (Plott, 2005).

In some respects it could be argued that the use of WTP and WTA is somewhat detached from the environment. Some scholars have indicated that the endowment effect leads to people being selfish as It is often the case that it is done predominately for human gain. For example, Hite's study looked into willingness to pay for Water Quality Improvements in the Mississippi area. The study indicated that 62.4% of people were willing to pay for improve water quality (Hite, 2002). When Hite looked into why people agreed with the WTP, she found most people wanted it to preserve human health. Of the 62.4% who agreed 81.4% of people stated it was needed to 'to protect the environment for human health' while only 2.7% wanted it 'to protect the environment for biodiversity' (Hite, 2002).

In conclusion the price given to land in WTA and WTP is rather the cost of preserving an environment or compensating the loss of land for a individual. This ultimately comes down to the endowment effect and what the land means to the people involved. Hanley states that when working out 'landscape value it is more likely that people will think of why a landscape is important to someone, rather than what they are willing to pay to protect it, or their preference for it relative to others' (Hanley, 2008). It has been found that people can develop a 'sense of place', and 'place attachment' to a an area which they are particularly fond of. This 'sense of place' can influence how they value a particular landscape, and the opinions on changes in this landscape (Hanley, 2008). Thaler found that if area of land has a high emotional value the WTA price which individuals want will be considerably higher (Zellweger, 2008 ; Thaler, 1980). There are various types of emotional costs related to their ownership stake. For example if there has been any personal sacrifice, loss of employment, and the burden of responsibility this loss of income will have for employees (Zellweger, 2008). Dramstad stated that 'people are influenced by a mixture of logic and emotion that incorporates aspects of landscape structure, biodiversity and cultural heritage' (Dramstad, 2001; Hanley, 2008).

A comprehensive briefing paper on 'The Environment; Willingness to Accept and Willingness to Pay' can be freely downloaded from our website at: http://www.awics.co.uk/environment.asp

Anna Waite

Is Blencathra a Community Asset?

Blencathra was described by Alfred Wainwright fell walker, writer (CIPFA accountant and former Treasurer of Kendal Borough Council!) as ‘one of the grandest objects in Lakeland’. The mountain stands at 2,850feet and is one of the Lake Districts most popular destinations for walkers. However this May it was announced that Lord Lonsdale, the owner, was placing the much loved mountain up for sale. Blencathra has been owned by the Earl's family for 400 years and is being sold to pay a £9million inheritance tax bill. The sale also included the ancient feudal title of Lordship of the Manor of Threlkeld. The price tag for Blencathra was set for £1.75million and soon received a lot of media attention nationally and internationally.

The area's national park status and rights of way legislation ensure the public's right of access and protects against inappropriate development, whoever owns the mountain. The land is bound by common grazing rights for local farmers, making it effectively under shared ownership. However the local community around Blencathra feared that the mountain would be sold to a wealthy tycoon and that the new owner may not be as good a custodian for the land as the Lonsdale family had been previously.

Due to this the Friends of Blencathra group was formed and established itself as a charity and started raising funds to buy the mountain. The Group aims collectively to buy the mountain and hold it in trust for all. The Group generated funds through public donations and from selling merchandise. The group were able to gain a large following of support with 8,080 people signing a petition asking Lord Lonsdale to allow the public to buy the mountain. The group also have 6,665 members on the Friends of Blencathra Facebook group and 355 followers on twitter to date. The group aim to buy the land and in partnership with local charities, including the Blencathra Centre and the Calvert Trust, wanted to use the land for volunteering.

On 4th July 2014 H&H Land and Property (the agents handling the sale) announced that a bid higher than that of the Friends of Blencathra had been accepted. The mountain was sold to an ‘unnamed party’. Debbie Cosgrove, the Group chair for Friends of Blencathra said she was ‘bemused’ at the owner's decision. Ms Cosgrove said the group was told about the higher offer earlier, but had made it clear it was prepared to match the bid. But H&H Land and Property said there was a ‘significant shortfall’ between the group's offer and that of the unnamed party.

On 7th of July the Friends of Blencathra met with the Eden District council to determine a nomination from Friends of Blencathra Ltd to have Blencathra listed as an Asset of Community Value. This was agreed as the group complied with all the appropriate requirements of the regulations. It is not clear, though, if this will stop the sale. However on the 4th August 2014 Debbie Cosgrove from Friends of Blencathra announced that ‘It's not a done deal, but we believe we will be the winning bid. We're the only people who've gone public.’ Ms Cosgrove has also stated the group had an advantage over other bidders, because the Earl of Lonsdale would not have to pay capital gains tax if selling to a charity.

The statement from the Friends of Blencathra included the following:

“A Special Executive Committee meeting of Eden District council met at 5pm on Monday 7th July, to determine a nomination from Friends of Blencathra Ltd to have Blencathra listed as an Asset of Community Value. Also present were several representatives from Friends of Blencathra, representatives from local parish councils, and a number of other Eden District councillors.

"The Executive Committee considered a report that had been prepared by their Director of Legal Services, along with a supplementary note that had been submitted by legal representatives of Friends of Blencathra. After addressing some questions to the Director of Legal Services, Councillors and Officers withdrew to consider the nomination in private. The Executive Committee returned to the council chamber, and reported on their deliberations. They accepted that the nomination made by Friends of Blencathra Ltd. complied with all the appropriate requirements of the regulations, and proceeded to a vote. Five members of the Committee voted in favour of the nomination, and there was one abstention. The Community Asset process is defined by the Localism Act, and this is the first time that these regulations have been used to register a mountain as an Asset of Community Value. Eden District Council acknowledged that this is without precedent.

"What difference does it make having Blencathra listed as an Asset of Community Value? Although it was announced in the press last Friday that Blencathra had been sold, contracts have yet to be exchanged, and our legal team are investigating the implications of this. We hope that we now have a period of time in which to negotiate with the current owners. Very importantly, this gives Friends of Blencathra Ltd. access to very significant sources of matched funding.

"Although this successful registration is a massive step forward, we have to point out that it does not mean that we have bought Blencathra – but this is a quantum leap forward in our campaign."

I wonder if the authors of the Localism Act envisaged mountains being among the community assets.

Anna Waite

Local Government and Education Funding consultations

The Government has made a series of funding announcements concerning:

- The technical funding consultation on local government finance settlement 2015/16
- Schools funding in 2015/16
- Education Services Grant in 2015/16

The key points in the technical funding consultation on the local government finance settlement for 2015/16 are:

- The Government is proposing no changes to the holdbacks for the new homes bonus (£1 billion in total) and the business rates retention safety net (£50 million);
- There will be no specific funding for local welfare provision in 2015/16 – the government may consider creating a notional line although this would not imply any increased funding;
- Compensation for the changes in business rates – the two per cent cap and other measures such as the reduction for retail premises – will continue to be paid through a section 31 grant in the same way as for 2014/15;
- Funding for the 2014/15 council tax freeze grant will be rolled into Revenue Support Grant and combined with the 2013/14 council tax freeze grant funding into a single element, which is protected from reductions;
- The efficiency support grant element for 2014/15 will also be rolled into the Revenue Support Grant;

- The rural services delivery grant element will be rolled into one Revenue Support Grant element. The government has commissioned research into 'unavoidable' service costs in rural areas which is expected to report in the autumn;
- A total of £6.4 million will be deducted from those authorities which now fall below the threshold of the Carbon Reduction Commitment. This will be done through creating a negative funding element.

In July the government made an announcement on school funding for 2015/16. They confirmed that in 2015/16, instead of introducing a national funding formula, the government would distribute an extra £390million among the 69 authorities that are least well-funded according to the Department for Education criteria. This follows the proposals in the March 2014 consultation.

All schools will be protected with a minimum funding guarantee continuing at a 1.5% per pupil and all local authorities will be funded at least at the same cash level per pupil in 2015/16. In addition it has previously been announced that the pupil premium will rise in real terms. 69 authorities will receive extra increases which will total £390million. This is to get them up to the minimum funding level for a variety of pupil characteristics:

- A per-pupil amount ('age weighted pupil unit');
- Pupils who are from deprived backgrounds;
- Pupils who have been looked after, for example in foster care;
- Pupils with low attainment before starting at either their primary or secondary school;
- Pupils who speak English as an additional language;
- A minimum funding level for each school on top of its per-pupil funding ('lump sum');
- A minimum funding level for small schools in rural areas;
- An area cost adjustment in certain areas with higher labour costs.

The government has not been explicit on exactly how the weights have been set for the minimum funding level: The per-pupil amounts are authority averages. The other weights are set at levels which the government says 'they can afford'.

Other key points from the Fairer Schools Funding document include:

- The Department for Education will start research on high needs funding in the autumn with an aim of having conclusions by spring 2015. Following that the they will consult on reforming it;
- Meanwhile there will be few changes in high needs funding for 2015/16 – they will work on the basis of 2014/15 places and have an exceptions process whereby councils can apply to the EFA. Any remaining funds will be distributed in accordance with 2-19 pupil numbers;
- The Department for Education also want to look at reforming early years' funding – moving towards introducing a national funding formula for 3 and 4 year olds in 2016/17 and later;
- All academies will be funded on a recoupment basis; that is the EFA will work out how much they would get according to the LA formula and recoup this sum from the authority. This replaces the previous procedure for 'non-recoupment academies' according to which pupil numbers were deducted from the authority allocation. Authorities will be compensated for higher central costs;
- This change will also affect free schools' funding. After the set-up year – when they will still be funded on planned pupil numbers they will be funded on actual pupil numbers with the money being recouped;
- A deduction of £7.51 per pupil will be made from Dedicated Schools Grant to take account of the removal of schools from the Carbon Reduction Commitment.

The government has announced the outcome of the consultation on the Education Services Grant (previously the Local Authority Central Services Equivalent Grant). The government has confirmed that, as announced in June 2013, they will reduce Education Services Grant by £200million in 2015/16. This will mean that general funding rate will fall from £113 per pupil to £87 per pupil. The £15 for retained duties which goes to councils for all pupils irrespective of what type of school they go to is unchanged. There will be protection for academies on a sliding scale – so that the average reduction in academy funding will be 1.5% of the total budget.

The government has also announced a further £18million for music funding in 2015/16, meaning that funding for music education will be £75million in total. Most of this will be distributed through the 123 music education hubs.

Northern Devolution and the Autumn Statement

The Chancellor of the Exchequer, George Osborne, announced in August 2014 that plans to devolve new money and civic powers to the North of England are to be worked up over the next five months to form the centrepiece of December's Autumn Statement.

This follows the publication of the 'One North' report published by the leaders of five cities in the region – Leeds, Liverpool, Manchester, Newcastle-on-Tyne and Sheffield. It also follows the publication of the 'growth plan' by Lord Heseltine and the work of the City Growth Commission.

George Osborne said that a range of reforms, including a new model of city government, could help to raise the level of economic growth in the north to match that of the United Kingdom as a whole, adding £44billionn in real terms to the region's economy by 2030. He said:

"There is a prize that awaits the north of England… If we work together, bring our cities together, invest in future transport and skills and science, we can build a Northern Powerhouse.

"What I find very exciting about this moment is that there is the prospect of a real consensus that this is the way forward… Not total agreement on every detail – that would be absurd. But general agreement on the plan ahead.

"I'm ready to commit new money, new infrastructure, new transport and new science, and real new civic power too".

Firstly, the government will examine the component elements of the 'One North' report, that includes a call for extra motorway capacity, and better rail connections across the north, including freight routes.

Secondly, the government's chief scientist Mark Walport is expected to report to George Osborne with a plan to boost science research, while David Higgins, the chair of the company developing the High Speed 2 line, will examine plans for a new high-speed cross-Pennines route in October.

Thirdly, the government would set out plans to transfer powers and budgets to cities in November, provided that they 'want to move to a new model of city government' including city mayors.

George Osborne added:

"I know it's controversial with some, and the local politics isn't always easy – but almost every major global city has a single mayor, and it's the view of many different people who've looked at our cities here and say it's time we did the same… Before deciding in advance how to respond, wait to see what I am offering in return… Work with me over the coming months and together we will make a reality of the plan I've set out for the Northern Powerhouse."

On the face of it, all this sounds very good, but in reality the offer to the North of England is very unambitious. England (outside London) is one of the most centralised states in the developed world and in recent years centralisation has increased with local government marginalised politically and deprived of powers and resources. One of the results of this has been an increasing 'gap' in wealth and incomes between the 'core' and the 'periphery' of England. All of this is in sharp contrast with the successful devolution of powers to Scotland, Wales and Greater London; and with common practice in other developed countries where there is strong regional and city government. There is a need for political, business and other leaders in the North of England (and in other regions of England) to 'up their game' and demand more local autonomy and more control over local resources than is currently envisaged by the government – otherwise they will continue to be left behind!

Chartered Institute of Public Finance & Accountancy International Work

The Chartered Institute of Public Finance & Accountancy (CIPFA) is well known for its work in promoting good financial management internationally. Part of this work is the offering of International qualifications including the Professional Certificate in Management Accounting, of which I am the examiner. Recently the institute has announced two new initiatives in West Africa.

CIPFA has partnered with a Ghanaian accountancy institute to promote good public financial management practices in the West African nation. The institute has signed a Memorandum of Understanding with the 50-year-old Institute of Chartered Accountants Ghana (ICAG). ICAG is the only professional accountancy organisation in Ghana with the right to regulate the profession and its members are the only people recognised under Ghanaian accountancy rules for the purpose of auditing company accounts. It is also a member of two international bodies, the International Federation of Accountants and the sub-regional Association of Accountancy Bodies in West Africa.

Under this collaboration, CIPFA and IFAC will advance high-quality PFM systems in Ghana through a number of initiatives, including financial management reform, capacity building and training for government and public sector finance staff. It will also support professional development, enabling opportunities for dual membership of both institutes. Support for the implementation of International Public Sector Accounting Standards (IPSAS) in Ghana is also a vital element of the relationship. CIPFA International chair Ian Ball, who recently returned from a visit to Ghana, said ICAG had adopted a leadership role through its recognition of the need for strengthened PFM. He said:

"We have seen strong support from government and the public sector in Ghana for an agreement between our two institutes… For CIPFA it is a real honour to have the opportunity to use our knowledge, resources and experience to work in partnership with ICAG and governmental institutions within Ghana."

ICAG President Kwame Borsiako Omane-Antwi added that a robust Ghanaian economy could only be built when the PFM systems 'put in place are sound'. He said:

"In this regard, the institute is delighted to partner with CIPFA to serve the public interest through strong advocacy and advisory role on public financial management issues in Ghana."

Hon. Agyemang Manu, chair of the Public Accounts Committee of Ghana, said the partnership between ICAG and CIPFA represented a step in right direction and came at the right time and said:

"There is an urgent need now more than ever to accelerate efforts to improve capacity on public financial management in Ghana to ensure sound management of the public funds of Ghana."

Ghana's controller & accountant general Grace Adzroe also welcomed the partnership. She said:

"The office of the Controller & Accountant General of the Republic of Ghana is looking forward to support from ICAG through its partnership with CIPFA as Ghana prepares to implement accrual basis International Public Sector Accounting Standards."

CIPFA will also work with Nigerian government officials to help root out corruption in procurement. The project is one of the first to emanate from the Department for International Development's Investment Facility for Utilising Specialist Expertise that was launched in January to provide 29 developing countries with technical and specialist assistance. The mission to Nigeria will begin in May 2015. CIPFA-qualified accountants will train officials working at several government bodies in Nigeria on anti-corruption practices in procurement. Alan Edwards, CIPFA's director of strategy and development, said the institute was thrilled to be launching its first DFID-IFUSE project:

"Our work there will equip government officials with the knowledge and skills they need to better protect the public purse from fraud and misappropriation and ensure that valuable government resources are spent well and where they are most needed… CIPFA's focus is on sound public financial management as the foundation of financial stability and economic growth. If, through projects such as IFUSE, we can improve the way public money is spent it will have a profound and lasting impact on the lives of individuals and on the business environment across the world."

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