

Place-shaping: a shared ambition for the future of local government

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Inquiry Reports

December 2005

- Consultation paper and interim report (including revaluation modelling)

May 2006

- National prosperity, local choice and civic engagement

March 2007

- Place-shaping: A shared ambition for the future of local government

Approach

- We need local government
 - Enhance **satisfaction** through local choices
 - Manage **pressures** by choosing different priorities
 - Foster economic **prosperity**
- Want a 'single system' of government – not a battle between central and local
- No 'golden key' – need a mosaic of change including addressing ingrained behaviours
- Developmental approach to reform – short-term reforms to pave the way for more radical change

Problems

- Not making a simple argument for the local
- But system suffers from centralisation
 - Local **flexibility** to choose and act is restricted
 - Confused **accountability** undermines trust in the whole system
 - Poor **incentives** fail to reward local efforts and create dependency
 - **Fairness** has many definitions needed to promote trust
 - **Efficiency** pursued by making right local decisions, not just the cheapest decisions
- **Council tax not 'broken' but under too much pressure, exacerbated by other problems**

Recommendations to local government

Local government needs to raise its game to make the most of current opportunities:

- Provide strong local **leadership** and **long term vision**
- Lead as '**convenor**' across local public services
- **Engage** with public to inform decisions, manage pressures and expectations
- Be recognised as **champions of efficiency**
- **Reduce dependence** on central government for guidance and support
- Ensure effective **national voice** through the Local Government Association
- **Political parties** need to improve councillor recruitment and support

Short term recommendations to central government

1. Increase local flexibility by

- reducing specific grants and “soft controls” to improve flexibility over existing funding (yes: CSR)
- consulting on power to levy a supplementary business rate of up to 4p (yes); reviewing reliefs and exemptions (yes);
- introducing power to charge for domestic waste to manage pressures (consider: waste strategy)

2. Address fairness concerns by reform of council tax benefit:

- recognising it as a ‘rebate’; making take-up automatic to deal with £1.8bn unclaimed benefit (consider)
- raising savings limits for pensioners to £50k, helps 370,000 h’holds (consider)

Short term recommendations to central government (cont)

3. **Improve incentives in the funding system**, through reform of the Local Authority Business Growth Incentives Scheme (yes: proposals before summer)
4. **Improve transparency of the funding system**, introducing a more independent voice to help public and parliament scrutinise funding decisions and promises (ruled out "grants commission"; awaiting response)

Also need to recognise the value of local choice and difference more widely (yes), and **end capping** as part of the broader package to re-establish local accountability for decisions over council tax (no).

Medium term

- **Council tax**

- Revalue council tax to update the tax base and improve fairness (not this parliament)
- Extra bands to help those in low value properties, paid for by those at the top (not this parliament)

- **Other funding**

- Consider assigning a fixed proportion of income tax to local government, if it can manage a fluctuating tax base (consider)
- Power to levy tourist tax *if* local government could make a strong case based on local public support. Only for some areas (no)

Longer term options

- Local income tax is feasible and could improve fairness but would take time to implement and has significant costs
- Could relocalise business rates to provide local flexibility and better incentives
- **But either of these would need greater public support and understanding than currently exists**
- **Government will continue to keep under review**

Economic prosperity

- Strong emphasis on local government's role in fostering economic prosperity
- Supported through
 - Greater flexibility through local business rate supplement, and call for improved incentives
 - Devolution to locally determined sub-regional arrangements to enhance place-shaping role, tested by Government
 - Commentary on Barker, Eddington, and Leitch and role of local government.

Developmental approach

- Some changes can happen immediately – changes to local and central behaviours and reduced soft controls shouldn't wait for legislation
- The Comprehensive Spending Review is a key opportunity
- Legislation will be needed for some changes, particularly on council tax and business rates
- Need to build relationships and trust to create the conditions for further reform
- An agenda for future governments as well as the current one.

Vision for the future

- Strong, confident local government with a good range of powers to tailor its place-shaping behaviours to improve well-being and prosperity in every community
- Greater public understanding of local spending decisions: who is responsible for them and how they are made; based on greater engagement to inform difficult decisions and manage pressures
- Distinctive communities, proud and confident about their different choices
- As a result, greater public trust and satisfaction with the system of government as a whole.