

Summary of recommendations

CHAPTER 4 – CENTRAL GOVERNMENT’S CONTRIBUTION TO REFORM

Performance framework 4.1 The burdens and effectiveness of the new Comprehensive Area Assessment and other aspects of the performance framework should be independently evaluated, and a report published, two years after its introduction.

This should examine:

- how well the new system is achieving its objectives, and in particular how much space it leaves for place-shaping, local innovation and responsiveness;
- whether other external assessment and inspection frameworks are adequately supporting joint agendas; and
- whether the framework effectively assesses and supports the community empowerment agenda.

Leadership 4.2 The Government should ensure that local communities retain the flexibility to choose models of leadership that best suit their circumstances, and to adapt them as and when they judge appropriate.

4.3 The Government should not seek to define any further lead councillor and officer roles and structures, and existing prescriptive models should be kept under review.

Transparency of the funding system 4.4 Mechanisms should be put in place to improve the transparency of the objectives of the local government funding system, in particular central and local government should agree:

- what central government requires of local government and how it should be funded;
- the ways in which central government should appropriately influence other aspects of local government activity and the extent to which such influence should be limited.

This should be formalised in a written agreement.

The Government 4.5 The Government should consider ways to improve independent information available to the public and Parliament about:

- the actual costs of new burdens imposed by central government;
- actual burdens of targets, performance management and soft controls imposed on local government by central government and its agencies;
- whether the cumulative impact of new mandates on local government is over time greater than, or less than, the funding made available to pay for them;

- what evidence is available about future pressures on and efficiency opportunities in local services and what might be reasonable assumptions to make about their impact on costs and savings; and
- whether the funding system is meeting the agreed objectives in terms of enabling local government to deliver what has been agreed with central government.

Options considered should include an independent commission.

Capping 4.6 The Government should cease to use, and then abolish, its capping powers as pressures on council tax reduce, forming part of a package of measures to re-establish local accountability for tax and spending decisions.

Soft controls 4.7 As well as reducing the number of targets and performance indicators in the revised performance framework set out in the recent White Paper, the Government, its agencies and the inspectorates should also reduce the wider data burdens and reporting requirements that local authorities face, drawing on the work of the Lifting the Burdens task force.

4.8 The Government should set a target to reduce these burdens, and progress against the target should be monitored transparently by an independent body such as the Audit Commission.

4.9 The Government, its agencies and the inspectorates should reduce the levels of guidance in areas of local concern and responsibility. The Government should also develop a code of practice for departments and agencies which clarifies the limited circumstances under which it is appropriate to place conditions on funding streams for local government.

4.10 Local Area Agreements should be developed in a way which leaves enough space for local priorities. New central government priorities which emerge between negotiations over the LAA should be incorporated into the framework on a strictly 'one in, one out' basis in order to avoid gradual regrowth of central control.

Flexible finance system 4.11 The Government should commit to significant further reductions in the amount of conditional, ring-fenced and specific grants to local government and its partner agencies and set clear targets and a timetable for achieving them. It should ask the Audit Commission to audit and report on progress in an annual public report.

Where conditional and hypothecated funding remains central government should:

- consider ways in which reporting arrangements for pooled budgets could be more flexible to support joint working; and
- focus on outcomes not process with flexibility on how the money is spent to enable it to fit better with local priorities and circumstances.

4.12 Government departments should:

- ensure that the budget cycles of major local agencies are aligned to enable joint planning; and
- move to put all local agency budgets on a three-year basis to reflect the introduction of three-year settlements for local government.

Convening 4.13 The Government should:

- seek to ensure that changes to the performance frameworks, guidance and funding systems affecting local government and its partner agencies are kept to a

minimum, to help provide a more stable environment within which to develop joint strategies and actions;

- seek to ensure the suite of targets and national indicators for local government is internally consistent and outcome-focused. A priority in the negotiation of Local Area Agreements should be to allow the local alignment of targets across all local public services; and
- acknowledge the role of local authorities in having lead accountability for local outcomes across all local agencies.

Efficiency and choice 4.14 The Audit Commission should ensure the Use of Resources judgement in the new performance framework includes delivering the right priorities to meet the needs and wishes of the local community.

4.15 Central and local government should together challenge the presumption that difference between areas – the ‘postcode lottery’ – is always a bad thing.

4.16 The Government should explicitly recognise that for a range of local services the best way to improve well-being is to enable greater local choice.

Economic prosperity 4.17 Reflecting the importance of working at the level of the functional economy in pursuing economic prosperity, the Government should:

- use Multi Area Agreements as a way of engaging with local authorities to develop locally determined sub-regional arrangements to address issues related to economic prosperity;
- set clear tests and expectations for arrangements in order to ensure that they would be robust enough to make challenging decisions and trade-offs;
- detail which powers, responsibilities and funding would be devolved from national and regional level to sufficiently robust and capable groups of authorities, and align existing governmental and delivery arrangements with new sub-regional arrangements; and
- avoid the creation of new institutional structures where these do not currently exist unless a consensus exists at the local level, or local authorities fail to put in place adequate arrangements through collaboration.

Planning 4.18 The Government should pursue devolution and clarification in the planning system as set out by Kate Barker in her review of the land use planning system and in particular:

- reduce the complexity and detail of directions which provide for central control; and
- set out clearer criteria on the use of call-in powers.

4.19 In taking forward reforms to the planning process for major infrastructure projects, the Government should ensure that:

- the new arrangements apply only to issues of unambiguously national importance, subject to clear and published criteria;
- local individuals and communities are informed of the process and have an opportunity to make their views known; and
- a clear process for reporting back to local communities is established.

Summary of recommendations

- Transport** 4.20 The Government should implement its plans for local authority powers to regulate bus services as soon as practicable.
- Skills and employment** 4.21 In taking forward reforms following the Leitch Review, the Government should:
- ensure that there is sufficient scope and resource to enable the Learning and Skills Council and local partners to tailor provision appropriately at the local level;
 - enable local authorities to play an appropriate role in Employment and Skills Boards; and
 - seek to build on existing arrangements between employers and local authorities where possible.
- Housing** 4.22 The Government should ensure that local authorities have appropriate influence over housing issues in their place-shaping role and should consider whether to extend the duty to cooperate to housing associations and other social landlords.
- Social care** 4.23 The Government should lead a clear national debate about how we want to manage and pay for social care for older people, which should cover:
- what, if any ‘national promise’ central government wants to make for the whole country;
 - what local government is to be responsible for, and who is best placed to manage pressures; and
 - who should pay for social care: state or service user, and how incentives can be aligned to ensure competing demands are managed appropriately.
- Waste** 4.24 The Government should give greater recognition to the fact that effective waste management is a shared responsibility between central and local government and consider ways to provide greater local flexibility to manage the waste stream locally (including waste production), particularly through a new power to charge for domestic waste.
- Community safety** 4.25 The Government should simplify funding streams and targets particularly for community safety.
- Health and well-being** 4.26 The Government should support a stronger and more explicit role for local government as convenor in the realm of health and well-being, building on the proposals in the Local Government White Paper to strengthen partnership working.
- 4.27 The Government should ensure the commitment to harmonise budget and performance management cycles in health and social services is delivered.
- Children’s services** 4.28 The Government should consider more formal mechanisms, such as an extension of the duty to cooperate or a duty to have regard to the Local Area Agreement or Sustainable Community Strategy, to encourage greater collaborative working between Local Strategic Partnerships, GPs and schools.

CHAPTER 5 – LOCAL GOVERNMENT’S CONTRIBUTION TO REFORM

- Long-term planning** 5.1 In their forward planning, local authorities should look further ahead than even the ten-year time frame of the community strategy and therefore should:
- make best use of intelligence and evidence of future demographic and other changes;
 - take account of national and international trends and forecasts;
 - engage local partners, businesses and residents in a debate about the long-term aspirations for the area; and
 - focus their performance management on long-term outcomes.
- Leadership** 5.2 In reviewing their structures and leadership arrangements, local authorities should focus on securing visible and accountable leadership with the capacity to take a long-term, outward-looking approach and build credible relationships with local partners.
- 5.3 Local authorities need to take the lead in ensuring local partnership structures are fit for purpose, streamlining and reducing the number of bodies and groups where necessary, ensuring that the structures are genuinely local in character and meet the criteria outlined in the report.
- 5.4 Local authorities need to adopt a leadership style that engages local partners, builds alliances and secures support for delivering joint priorities. It should facilitate, advocate, arbitrate and influence rather than dominate.
- Devolution** 5.5 Local authorities need to identify where they can make space for neighbourhood or parish activity, particularly to address liveability issues, and to encourage participation and innovation.
- 5.6 The Local Government Association should continue the development of its work with partners to provide leadership to local government and to challenge underperforming councils, as well as continuing to strengthen its performance in contributing to debate on major policy issues and improving its communication with the public.
- Recruitment and support of councillors** 5.7 Political parties should refresh their approach to recruiting local councillors, actively seeking out talent and reaching out beyond their traditional activist base.
- 5.8 Political groups, mainly at local level, but supported at national level, should place stronger performance management pressures on councillors including performance appraisal and mechanisms to provide the public with information about their activities.
- 5.9 All political groups should:
- organise themselves so that all councillors feel valued;
 - consider giving ward members more freedom, limiting whipping to a narrower range of decisions and employing more flexible processes for group discipline; and
 - develop skills in cross-party working.
- 5.10 Every council should improve the support it provides councillors in their frontline role by:
- ensuring that they have the information they need to do their job effectively;
 - putting in place role descriptions, training and development specifically for the ward member role as part of a wider commitment to member development;

- ensuring that support for elected members in their community leadership role is properly thought through, given sufficient priority in the work of the council and is resourced appropriately, with full use being made of IT;
- considering the use of individual ward member budgets but assessing what works best in local circumstances; and
- ensuring clear routes for frontline councillors to influence policy decisions.

Informing the public

5.11 The main steps forward which councils still need to take in informing the public are:

- working with partners across the Local Strategic Partnership to present a common set of key messages for the area;
- identifying through research and customer feedback what really works in reaching the public and focusing resources on those channels; and
- using new channels to target particular groups in the population, especially young people, with relevant messages in an imaginative and entrepreneurial way.

Public engagement

5.12 Local government needs to make a step-change in the quality of its engagement work, building on the effective communications and engagement practice already being used and also ensuring that its application is much more systematic and rigorous. In particular, councils need to:

- focus on what matters in their engagement work, being selective about where resources are targeted;
- follow best practice in engaging all sectors of the community, particularly those voices which are not always heard, including vulnerable people and black and minority ethnic groups;
- avoid allowing statutory requirements for consultation to limit their approach to consultation and engagement;
- accord higher status to the skills set needed by officers and councillors to engage effectively with the public; and
- ensure they explain to participants how the results of engagement have been used, including how they influenced councils' or partners' plans.

Scrutiny

5.13 Scrutiny needs to be seen as a core strand of local government's place-shaping role. Councils and other participants must resource it appropriately and link it to local partnership work.

Use of powers

5.14 Local government needs to think widely and creatively about how to use its existing powers to the full and take a more entrepreneurial approach to problem solving, as part of the place-shaping role.

5.15 Local government should itself develop mechanisms to provide peer guidance to councils and filter requests for guidance to government. The Local Government Association could play a gatekeeper role.

5.16 Local government needs to emphasise the 'local' in Local Area Agreements, tailoring them to, and using them as a stimulus for, identifying key local priorities, seeing them as a tool for local improvement rather than a matter of mere compliance with central government.

Innovation

5.17 Local government needs to develop its capacity to commission innovative service solutions, to develop markets for services and to think more creatively about delivery options.

- 5.18 Local authorities should ensure that their overall approach to efficiency:
- places a value on outcomes in terms of their value to the local community;
 - values the additional inputs generated through co-production;
 - allows them to consider where it may be appropriate simply to do less of a particular service or activity in balancing local priorities;
 - considers all options available including use of charging or other powers to reduce costs, raise revenues and change behaviour in the interest of the local community; and
 - considers where it may be possible to encourage market solutions to local needs and so reduce the pressures on the tax base.
- 5.19 Local government should continue to focus on performance, using the reduction in central targets and inspection as an opportunity to:
- re-orientate its performance management towards public accountability; and
 - work with other councils to support service improvement, through peer review, challenge and benchmarking.

CHAPTER 7 – HOUSEHOLD TAXATION AND LOCAL CHARGES

- Council tax** 7.1 Council tax should be retained as a source of revenue for local government. The option of change in the longer term to shift the balance towards other taxes and changes remains open.
- Revaluation** 7.2 While not the most urgent priority, the Government should conduct a revaluation of all domestic properties for council tax. Transitional arrangements to ensure households do not face steep tax increases from one year to the next should be considered at the point of revaluation.
- 7.3 Subsequent revaluations should take place regularly and automatically at intervals of no more than five years.
- 7.4 At the revaluation the Government should introduce new property bands at the top and bottom of the current structure. It could also consider the introduction of separate bands for Inner London to reflect the unique shape of the property market in that region and to reduce turbulence there.
- Student households** 7.5 The Government should ensure the grant system reflects realistic data on the number of student households exempt from council tax in their areas. This should be done in time to inform the forthcoming negotiations on three-year settlements.
- Council tax benefit** 7.6 Council tax benefit should be recognised as a rebate rather than a benefit, and re-named ‘council tax rebate’, to properly reflect its main purpose: adjusting households’ liability to council tax.
- 7.7 The Government should build on recent efforts to streamline delivery of council tax rebates by adapting IT systems so that the Pension Service can act as a portal to rebates for all callers, regardless of Pension Credit eligibility.
- 7.8 Further improvements to the claims process should be pursued to allow the Pension Service to liaise directly with local authorities in processing rebate claims.

7.9 Ministers should examine the scope for data sharing between agencies to proactively deliver council tax rebates to those who are entitled, with a view to achieving a step-change in the take-up of council tax benefit.

Capital limits 7.10 The Government should increase the savings limits on council tax rebate eligibility to £50,000 for pensioners.

7.11 The Government should, over time, abolish the savings limit in council tax benefit for pensioners, so aligning council tax rebate thresholds with the criteria for eligibility to the Pension Credit.

Charging powers 7.12 The powers to trade and charge conferred on ‘best value’ authorities in the Local Government Act 2003 should be extended to all local authorities.

7.13 The Government should carefully consider the wider framework of charging powers for statutory and discretionary services, including in the light of the Audit Commission’s work when published later this year.

Waste charging 7.14 The Government should take new powers to allow local authorities to charge for domestic waste collection, developed in close consultation with residents and other key stakeholders.

CHAPTER 8 – BUSINESS TAXATION

Business rates 8.1 The RPI cap on the national level of business rates should be retained.

Supplementary powers 8.2 The existing national arrangements for business rates should be retained at present, but a new local flexibility to set a supplement on the current national business rate should be introduced.

8.3 Local supplementary powers should be designed in a way which can gain credibility with business and the wider community. The key issues to be considered are:

- the appropriate scale of the supplement. At the upper end, some Business Improvement Districts have levied supplements as high as four pence. A lower limit would provide less revenue and less flexibility, but might enable confidence in new arrangements to develop more gradually. In that situation, there might be a case for allowing a higher limit in some cases, subject to more stringent approval mechanisms;
- retention of revenue, where I believe all revenues should be retained locally;
- the right form of accountability to business taxpayers. The most obvious options are some form of voted approval or a statutory consultation process. On balance, I propose that there should be a requirement to consult local businesses, and the wider community, before introducing a supplement, with a clear proposal and timetable. Revenues from a supplement should be hypothecated to the purposes agreed through consultation;
- how to ensure that supplements contribute to, rather than detract from, the local economy. I propose that authorities should be required to make an assessment of the impact of the supplement on the local economy, and the potential economic benefits of the spending they propose to finance from the revenues generated;
- the authority by which supplements should be levied. I recommend that supplements should be levied by unitary authorities and metropolitan districts, and in London and areas with two-tier local government, a single rate should be

set through agreement between the relevant authorities, with a joint plan for the use of revenues. Where arrangements develop for collaborative working between authorities elsewhere in the country, this could usefully include cooperating around supplements. Powers to introduce Business Improvement Districts should remain with shire districts and the London boroughs;

- whether authorities should have a degree of further flexibility over which sizes of business pay the levy, which I would support; and
- whether there should be a threshold below which small businesses do not pay the supplement.

- Empty property relief** 8.4 The Government should reform and reduce the empty property relief by:
- retaining the existing 100 per cent relief for short-term empty property (up to three months);
 - reducing the rate of empty property relief thereafter; and
 - providing factories and warehouses with the same level of relief as other properties.
- Derelict and brownfield land** 8.5 The Government should develop proposals for the taxation of derelict property and brownfield land and consult on those with stakeholders.
- Reliefs and exemptions** 8.6 The Government should conduct a review of exemptions and reliefs to consider the scope for removing inappropriate subsidies and distortions, and to simplify the system.
- Planning-gain Supplement** 8.7 If the Planning-gain Supplement is introduced, the Government should:
- design it primarily as a local revenue source, with a regional share of an appropriate scale, not as a national source which may or may not be allocated to authorities. It is imperative that a transparent and predictable link between local development and local resourcing exists if development is to take place, or incentive effects are to be realised; and
 - consider whether in two-tier areas, it could be managed through plans jointly developed and implemented by county and district councils.
- Taxes on tourist pressures** 8.8 The Government should consult on the costs and benefits of providing a permissive power for local authorities to levy taxes on tourism, including a possible tax on accommodation, and whether local authorities would use such a power. It should use the results of that consultation to examine the case for extension of such powers to local authorities.

CHAPTER 9 – GRANT AND THE USE OF NATIONAL TAXATION TO SUPPORT LOCAL SERVICES

- Incentives** 9.1 In the short term, the Government should simplify the Local Authority Business Growth Incentives scheme in order to provide sharper incentives. Reform should focus on providing transparency and predictability through reducing the emphasis on distributional objectives.
- 9.2 In the longer term, the Government should consider wider reforms to business rates, such as localisation, which would make it possible to design longer term incentives for local authorities.
- 9.3 The Government should consider ways in which the incentives in the grant system could be improved. In particular it should focus on:

- how far the grant system should be re-balanced to accommodate a greater focus on incentives;
- what changes will need to be made to the current grant system to support residential property tax base incentives;
- how to deliver business rate incentives, and whether these should be funded through additional resources or through redistribution within the current grant total; and
- clarity of messages to local authorities to ensure that they understand, and therefore can act on, the incentives.

Assignment 9.4 The Government should relax the regulations that govern the information that can be included on council tax bills and the accompanying leaflet. This is to enable local authorities to use this communication route, if they choose, to make clear:

- the level of national taxation that they each receive to support local services set out in absolute amounts; and
- how that is used to support the overall expenditure on services in that area.

9.5 The Government should consider, in the medium term, assigning a fixed proportion of income tax to support local government services. This would need to be done in the context of a new constitutional settlement between central and local government providing for greater self-reliance on the part of local government.

9.6 Central and local government should agree as to how far buoyancy from assignment should be used to support new mandates and how much central support should be given to local government in times of downturn.

CHAPTER 10 – A DEVELOPMENTAL APPROACH

10.1 Local and central government should pursue a developmental approach to reform, in order to develop relationships, trust and public confidence in government. This should be based on a new constitutional settlement between central and local government, which in time would enable greater scrutiny and parliamentary oversight. As short-term reforms take effect, the Government should consider building on them to further increase local flexibility and choice, and consider longer-term and more radical reforms to the funding system.