

Lyons Inquiry into Local Government

Presentation to the Local Government Association General Assembly

Sir Michael Lyons

12 December 2005

Autumn is late this year!

Key messages for today

- 1. First year:** modelling and research on current finance system and possible future reforms
- 2. New remit:** Finding a sustainable & fair funding system depends on better understanding of what we want local government to do
- 3. Public debate:** need a better-informed public debate to understand what the public want from local government
- 4. What does this mean for you?**

Initial remit

- Consider the **detailed case for changes to local government funding** and **make recommendations** regarding:
 - Reform of council tax
 - Case for shifting the current balance of funding and providing local authorities with increased revenue raising flexibility
 - Other options, eg local income tax, reform of non domestic rates and other local taxes and charges

Work so far

- **Analysis and research**
 - Council tax: positive attributes and problems
 - Options for reform of local government funding
 - Wider local taxation and funding issues
- **Engagement with stakeholders**
 - Regional events
 - Bilateral meetings with stakeholders
 - Around 400 submissions, of which 300 detailed

Issues emerging

- **Research shows low public understanding of local taxation, funding and services:**
 - What council tax pays for (most think the majority of services)
 - Who is responsible for decisions on key services nationally and locally
 - The costs of services
- **Confusion is caused by complexity**

Other emerging issues

- **There is no “golden key”**
- **Equalisation blunts incentives for economic development and population growth**
- **Revaluation still important** if retain property base
- Public **willing** to see **different standards** if local people **choose**

Conclusions

- Need for a vigorous debate about what we want local government to do
- Must engage the public – no scope for a technical fix
- Worst possible proposition is to ask local government to collect more tax if it cannot decide how it is spent

New Remit

1. Consider changing strategic role of local government in the context of national and local priorities for local services; and implications for accountability;
2. Review how devolution and decentralisation, together with changes in decision making and funding, could improve local services, their responsiveness to users, and efficiency;
3. Consider changes which help to manage pressures on local services: interested in role of devolution;
4. Report(s) in time for the CSR 2007.

Objectives for reform

- **Clarity** of central / local / other responsibilities:
an understandable settlement
 - Better accountability
 - Closer to what the public want
 - Better management of pressures
- **Stability**: a long-lasting settlement
- **Better services** and recognition of and support for broader role of local government
- And a **funding system** which matches

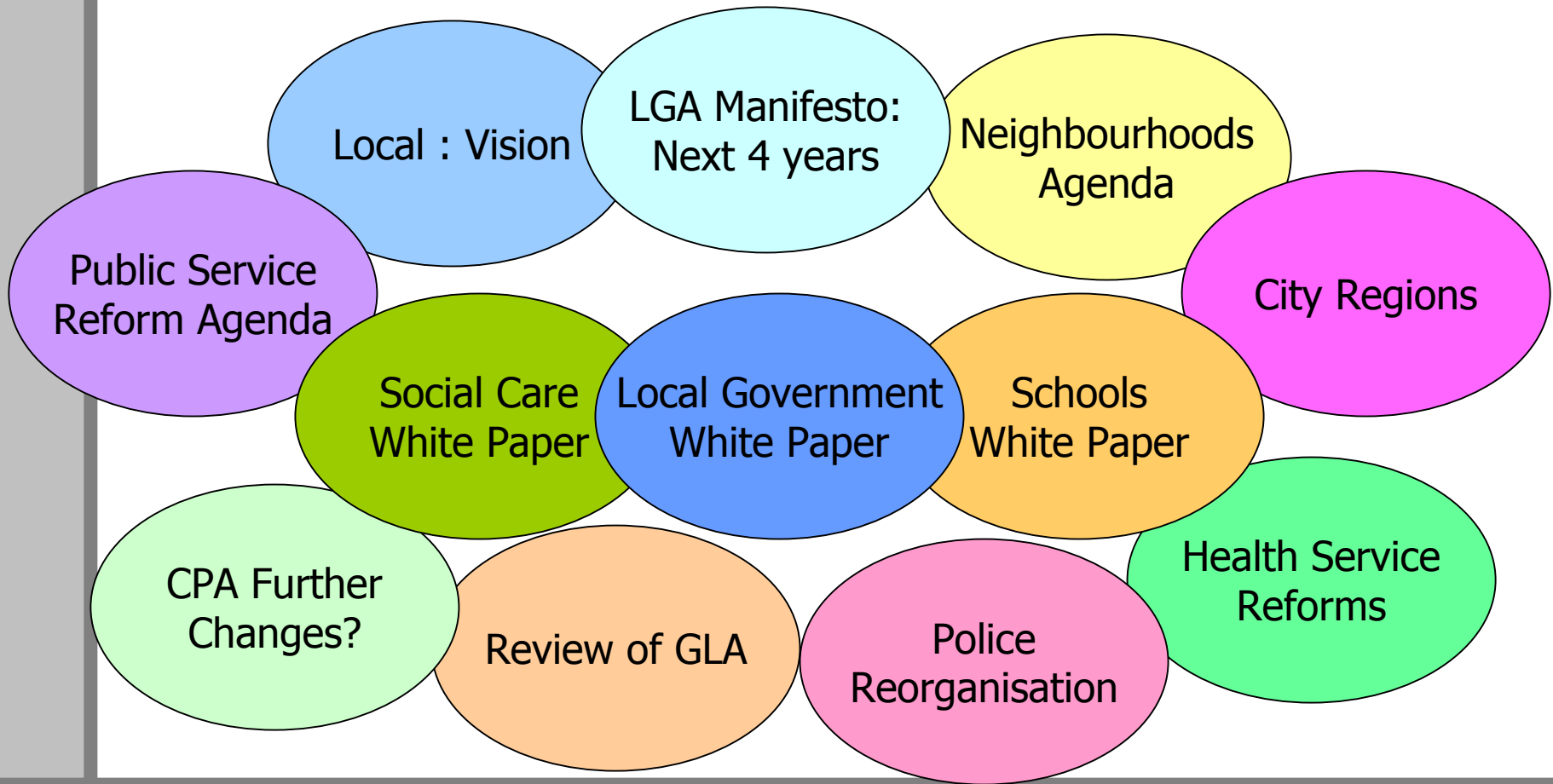
Some key questions

- Can we limit the range of national standards and accept wider variation for many services?
- How should we support and fund councils' wider strategic role and how wide should it be?
- Can we simplify the funding system and improve public understanding?
- Do we need to improve confidence in, and the capability of local government?
- How do we create useful incentives for growth and development?

What does this mean for you?

1. A public debate in every community
2. Real evidence and clear proposals on pressures, confusion and weaknesses
3. No artificial consensus
4. Each a confident voice for:
 - Quality Public Services
 - Local choice
 - Social cohesion and the interests of local communities
 - Efficiency and innovation
 - Striking a balance: doing less or paying more?

Crowded territory



Work programme

- **Winter report with research so far**
 - No final conclusions at this stage
- **New remit:**
 - Series of thematic papers and events in 2006
 - Work with local authorities
 - Public debate
 - Dovetail with work of others – ODPM, HMT – fast-moving territory
 - Connect role of local government to **finance** questions
 - **Conclude at end of 2006**