

# **The Lyons Inquiry**

**Sir Michael Lyons**

31 January 2006

# Key points

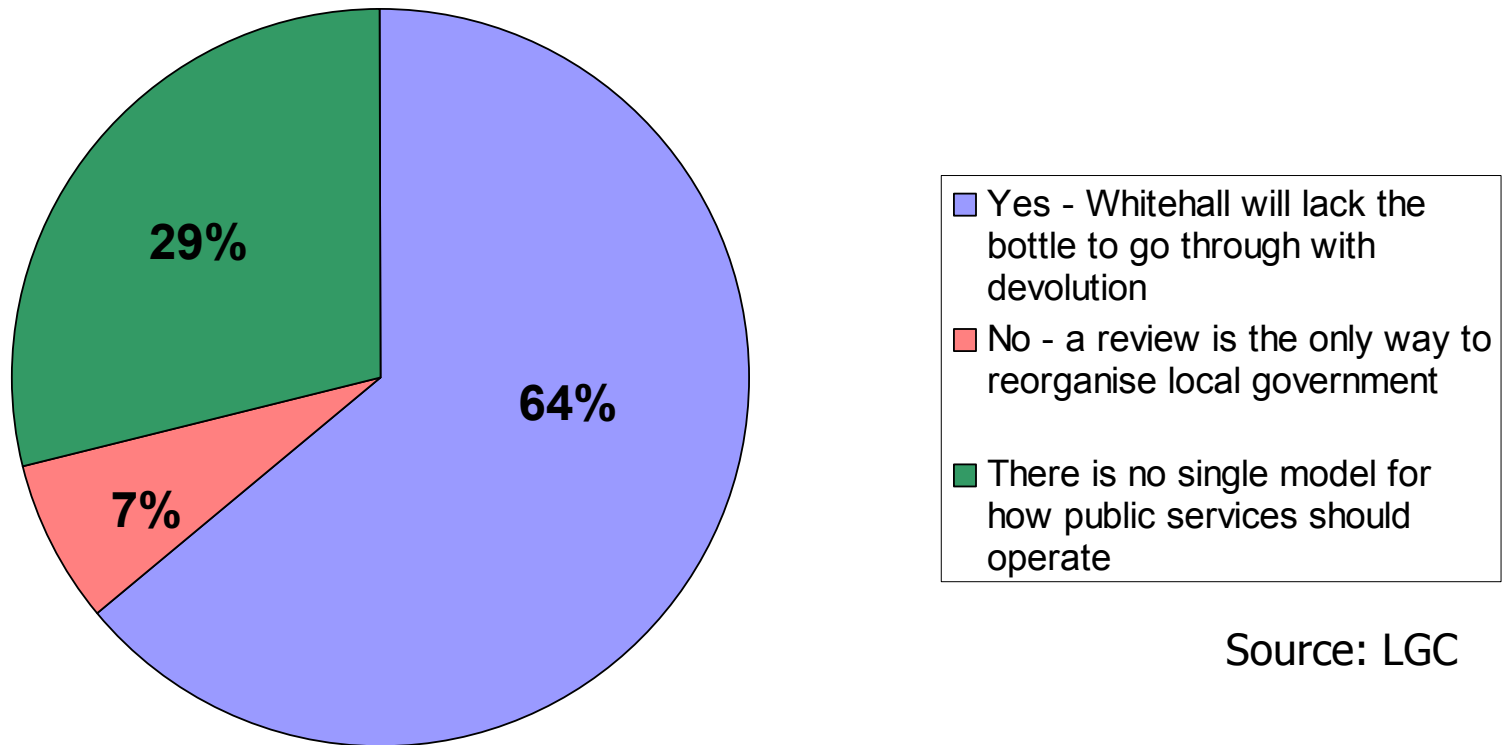
- This cannot be a technical debate. Local government needs to make its case to the people
- Local government has a potentially important part to play in improving local prosperity
- The case for extra local taxation has still to be made

# An opportunity for change?

- Inquiry's extended remit links funding reform to key issues of role and function and feeds into Spending Review
- Government is opening up issues about devolution, cities and structures
- Considerable recent comment and debate on localism and the role of local authorities
- A "tipping point" towards consensus for a change in central-local balance?

# Does this say more about central or local govt?

Could the Lyons Inquiry end in a damp squib?



Source: LGC

# A complex issue with broad implications

- Cannot be a technical debate between local and central government
- Needs public discussion and engagement
- Critical questions to be answered:
  - What do the public want from local services?
  - What type of local government do we want?
  - How do we want to be governed?
  - What are we willing to pay for?

# Local government has a wider role to play

- Beyond delivery and administration of local public services it can:
  - Play a strategic role as “place-shaper”, concerned with the success and prosperity of the whole area
  - Make difficult choices about priority based on local need and opinion
  - Drive enhanced local performance and greater efficiency
  - Provide greater choice and higher satisfaction

# Finance is an important part of the discussion

- What funding system do we need to support the kind of local government we want?
- Fairness, efficiency, flexibility, accountability all important considerations
- Particularly interested in:
  - How flexibility over revenues could support investment in infrastructure and services, through prudential borrowing
  - How financial arrangements can provide a local link to the benefits of development and economic growth, providing incentives through tax base growth and proposed Planning Gains Supplement

# And it isn't just about the balance of funding

- Debate often centres on how much revenue is raised locally
- But that omits the question of who controls the spending
- Would more local revenues but the same central direction over spending really be a good situation?

# There are hard questions on the wider issues

- **Responsibility:** are councils willing to take responsibility for tough choices under constrained resources?
- **Capacity:** do they have the capacity to do this?
- **Trust:** can we explain high levels of trust in local services, but low levels of trust in LG?
- **Councillors:** what is the role of the elected councillor?

# There are hard questions on the wider issues

- **National standards:** under what circumstances will the public endorse variation in services?
- **Confusion:** how can citizens understand the choices and trade-offs available to them?
- **Services:** should councils monitor and challenge other services, and what does this mean for their services?

# So public debate is essential

- Hard political decisions depend on evidence of what public want
- Not a technical discussion between local and central government
- Need recommendations which are acceptable to local and central government – and citizens
- Devolution depends on public understanding of choices available to them, and confidence in local government

# Going forward

- Want to spark public debate in every community
- Inviting evidence and examples of existing relevant public engagement work
- Seeking for responses to detailed consultation questions in the Interim Report (deadline 13 March)

# Endgame

- Feed into ODPM White Paper - Spring Reports
- Make final recommendations in December 2006
- Recommendations on funding in the light of what we want LG to do
  - A **stable** and long-lasting settlement
  - **Clarity** of central / local / other responsibilities
  - **Better services** and recognition of broader role of local government
  - And a **funding system** which matches