

Local Government Functions, Funding, Futures

Sir Michael Lyons

CIPFA Conference, 14 June 2006

The Inquiry's remit

- Original remit: funding
- New remit: role and function (and funding)
 - Consider changing **strategic role** of local government in the context of national and local priorities for local services; and implications for accountability;
 - Review how **devolution and decentralisation**, together with changes in decision making and funding, could improve local services, their responsiveness to users, and efficiency;
 - Consider changes which help to **manage pressures** on local services

Vision

- To develop an overall system of government which:
 - best meets the needs of citizens;
 - promotes prosperity and well-being;
 - is able to meet the challenges of the future;
 - is deliverable within resource constraints; and
 - is matched by an appropriate funding system
- May report – outlined in this presentation
- December final report

May report

- *'National Prosperity, Local Choice and Civic Engagement – a new partnership between central and local government for the 21st century'*
- Greater local choice is needed to better meet local needs and improve value for money
- Local government can contribute to national prosperity through effective place-shaping
- But - LG must rise to the challenge, particularly by better use of engagement with local people

1. Consider reform in context of future challenges

- Rapidly changing global economy
- Demographic and socio-economic changes – greater diversity, ageing, migration
- Environmental challenges
- Greater expectations of public services
- Tightening fiscal environment
- Changing nature of political engagement

2. There are benefits to greater local choice

- Better fit with local needs and preferences
- Better value for money through co-production
- Better delivery of (fewer) national priorities; lower costs of the industry of supervision
- More innovation
- Greater public trust in the system of local and national government as a whole

3. Place-shaping and national competitiveness

- Local government and place
- Maximising the economic, social and environmental aspects of well-being
- Distinctive communities with a sense of their past and their future
- More prosperous communities: a bigger “cake”
- This requires good local leadership – simply must build capacity and confidence in local govt

4. Challenges for central and local government

- Local government needs to:
 - Engage effectively with citizens, business and other partners
 - Take ownership of local choices and manage expectations
 - Become champions of efficiency and value for money
 - Step up to the place-shaping role

5. Challenges for central and local government

- Central government needs to make room for local choice through:
 - Reducing central targets, inspection and monitoring
 - Agreeing a smaller set of 'national' objectives
 - Clarifying roles and responsibilities for central and local govt; including the roles of govt departments

6. But what does it imply for funding?

- Work on functions will inform recommendations on funding later this year
- Criteria for a funding system that delivers our objectives might be:
 - Accountability
 - Fairness
 - Sustainability into the future
 - Flexibility for local decisions and local investment
 - Ability to meet national priorities

Further analysis on:

- Case for greater flexibility – and options for delivering it
- Impact on accountability of a clearer link between function and funding
- Fairness – striking a balance between equalisation and incentives
- Future of Council Tax

Provisional conclusions

- Flexibility more important than new powers
- Public understanding of the case for local taxation is frail
- Central govt needs to improve the incentives for local govt
- CTB take-up / reform may be the key to fairness
- Britain has to confront some hard choices – some of which are best made at the local level
- Some reform options would require lengthy and careful implementation

Some challenges for you

- CFO for the civic centre, or FD for council and community?
- What can you do to support good elected leadership and efficient local engagement?
- Are you up for difficult local choices?
 - Taxation and charging
 - Flexibility or grant
 - Expectations and services
- How can you further improve value for money?
- Are you really up for the convening role?

Next steps for the Lyons Inquiry

- Further research and modelling on tax options
- Research and case studies looking at services:
 - Economic development
 - Public health
 - Adult social care
 - Children's services
 - Waste
 - Community policing
- Bespoke public engagement (including business) and surveys
- Final report on function and funding December 2006