



The Lyons Inquiry into Local Government

**Submission by
Gloucestershire County
Council**

Response to Sir Michael Lyons Consultation Paper and Interim Report

1 Background

The Government established an inquiry into Local Government funding led by Sir Michael Lyons in July 2004 with a remit to consider, in the light of the report following the Government's review of the balance of funding, the detailed case for changes to the present system of local government funding. Sir Michael was requested to report to the Chancellor of the Exchequer and the Deputy Prime Minister by the end of December 2005. In September 2005, the Government invited Sir Michael Lyons to extend the remit of the inquiry to also consider the role and functions of local government, before making recommendations on changes to the funding system, with the deadline for the final report put back to the end of December 2006.

The inquiry published a consultation paper and interim report in December 2005, inviting responses by 13 March 2006. The report identifies a number of key issues relating to local government structures and funding and invites respondents to express a general view on the issues raised. The report also examines a number of possible models for reforming council tax in conjunction with revaluation.

This document is the Gloucestershire County Council response to that report.

2 The views of Gloucestershire County Council

2.1 Context of the response

Gloucestershire County Council welcomes the Lyons Inquiry into the funding of Local Government, as well as the extended remit which has now been given to the Inquiry. This response offers Gloucestershire County Council's views to the interim report.

The council has taken the opportunity to consider the Interim report and has consulted with a number of key stakeholder groups. We have specifically engaged with five participative groups to seek their views on the strategic role of local government, devolution and decentralisation and funding. Gloucestershire County Council recognises this type of engagement as being crucial in understanding our communities views on the future of local government and in developing our longer term responses to the future configuration of services locally.

The groups referred to above were made up of representation from all parts of the county, both geographically and demographically. The groups were defined in the following categories: -

- Older people
- BME community
- Other seldom heard (e.g. people with physical disabilities, learning disabilities and sensory impairment)
- Young people
- Other adults and parents

Where appropriate we have referred back to the prevailing views of these groups within this response and a summary of responses is also included at annexe 1.

2.2 Local Government role and function

Question 1 What is the strategic role of local government? Is my description sufficient, or are there more elements you would add?

We agree with the description set out within the interim report which adequately describes the complex and vital role that local government plays in enhancing the lives of local people.

(a) Which elements of this role should extend to services other than those for which local government is directly responsible, and how?

Local government, because of its democratic mandate and track record of service improvements, should be the “default position” for public services which need to be delivered locally. Instead of automatically setting up new organisations, we should ask, can local government do this? The shift away from services being provided by locally accountable councils towards unaccountable regional and national bodies mitigates against the provision of good quality services which match local needs. This view was confirmed by local people in our participative groups although there must be further re-engagement with local people by councils.

The strategic leadership role combined with the overview and scrutiny function which flows from the accountability of local government suggests that local government should be increasingly seen as the conduit for other services. With greater clarity of role and function for local government it would have a much greater capacity to engage with local people, enabling it to further establish a wider commissioning role for local people.

(b) How does the strategic role vary between different types of councils?

The strategic role of county councils is one of delivering strategic services as well as strategic leadership. This role, acting locally and on both the regional and national stages allow county council’s to both recognise and respond to local needs whilst having the profile and capacity to respond where appropriately at a more strategic level. At present, the complexity of the relationships with District Councils has resulted in it being inevitably more difficult for county councils to engage directly at a local level but this would be overcome if unitary status was in place.

Question 2 What tools do councils need to perform the strategic role more effectively?

The tools are already in place in county councils but the use of those tools can be hampered by the complexity and transience of other local service commissioning and

delivery arrangements. Thus for example within Gloucestershire we are currently working to establish a Local Area Agreement when a number of key partners (eg PCTs, Police and Learning and Skills Council) are, or are likely, to change boundaries and structures within the near future.

The current two tier arrangements in county council areas confuse local people and reduce the ability of top tier councils to actively engage with local people.

(a) What are the existing barriers to councils performing this role effectively?

The barriers are unclear/confusing roles and responsibilities and inadequate resourcing. Bus concessionary fares is a good example of where County Councils, as transport authorities are responsible, under the Transport Act 1985, for provision of sufficient transport services. Yet the funding for concessionary bus fares for pensioners was given to District Councils. This has led to as many different schemes across one county as there are districts, each using district boundaries as the extent of the concessions even though these do not reflect passenger journeys. County councils are trying to make this work, but without the policy or financial control.

Member leadership is critical to developing effective strategic roles and within two tier arrangements. The high numbers of members and their overlapping and confusing responsibilities means that delivering the strategic role is more of a challenge than it would be if the system was streamlined.

(b) In what circumstances does it work well and less well?

It works well when there are shared visions and outcomes and shared national performance frameworks. This is increasingly the case for example in social services to adults where the national frameworks have slowly moved together. Within Gloucestershire we recently held the first phase of the "Great Gloucestershire Debate" which allowed all key partners to engage with local people to consider Transport and Access issues for the county.

It works less well where there are differing national frameworks for key partners or where there is a difference of approach between differing councils with differing political control.

(c) Are further improvements in performance, efficiency and accountability needed before local government can most effectively play this strategic role and be trusted to do so?

Local government has a very strong track record of delivery and improvement as is evidenced in the CPA assessments and Gershon savings. There will always be room for further improvement and the notion of continuous improvement is now at the heart of most councils. Councils are keen to build on the existing national performance frameworks in a way which focuses on improvement to services as opposed to responding to national frameworks and audits which may not deliver those intended improvements.

(d) What are the key signs of success and failure?

The key signs should be improved public satisfaction and confidence in council services. At a national levels the indicators used to measure these satisfaction levels are under developed,(eg a triennial public satisfaction survey), but improving. However, the confusion amongst the public in two tier areas over which council does what inevitably has a negative impact on scores

Question 3 How important is the fact that local government is elected in relation to its ability and legitimacy to perform this role?

This is an essential element in terms of local democratic accountability, but needs to be worked through sensitively in the partnership arena. Overall, the participation groups stated that it would be better if decisions about Gloucestershire were made locally, but if this were to be successful the local council would need to be a lot better at knowing, understanding and engaging with its whole community.

Question 4 Which services (or parts of services) should meet national standards in all areas of the county? Which should meet minimum standards? Which should be entirely down to local choice?

Services which are fundamental to health and well being, such as health services, and social care should national standards. Other services such as library services and street cleaning should have locally determined standards

(a) Are there aspects (such as standards setting, funding or choice of delivery mechanisms) of individual services which should be nationally controlled or locally controlled?

Public Services are national and local priorities. It is important to develop a common understanding of what these priorities actually mean and what difference they will make. National government should focus its attention on headline outcomes; leaving to local discretion the more local outcomes and “how”.

(b) Are there services where greater variation in standards would be acceptable if there was clearer accountability and consultation with local people?

In deciding priorities for Gloucestershire and identifying responsibilities, there was a strong theme from the focus groups that the local council should decide its own priorities and should have more responsibilities than it currently has. In asking who should be responsible for setting minimum standards, the overwhelming response was it should be the local council.

Question 5 How has the Government’s approach to devolution decentralisation affected your area and your local services?

(a) Which aspects of current system are helpful and unhelpful, and why?

The national focus on service improvement has undoubtedly help to drive service improvement but the increasing size and complexity of the national performance framework has now become a significant on-cost to councils without necessarily adding value to local services. Whilst it is clear that the LAA arrangements offer a real opportunity for councils to enhance their community leadership role it is hampered by the complexity of existing requirements around community strategies and other performance frameworks. To date there is little evidence that freedoms and flexibilities are helping to release energy or resources.

(b) Have changes based on central government priorities differed from those that might have been driven by local pressure and opinion?

Difference in priorities often relate to degree and funding. National priority of schools and the direct nature of their funding takes away a major chunk of discretion on local priority and budget-setting. Furthermore responsibility has been given to councils to join-up locally services to children and young people (including schools).

Question 6 How can pressures on local services be managed more effectively?

(a) What are the main types of pressures faced by local services and how are they currently managed.

Pressures on county council services are on “uncontrolled volumes and escalating costs” e.g. waste, demographic growth (eg social care) and rising expectations from the public. New initiatives raise expectations without a clarity as to how they will be funded or where existing standards should be relaxed. This takes away local ownership and restricts the ability for councils to determine local priorities.

(b) Which are the most difficult to manage and why?

The most difficult to manage are those areas where responsibilities are artificially split or where service requirements have moved on but structures lag behind. In Gloucestershire, waste management is the worst example of split responsibility in local government. District councils have responsibility for collection; county councils for disposal.

The business has moved on. It is now about minimisation and diversion from landfill. This cannot be managed effectively across the tiers without a unitary approach (actual or virtual). In our case we have seven contracts dealing with the same waste stream. We have invested three years of time and resources to try to get a “virtual” unitary waste, management board, without success. Districts are fearful of losing their identity because this is their most important service in terms of universal coverage.

Our best guess of current inefficiency on approximately £25m of spend is 5m.

Future costs will rocket through landfill diversion and recycling targets. We would estimate that there are approximately £10m of efficiencies to be gained on £45m spend over 5 years in a single unitary authority.

Another difficult area is social care. This is a council priority for Gloucestershire. There are ever increasing raised expectations from the public and national standards. Locally our demographic profile is increasing pressures more quickly than in most other areas but national funding lags behind need. Despite radical service re-design and partnership working there are ever increasing pressures which will not be eased without greater national recognition of the required funding levels.

(c) Would greater devolution of responsibility enable pressures to be managed more effectively?

Yes to a degree but the two examples listed above would be unlikely to respond unless that increased devolution came with unitary structures and increases in resourcing.

The focus groups were clear that if there were to be a decision over which services should be cut if money needed to be saved, the theme was that the local council should make this decision.

(d) Does confusion about responsibility and duplication of effort contribute to pressures?

Yes as set out above.

(e) Would greater public understanding of the actual costs of public services help to manage expectations and pressures?

This is a critical issue which would help the public to take parting meaningful debate about local priorities but this is not a panacea for improvement. National research confirms that the public is able to understand and take decisions much more effectively if they have a clear understanding about services and their costs but progress would be limited without local flexibility to respond to those informed views.

(f) How can we ensure that the system provides the proper incentives and rewards for using resources efficiently?

Current experience suggests that such national approaches are prone to build in distortions to the system.

Question 7 How could responsibility for local services be made clearer between local government, central government and other agencies?

We believe that there is a requirement for a clear national performance framework (kept to minimum, particularly for good performing authorities) with increased local discretion and choice and local accountability. This would need to be supported by a clear performance framework for councils to follow which should be more dependent upon seeking local views about service performance.

A predominant issue that came through from all of the focus groups was that there is considerable confusion about where areas of responsibility lie, not just between central and local government but also between local councils themselves.

(a) What might this mean for the current performance management framework?

As above.

(b) Would a more contractual approach for a small number of central priorities help to achieve this?

This could build on the existing standards but would need to be limited to key services.

2.3 Local government funding

We highlight the key issues as we see them together with our responses:

Council tax as a property- based tax undoubtedly exhibits the positive attributes identified in the report, despite the criticisms to which it has been subject. Property taxes exist as a form of local taxation in most countries because of these attributes, and the County Council supports the retention of a reformed council tax as the basis for domestic local taxation in England.

The report queries whether the Council tax should become a purer property tax with a stronger direct link between the capital value of the property and the tax payable, than under the current system of bands and multipliers. The County Council supports the view that there is a case for increasing the number of bands and amending the existing multipliers so that the tax payable is more proportionate to the capital value of the property.

The discounts and exemptions features of Council tax was designed to retain some aspects of the community charge within the replacement council tax system and has been generally accepted as fair. The County Council supports the retention of the 25% single person discount and of the various exemptions within the current system.

Much of the criticism of the 'unfairness' of council tax is less because of the inherent features of a property tax than the context in which council tax has operated. Council tax has increased much faster than incomes since 1993/94 partly in the earlier years as a conscious objective of Government policy and latterly because of the effects of the increased ring-fencing of government grant and expectations of improved local services. Many who are entitled to council tax benefit have not taken it up and the limit on savings has meant that some pensioners in particular with low incomes have been ineligible. Greater acceptance of a continued role for a property based local tax is dependent on dealing with these two problems.

The scale of annual increases is undoubtedly a problem and one that can only be solved by fair and transparent increases in government grant and by widening the local taxbase, so that council tax does not take all of the strain of an inadequate grant increase. The visibility of the tax can be perceived to be a problem, but also promotes accountability in a way that less visible taxes do not. The introduction of the new schools funding arrangements in 2006/07 though unwelcome in reducing the role that

democratically elected local councils play in relation to the funding of Education, does have a significant effect on the gearing ratio between council tax and formula grant. Overall the balance of funding changes from around 75:25 to around 50:50 but because the changes have been confined in 2006/07 to local education authorities, council tax is now contributing the majority of funding of the budget requirement for education authorities. Public confusion with the system of local government funding has been heightened by the introduction of the four-block presentation of formula grant this year. If the public are to understand what government grant and council tax are intended to pay for, a more transparent approach to the presentation of formula grant distribution needs to be re-introduced.

The inquiry team has done some research on the impact of council tax benefit in making council tax more 'fair' which concluded that if council tax benefit was taken up in full that council tax liability would represent a relatively constant proportion of people's income, other than at the top of the income range. The inquiry had also received evidence that pensioners with savings over £16,000 and therefore not eligible for council tax benefit can pay a relatively high proportion of their income in council tax.

This is an important conclusion and suggests that a high priority needs to be given to improving the take up of council tax benefit, including examining ways in which the benefit system could be translated into a rebate, which does not require individuals to submit claims. Consideration should also be given to raising the savings limit for pensioners as the current system discourages individuals with relatively low retirement incomes from saving for their old age and seeking to maintain their independence.

The County Council supports the view that after 15 years a revaluation is necessary to maintain the credibility of council tax.

The modelling of alternative funding methods carried out so far includes an examination of having regional rather than national band limits, but only as a means of adjusting for differentials between regions in the rate of increase in property values between 1991 and 2005. This suggests that for the South- West region as a whole prices have increased at close to the national average. However this takes no account of the extent of house price differentials that existed in 1991 and in responding to the January deadline for comments on modelling of council tax reform options, it was suggested that the inquiry should seek to model the effect of introducing regional bands to reflect house price differentials, rather than simply movements in prices since 1991.

The County Council continues to support a property based tax as the basis for domestic local taxation. Introduction of a supplementary income tax would unnecessarily complicate the system of local taxation.

The response of the business community to the potential to set a local business rate is understandable and any decision to re-localise the business rate would need to be introduced in a way that resulted in some businesses paying lower rates than at present, and with safeguards to protect local business from excessive increases and to prevent local authorities increasing business rates at the expense of council tax. Nonetheless, the County Council believes that the re-localisation of the business rate represents the most effective means of widening the local tax base and improving the links between local businesses and local authorities.

There are separate arguments for taxing the increase in the value of land created when planning permission is granted for development and a consultation is in progress on a planning gains supplement which it is proposed would be primarily used to provide funding for local authority investment in infrastructure. There do not seem to be any compelling arguments to justify the costs of change that would be associated with substituting a local land value tax for a property based tax.

The introduction of new taxes or charges relating to waste or transport should be judged on their beneficial impact on changing behaviour or providing earmarked funding for a related purpose rather than as a supplementary form of general local taxation.

Current statutory provisions limit the range of services for which charges can be levied, but there is potentially scope to charge more for some services particularly in relation to social care. However without a fundamental review of current legislation, reviewing charges is critical to managing new budget pressures or responding to expectations for increased choice, but is unlikely to have a fundamental impact on the balance of funding.

The extent of equalisation is heavily influenced by the degree to which service levels are determined by national standards rather than local choice. Taxpayers in similar circumstances in different local authority areas will expect to pay a similar local tax to receive a nationally determined standard of service. The County Council supports the principle of needs and resource equalisation but believes there are some fundamental flaws in the current arrangements that add complexity and instability to the local government funding system.

Additional recognition of unmet need associated with higher levels of deprivation, particularly for social care, has tended to be accommodated within relative needs factors by squeezing the basic amount within the formula without any underpinning evidence to support the reduced basic amounts. The extent to which specific grants targeted towards areas of deprivation have been allowed for in determining relative need to spend from general grant is also questionable. The process of resource equalisation has also been destabilised by the uplift given to relative needs factors both in 2003/04 and more recently in 2006/07 ostensibly to reflect actual levels of local authority spending in excess of the levels supported by Government. This was a major factor accounting for high council tax increases in 2003/04. A basic principle needs to be established that equalisation should be linked to spending levels that the Government is willing to support. It is reasonable to expect additional spending determined by the local authority in excess of the levels supported by Government to be financed from local taxation.

3 Conclusions

We welcome the opportunity of providing feedback to the interim report and hope that it will prove helpful in drafting the final report.

Contact Jane Burns : Assistant Chief Executive, Gloucestershire County Council
E mail : jane.burns@gloucestershire.gov.uk 01452 425205

Annexe 1

Gloucestershire County Council Focus Groups - March 2006

Headline Summary

1 Introduction

A part of the Lyons Inquiry is the engagement of our local community in seeking their views on the strategic role of local government, devolution and decentralisation and funding. Gloucestershire County Council see this engagement as being crucial in understanding our communities views on the future of local government.

To answer the questions raised by the inquiry, five participative focus groups were held. The groups were made up of representation from all parts of the county, both geographically and demographically. The groups were defined in the following categories: -

- Older people
- BME community
- Other seldom heard (e.g. people with physical disabilities, learning disabilities and sensory impairment)
- Young people
- Other adults and parents

The following summary is an analysis of their responses to the questions from the inquiry, highlighting the predominant themes and issues. A more detailed breakdown is available if required.

2 Overall Analysis

2.1 Strategic Role of Local Government

In deciding priorities for Gloucestershire and identifying responsibilities, there was a strong theme from the focus groups that the local council should decide its own priorities and should have more responsibilities than it currently has.

2.2 Devolution and Decentralisation

In asking who should be responsible for setting minimum standards, the overwhelming response was it should be the local council.

2.3 Funding

In response to asking who should decide where to spend additional money, if it were to become available the majority stated it should be the local council.

Additionally, if there were to be a decision over which services should be cut if money needed to be saved, the theme was that the local council should also make this decision.

2.4 Most and Least Important to people within their area

Using checklist one, the top three things that make an area a good place to live were identified as being: -

- Low crime rate / feel safe
- Health services
- Jointly accessible local services, access to the countryside, peaceful and quiet, youth facilities

Using checklist two, the top three things that are most disliked about this area are: -

- High council tax
- Jointly councils wasting money and poor public transport
- Crime / security

Using checklist three, the top three things that need most improving in this area are :-

- More facilities for teenagers
- Clean streets
- Public transport

2.5 Other Main Themes

A predominant issue that came through from all of the focus groups was that there is considerable confusion about where areas of responsibility lie, not just between central and local government but also between local councils themselves.

Overall the groups stated that it would be better if decisions about Gloucestershire were made locally, but if this were to be successful the local council would need to be a lot better at knowing, understanding and engaging with its whole community. There is a lack of trust in local councils as well as a lack of knowledge about them.

Encouragingly most people who attended the focus groups, and are eligible to vote, do vote in local elections with the main reason being that it is important to take the opportunity to have a say.

If the local council had greater responsibility then central government would need to be better at monitoring local councils.

3 Conclusion

The principal theme that came from the focus groups were: -

- Local decision making and the local council having more responsibility would lead to a better community and there being a greater opportunity for local needs to be identified and met.

Throughout this exercise it was clearly established that the term 'local council' referred to Gloucestershire County Council.