

Croydon Council

Contribution to the Lyons Inquiry

Thank you for the opportunity to contribute further to the debate on the future roles and funding of local government.

Our responses to the key questions raised in the executive summary to the Consultation Paper (December 2005) are as follows:

1. What is the strategic role of local government?

We agree that the role is one of “place-shaping” as outlined in para.S19.

In terms of representing the community and pooling / prioritising resources within areas, it is essential to maintain a working partnership with the Health Service and other organisations outside the immediate local government framework. Whilst each organisation may remain ultimately responsible and accountable for its actions, it needs to demonstrate that appropriate consultation and discussion has been undertaken at each stage, and that agreement has been reached on the strategic objectives.

Similarly, the related tiers of local authorities need to discuss and agree their respective strategies. The emphasis will, of course, be different. The GLA, for example, has a wider strategic role than the boroughs, particularly in relation to its police, fire and transport responsibilities; but London Boroughs will build and shape local identities.

2. What tools do Councils need to perform the strategic role more effectively?

The annual budget round and the 4 yearly election process tend to emphasise the short-term aspirations in local government, rather than the overall vision and strategy which should form the basis for these aspirations.

The strategic role works better when it is subject to full consultation and debate; and when short-term objectives are explicitly linked to the strategy. A flexible approach should be used in formulating and reviewing the strategy so that changes in government direction, public expectations and economic factors can be properly reflected as they happen.

The tools required are therefore an agreed medium-term plan which sets down realistic objectives that can be measured throughout the monitoring process.

The key signs of success will then be the general acceptance that the strategic objectives have been achieved and that performance in priority areas has been improved.

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

The local democratic process is fundamental in ensuring that local government remains independent of central government and in a position to represent local views and understand local circumstances. The existing structure in London does enable the strategic roles to be shared between the two tiers of local authority.

4. Which services should meet national standards in all areas of the country?

The Schools service is now effectively a national service as standards are set by central government and expenditure is fully funded from the new Dedicated Schools Grant.

It is appreciated that minimum standards are necessary for residential care, children's services, housing, building control, environmental health and waste management where there are clear issues around the protection of vulnerable members of society, and health and safety in general. The need for regulations to protect clients/customers in these areas has long been accepted.

Most other services - including libraries, parks and recreation, parking, planning and transportation, and voluntary sector funding – are more local in nature and the standards of service should be left to local discretion.

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

In general, the division of services between the GLA and London Boroughs looks about right, but accountability and public understanding would be enhanced if the funding streams for the two tiers were to be separated. The Commission on London Governance has recently recommended that consideration be given to separate council tax billing for the GLA precept so that Londoners have a clearer understanding of services provided by the GLA and its functional bodies.

This might become a viable proposition if, for example, the council tax were set for borough purposes only and a separate source of funding identified exclusively for the GLA.

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

Spending pressures on local authorities arise each year from demographic changes (particularly the impact of ageing population on social services); rising public expectations (such as extended opening hours and increased access to local authority services); government initiatives and targets (including recycling and e-government); withdrawal of funding (for example, the cessation of the safeguarding children grant in 2006/07); and new demands (such as asylum seekers, special education needs, and licensing).

The new demands – together with residential placement and other costs that rise by more than the general level of inflation – are often the most difficult to manage. This is because these commitments cannot be predicted with certainty and it is not possible to withdraw the services from vulnerable clients.

The limitation on available resources requires ongoing efficiency reviews, re-prioritisation of resource allocation and, as a last resort, reductions in front-line services. These all form part of the annual budget round but the outcome is often that statutory and national requirements can only be met at the expense of foregoing local priorities.

Spending pressures might be eased to some extent if local authorities were given more discretion in charging policies. Apart from the wider issue of business rates, there may be scope to raise more income from the private sector if planning and other charges were set locally at market levels.

The removal of financial straitjackets on charging levels and potential new income sources would help local authorities to prioritise their resources more effectively.

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

The real key to enhancing accountability and public understanding would be to reduce local authorities' reliance on central government support by enabling a higher proportion of funding to be raised locally and independently. If national priorities were funded separately – as Schools are now – the lines of accountability would be much clearer. Central government would be seen to be responsible for national priorities met from central finances, and local authorities would be held to account for their local services funded from their own resources. This, in turn, would give authorities the incentive to manage resources effectively as they would then be in control of their own finances and service levels.

This fundamental change in the relationship between the centre and local government should lead to a review of the current performance framework. We fully agree with the LGA view that “too much red tape is undermining councils' ability to continue to deliver first class services to local people”.

We do accept the need for local authority performance to be reported on a comparative and independent basis. However, the present approach is far too detailed and counter-productive. A streamlined approach to performance measurement and inspection is required. This should be made more intelligible and digestible for the public by focusing on a small number of key indices.

A contractual approach for a small number of key central priorities might be feasible. This implies a competitive process for delivering these services with central government acting as the clientside. The funding and accountability for national services should rest with the centre.

Our initial contribution to the Inquiry on local government finance issues was sent to you on 20th December 2004. This response has now been updated in the light of changes implemented over the past year or so and our views are set down below for ease of reference:

1. Reform of Council Tax

Regional Banding

The next revaluation of property is likely to have a significant impact on Croydon council taxpayers, as house prices in London have risen faster than elsewhere. The present national classification of council tax bands pays no regard to regional differences in property prices or the relative ability to pay. In order to avoid the inequalities of national banding, a system of regional council tax bands reflecting regional house prices should be introduced before the next Revaluation takes effect.

Council Tax Benefits

A fair and effective system of Council Tax benefits is essential and any proposals to improve take-up and ability to pay issues would be welcome.

2. Sources of Supplementary Revenue for Local Authorities

Local Income Tax

A local form of income tax would be more progressive and buoyant, provide an incentive for local authorities to promote economic development, and take into account the ability to pay issues. However the basis for setting local tax levels, implications for the regional economy, and administration required by different government agencies would need to be carefully considered before taking this option forward.

Further research into the feasibility of a local income tax is required. Regional implications should be modelled and the costs of implementation identified.

Business Rates

In 2005/06, the Council are collecting £108million business rates for payment into the national pool and receiving £112million back from the pool on a population basis. Thus, if business rates were to be re-localised, the Council would need to raise the rate poundage in order to maintain the current level of income (unless a London-only equalisation scheme was to be re-introduced).

In principle, the Council would support the return of local business rates subject to a sum being receivable from a London equalisation scheme (redistributing the rates collected by the City of London, Westminster and other London Boroughs with high rateable values) to compensate for the net loss in the existing contribution from the national pool.

The current national business rate is increased in line with inflation each year. As a result of this inflation "cap", the share of total expenditure met by business has reduced from 24% in 1990/91 to 17% in 2005/06 (as shown in Table 4 of the CIPFA Finance and General Statistics 2005/06). If the present system of national business rates is to continue, the inflation cap on annual increases should cease.

Other Local Taxes and Charges

The Council would welcome more freedom in the ability to charge for local services. This would not resolve the fundamental Balance of Funding issue but would help to "top up" current resources. The present limitation of some charges to cost recovery should be removed. The freedom to charge a market rate for discretionary services (subject to any ability to pay issues) would help to reduce the current pressures on the Council Tax. In addition, charges could be used to limit undesirable activities and assist the Council in achieving its priorities.

3. Priorities for analysis within the Terms of Reference

Council Tax Capping

Councils that face a funding gap for services they have a statutory duty to provide may have no realistic alternative other than to increase the Council Tax. Capping such increases on the basis of national criteria ignores local cost pressures and takes no consideration of historic tax levels. Each local authority is better placed to gauge the view of its residents and to decide whether an increase in Council Tax is acceptable.

For these reasons, early consideration should be given to the ending of the Government's capping powers.

Priorities

It is considered that the order for priorities should be:

- Short term : Ending of Government's capping powers
 - : Giving local authorities more freedom to set charges
 - : Reform of Council Tax and Benefits

- Medium term : Consider re-localisation of business rates and equalisation arrangements

- Longer term : Research into feasibility of a local income tax

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