

## Response of the London Borough of Camden to part 1 of the Interim Lyons Report - The role and function of local government

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

- Which elements of this role should extend to services other than those for which local government is directly responsible, and how?
- How does the strategic role vary between different types of councils?

### Strategic role

We welcome this consultation and the debate of which it forms a part. However, there is perhaps an observation to be made at the outset as to why local government finds itself being reviewed and rethought almost constantly. We do not ask what central government is for in the same way, or with the same regularity. Part of the answer is surely to be found in the absence of a constitutional settlement, and the less than full acceptance of councils as a tier of government.

We are supportive of the concept of **place shaping** as the unifying theme of this range of strategic functions. There may be better articulations but it captures the notion of place which is at the heart of local government, and the influence, leadership and direction-setting that councils need in order to promote quality of life in their communities. At the same time, it should not be overlooked that local authorities are uniquely placed to use their service delivery and engagement with operational realities to give a practical dimension to their strategic thinking.

We welcome the reference to regulating harmful behaviours, whether it be through Development Control or ASBOs, since regulation is often a forgotten function. It could be expressed as 'regulating public ills' and supplemented with a concept of 'promoting public good'.

We would include building social capital in an area as promoting a public good. Social capital underpins social and community cohesion. In Camden we already do much to promote cohesion and to create social capital, and we aim to impact on quality of life in a holistic way. We feel we are well placed to build on this to do more and do it better – no other organisation is going to take on this role in a local area. It is a unique role for local government.

Our approach to developing the next community strategy for Camden is in line with a place-shaping role. We are trying to move beyond service commitments (which are covered in other plans already) to focusing on the nature of the place, the opportunities and challenges of change such as the Olympics, and key local dilemmas such as conflicting pressures on public space. Challenging and deep conversations with local people will need to underpin this strategy, and we have begun that process. Some outcomes of

consultation to date may be of interest to the inquiry and we are happy to make this information available.

An explicit reference to councils' community leadership role is welcome. This role includes leading the development of a vision for the area that encompasses meeting the future challenges highlighted in the report.

The leadership role (leading change, acting as a catalyst) is also key to the strategic role of working with others on complex challenges. Complex challenges go beyond the emergency responses highlighted, to include problems such as health inequalities, low aspirations or anti-social behaviour where solutions depend at least in part on working with people and influencing behaviour. Councils are especially well placed to tackle these issues because we can draw on our experience of day to day operational service delivery in playing our strategic role.

### **Other services**

We feel service delivery remains key. Councils are unique as large multi-service public sector bodies. Size and complexity pose challenges but they can also be strengths. Not every individual council manager or member can be excellent at leading both strategy and operational delivery, but as an organisation we can draw on both types of skills. Policy and strategy need to be informed by feedback from delivery to be effective and relevant. Our critical mass also provides resilience to shocks and capacity to respond to change.

In relation to services provided by others, key influencing and 'joining up' roles are implied in the strategic roles proposed. Other roles are already in place, for example in relation to scrutiny of health services. Councils already bring different local service providers together around common objectives, playing the role of 'conductor' in high-level partnerships such as LSPs and through Local Area Agreements. We take these roles seriously but also acknowledge that we are not always good at joining up our own services; acting to bring about seamless services across all sectors in the borough is a further challenge.

The proposals on the strategic role of local government chime with proposals for schools reform. While Camden has reservations about particular aspects of the education white paper, it welcomes the recognition that "... The best local authorities are strategic leaders of their communities... They act as commissioners of services and the champions of users..." We also welcome the new duties and powers which councils are set to acquire in their strengthened role of champion of children and their communities. These powers and duties should be statutory.

Contradictions between this endorsement of strategic and commissioning functions and other proposals arise. For example, the education white paper proposed autonomy at a school level in determining the number of school places. There is a tension between this school-level feasibility and the duty still placed on local authorities to ensure that there are the right number of

places in our area, our 'new duty to promote choice, diversity and fair access', and in ensuring that the wider local best interests are served.

Camden recognises the importance of the strategic role, and believes that local government is best placed to provide this locally. We do not believe however, that taking a strategic role precludes delivering quality services. Local government's role should not necessarily be constrained to solely a commissioning one.

Commissioning deserves more attention generally. It implies the power to assess needs and secure services in locally responsive and therefore diverse ways – a power which is not always there. A truly local commissioning function is at odds with nationally determined services.

### **Different authorities**

London does not have the two-tier challenges that exist elsewhere in the country. However, there are governance issues in the capital and of course the Government is currently consulting on extending more powers to the Mayor and the GLA. The future strategic role of councils in London must be set in the context of changes to regional governance.

While Camden supports the principle of devolving decisions from the centre to regional tiers of government, we think subsidiarity means that borough councils are still best placed to make decisions that require strong local democratic accountability and an understanding of local needs, including those relating to planning and housing need.

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

- What are the existing barriers to councils performing this role effectively?
- In what circumstances does it work well and less well?
- 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?
- What are the key signs of success and failure?

### **Tools needed and barriers**

The obvious things councils need to act at the strategic level are credibility, trust, respect, good partnership relationships, high calibre members and officers, information and understanding about local needs, excellent habits of communicating and engaging local people, the space to take the longer term view.

Camden is a well regarded and high performing council. Yet we are affected by the generally poor image of local government evident in Whitehall and Westminster, in the media and, importantly, among the public at large. Locally, we know there is a gap between objective performance and satisfaction levels.

We recognise the arguments in the report about the public's lack of knowledge about local government functions and finance, and where the responsibility for different services lies. Local authorities have to bear some of the blame for the poor knowledge and the poor reputation. But Government too can do a lot more to speak about councils as partners in delivering with conviction and respect.

Improving our reputation is also central to recruiting the high calibre and talented members and officers needed to embrace any strategic role.

### **Performance and trust**

There is of course still failure and poor performance in local government but far less than the prevailing image implies. Failure attracts a disproportionate amount of attention – in the media, in the government's approach to the sector, in relation to regulation. The councils that succeed (a far greater number than failing ones) do not make a commensurate impact on government and media perceptions and on public opinion. It must be a priority for each council, the LGA and other national bodies to change that.

We agree that trust from Government and trust by the public are vital currencies for councils. Both have to be earned. We would argue that we deserve to be trusted by Government to play the strategic role in our locality, and there are objective measures to support that. At the same time, this strategic role should not be misinterpreted as simply the commissioning of services on behalf of central government.

Trust from local people is more of a challenge. We were pleased to see a significant increase in trust in the council in a recent large-scale survey – but we still have a long way to go. We agree with the LGA that our accountability should look to our residents and businesses more than to Whitehall.

Performance regimes – and particularly ones that are based on ever changing centrally set targets and indicators – can have the effect of diverting us from longer-term local objectives.

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

Councils are the only body with the democratic mandate to reconcile conflicting interests at the local level, making decisions and trade-offs and setting priorities on behalf of the community. We need to constantly demonstrate fairness, and understanding of differences between people. Electoral legitimacy is crucial if more than administration is wanted at local level. This legitimacy is especially important in relation to aspects of the place-shaping role and the range of regulatory functions councils have.

Consideration must also be given to the unique role of councillors as local representatives, and we welcome the references to councillors in the local:vision series of documents about the future. Councillors are pivotal in balancing the conflicting needs of different services, localities and interests and reaching weighed and balanced decisions. Councillors do more than provide, steer or join up local services – they can and must promote cohesion, develop capacity, and facilitate trust and understanding between people.

In general terms we want to reaffirm the role and importance of democratically accountable local government. The importance of excellent services is self-evident but we know our role goes beyond that.

As others have observed: if councils did not exist, and after trying comprehensive centralisation on the one hand, or an array of single purpose organisations, autonomous small delivery units and quangos on the other, someone would surely invent a form of elected multi-purpose local government to deliver and join up services and to provide local leadership.

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

- Are there aspects (such as standard setting, funding or choice of delivery mechanisms) of individual services which should be nationally controlled or locally controlled?
- Are there services where greater local variation in standards would be acceptable if there was clearer accountability and consultation with local people?

We are not against minimum national standards where appropriate, and we understand the pressures of the postcode lottery debate. However, the weight of national priorities and standards and the infrastructure of central regulation must not be allowed to crush the notion of local government and reduce it to local administration. Even where uniformity of outcomes is desirable, it would not be produced by a standardised approach to service delivery that overlooks local variations in social and economic conditions.

Broadly, we agree with national standards in areas such as education, aspects of health and social care, and child protection. We looked with interest at the initial findings presented in the report on where the public sees the decisions on different services. More work on getting more informed views and debating the tension between local variation and national uniformity should perhaps be done.

The tension is inevitable – local government will always argue for more local discretion and responsibility over a greater number of local services than central government feels comfortable with. Wherever the line is drawn, it should be clear and the finance and regulatory regime should be aligned to the division. We share concerns about nationally set expectations of certain standards, service levels (and implied resources) where the accountability is

meant to be local. Clarity is of the essence. The comments on a genuine commissioning role above are relevant.

Our support for the notion of subsidiarity (already referred to under question 1 above in relation to regional government and the GLA) is relevant here as well.

We accept that if we want local control, we must take responsibility over resource and other decisions, we must be accountable, and we must be prepared to explain the choices and the variations that result to local people – in between elections as well as through the democratic process. Government must accept variation and be part of explaining at the national level that this is part of a more devolved approach to governance. The different provision for funding social care in Scotland is an example of existing significant variations.

Across Health, Education and Children's Social Care we have a clear new national framework for performance and outcomes, which we believe gives the right level of national prescription and differentiation according to local need. Our new Children and Young People's Plan will facilitate that differentiation locally, but with clear national standards and expectations. The degree of flexibility we will have remains to be tested.

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

- Which aspects of the current system are helpful and unhelpful, and why?
- Have changes based on central government priorities differed from those that might have been driven by local pressure and opinion?

We have commented on regional devolution in the London context under Q1 above.

The current focus on devolution, variously expressed as 'to the frontline', 'double-devolution' to town halls and through them to neighbourhoods and communities, in much of government policy is welcome if it turns into a real handing over of powers and responsibilities to councils. There is a disconnect between the stated ambition and the practice (in terms of guidance, statutory requirements, the inspection and performance regimes, the less than full buy-in from some departments) in many cases.

We support engagement and empowerment of communities at neighbourhood level and the need to involve individuals in service delivery. However, this should not usurp the mandate of locally elected representatives who ultimately will be held accountable by the public.

We have considerable doubts about devolving ownership of assets, facilities and resources to organisations which may not be able to bear the burden of long-term responsibility or stand the test of accountability for them. There is not much evidence of demand for handing over assets although there is appetite for a greater say and more responsiveness of our services. There is

also a body of experience of de-centralising responsibilities to non-elected organisations at local levels to draw on, not all of it happy. Issues of efficiency and of potential fragmentation come into play as well..

National shared priorities provide a useful framework for common ground, but the real test is the finer grain and how much we can tailor activities to local needs within broad priorities. The LAA process is another test of how the central local tension plays out. Ours is not finally signed as yet, but the guidance has included too many 'must dos' and firm expectations to be truly flexible. Government learning lessons on how to work in different and joined-up ways remains a key priority from our perspective. Piecemeal devolution – some flexibility and power from one government department only to hit barriers from another – undermines the point.

Camden has been disappointed with the level of freedoms and flexibilities it has received as an excellent authority. We believe that Government must genuinely allow authorities greater power to make effective local decisions. In relation to regulation and inspection, we support a move to a lighter touch, more genuine self-regulation, and a shift of accountability to local people. The latter is the real "harder test" for councils – compliance with national regimes can be challenging and consumes much time and attention, but it can also be easier than truly meeting local expectations. How the wider place-shaping role is treated in future performance and inspection regimes is something that needs more attention.

Again, the education white paper provides an illustration of tensions. Devolution to and autonomy of schools is a key issue. There are challenging roles for the council but not necessarily the means to deliver them – on education, but also wider community and social cohesion agendas in the locality, where schools have key parts to play.

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

- What are the main types of pressures faced by local services and how are they currently managed?
- Which are the most difficult to manage and why?
- Would greater devolution of responsibility enable pressures to be managed more effectively?
- Do confusion about responsibility and duplication of effort contribute to pressures?
- Would greater public understanding of the actual cost of public services help to manage expectations and pressures?
- How can we ensure that the system provides the proper incentives and rewards for using resources efficiently?

**Main pressures and how they managed? Which are the most difficult to manage and why?**

Camden experiences all the demographic pressures of an inner-city council with high polarisation between different areas and communities. London is now described as a 'hyper-diverse' metropolis and Camden is at the heart of this, with often rapid population changes, immigration, high turnovers, and a young population profile.

We have touched on our place-shaping role, community cohesion and providing a future vision for the borough above. It can be difficult to give enough attention to this strategic role when there is constant and significant change in all the main public services. We would support greater acknowledgement and recognition of this role built into a new 'settlement' between local and central government, and reflected in funding as well.

Turning to more practical and immediate matters, it is difficult to manage costs where obligations are imposed by central government and not fully met. Government has made a welcome commitment to funding new obligations, but the Formula Grant Settlement has focused on stability, which has eroded the link between increased services and increased funding. While stability and protection are certainly welcomed, this does cause problems for funding new obligations. Where there is devolved responsibility or new requirements, it is essential that corresponding resources, accountability, and authority be properly aligned.

The change to the Licensing Act is a recent example of inconsistency in determining cost of new pressures. The Government has stated that fees should meet increased costs, but councils are reporting significant shortfalls due to the new obligations. It is difficult to achieve consistency in determining costs of new obligations, as inevitably costs will vary. Without adequate localised funding methods, national obligations will continue to influence council tax levels and add to the public misconception and misunderstanding of public service delivery and costs.

Authorities on the 'floor' of the funding arrangements have received just a 2% increase in grant in 2006/07. This is below inflation, and the majority of local authority costs rise at above inflation rates. The gearing effect means there is enormous pressure on council tax to simply maintain services. In turn this makes effective local decision-making and meeting local needs very difficult.

The debate on the national funding arrangements for education, particularly of schools, is well rehearsed. We would certainly urge greater local flexibility, which is contrary to the current DfES position.

Time limited and specific grant funding puts considerable additional pressure on Councils. Authorities must have the freedom to determine their spending in order to make long-term local decisions. Integrating specific time limited funding into mainstream services causes authorities great difficulties. In addition, the tight control often required for specific funding, often including

project managers and considerable administrative work does not promote good value for money.

### **Greater devolution, confusion about responsibilities and greater public understanding**

Greater devolution should allow local decisions to be made with greater control over and understanding of the impact on local people. Currently it is often national decisions which have an enormous effect on local residents.

A significant problem with effective cost pressure and service management stems from a lack of cohesion for responsibility, authority, resources and accountability. Whatever the level of devolution, it is important that these are properly aligned, or local decision-making cannot be effective and pressures cannot be properly managed.

'Double devolution' and increased partnership working will create additional tensions and difficulty in effectively managing funds. Clear ownership, responsibility and accountability are essential to allow effective cost management.

Improving public understanding of service costs and untangling the uncertainties around responsibility and accountability will be difficult, but is important in order to manage effective funding and effective decentralisation.

The current public perception of councils and council tax is a barrier to meaningful local engagement in decision-making, and contributes to the problems with local government's reputation. A greater understanding by the public and dialogue with authorities will support effective prioritisation and our ability to make tough decisions where resources are tight.

### **Incentives and rewards for using resources efficiently**

Currently councils have a number of incentives to manage resources effectively: externally through reputation, audit, targets, and CPA scores; obligation to local taxpayers to keep council tax as low as possible; and internal drivers to achieve efficiency and value for money to receive the most from available funds.

These incentives are varied in their effectiveness. External measurement lacks some incentive because authorities are externally measured on a wide and varied range of issues, of which efficiency is only a small part. The incentive to keep council tax levels low could be improved through greater clarity of responsibility within government and local government as well as with the public. Ownership and responsibility is important and confusion about responsibility and accountability for council tax rises has clouded this issue in the past. The incentive to keep council tax low will be clearer if we can delineate the responsibility, authority and accountability for council tax levels effectively.

While tempting, it is not effective to offer financial incentives for authorities which are able to obtain high efficiencies or keep council tax low. Efficiency has its own financial rewards, and additional government funds would doubly penalise the taxpayers in underperforming authority areas.

In theory, increased freedoms and flexibilities would be a sensible incentive for efficient councils; however, this has not proved a noticeable success in the past and there must be a clear advantage if implemented. A lighter touch to regulation, the inspection regime and bureaucracy for those councils with high ratings for use of resources or value for money, would be an additional incentive to be efficient.

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

- What might this mean for the current performance management framework?
- Would a more contractual approach for a small number of key central priorities help to achieve this?

We do not think the key relationship between central and local government should be a contractual one. It puts local government in the position of a delivery agency. In addition, 'contract negotiations' would start from an unequal base: there is a weight of traditions and machinery in relation to the outcomes, targets and ways of doing things government can specify while councils are in a much more tenuous position in terms of laying down, and getting, what we want from government.

The Local Area Agreement model can work but is conceived as an agreement about shared objectives/outcomes rather than a contract. The model can be extended to cover delivery on a small number of national priorities. However, in terms of underpinning the overall relationship between local and central government, concepts of a central local settlement, a constitutional agreement or a concordat seem more suitable than a contractual model.

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## **Response of the London Borough of Camden to Part 2 of the Interim Lyons Report - Local Government Funding**

### **Council Tax**

Statistical modelling to assess the impact of possible reforms to council tax in the context of a revaluation, described in Appendix A of the interim report, has been completed on the basis of 2005 house prices. The results of this would have been applicable if the 2007 revaluation had not been cancelled. Future revaluations will be based on different house prices and differing social and economic climates, for which the same modelling will produce a different set of results. **Because of out-of-date information, it is not advisable for the Government or Sir Michael to rely on these results to form conclusive opinions. It will be necessary to rework these options with up-to-date funding and valuations to ensure that the final option is the right option.**

#### **Camden agrees that council tax should be retained, but reformed.**

Council tax has many characteristics of a 'good tax', however, the correlation between income and property values has eroded over the years. Revaluation would, to some extent resolve this problem, providing the following points are properly considered:

- The faster rate of house price growth in the South East and London must be taken into consideration when deciding on what banding system to use so as not to unfairly penalise some areas of the country.
- If regional banding is used, then 'Cliff Edges' are not created, where council tax banding for similar houses between neighbouring authorities is significantly different.
- Revaluations must be required by statute every five years, and any regional banding should also be updated at revaluation. This would allow the tax to remain current and allow greater predictability.
- The review should resist calls for point capital values and multipliers, as rapidly changing capital values and home alterations would make this administratively untenable.

It is questionable, given the lack of public understanding, that the concept of council tax as a hybrid is still valid. It therefore follows that the review should consider whether the current regime of discounts, exemptions and benefits are reasonable. This is essential because the ability of a household to pay is not directly linked to the value of the property in which it lives. **Council tax must be based on an up-to-date value of the property and an ability to pay.**

The decision on the type of revaluation to use, i.e. national, regional, etc, will be very important to London boroughs. Indeed, London has the highest proportion of properties in the higher band: a national revaluation alone would be unfair to London residents. Based on the 2005 valuation and Chart A2.7 of the report, the national update option would cause 33% of London properties to move up 1 band, and yet only 10% would move down by 1 band. This would be reduced on the regional update option to 20% going up 1 band and

20% dropping 1 band. Simple revaluation would have a penalising effect on the London area and therefore revaluation must consider the regional aspect. **We believe that whichever option is chosen, London's unique situation must be considered before coming to any type of detailed conclusion.**

It is very apparent that there is an image problem with the current form of council tax; it is the most visible of taxes, there is very little understanding of its purpose or of the reasons behind rises, and this causes high public mistrust. This tax needs to be reformed to ensure a greater degree of transparency and equity; only then will public opinion change. It is crucial that revaluation does not unfairly penalise any areas of the public.

Camden and other authorities have been successful in engaging local people through innovative and proactive techniques on some issues, ensuring we engage citizens as well as organised groups. However, there is still difficulty in engaging communities with local government, and this difficulty is exacerbated by the noticeable national suspicion against council tax. **Public mistrust and misunderstanding of council tax in its current form causes difficulties for meaningful interaction between local government and the public. It is key that reforms are effective and equitable.**

As a London authority, we collect the GLA precept from our residents for services including police and fire. We believe that this adds a further level of confusion for council tax payers and that, while we recognise there may be additional cost, for equity and transparency the GLA should collect their own precept.

### **Council Tax Benefit**

**Camden believes a significant step in increasing equity in council tax is to rework the council tax benefit system so as to improve the take up of qualifying taxpayers.** Reducing the complexity of the application process is key, and small improvements such as changing its name may also assist. It would be more appropriate to automatically give the benefit to those who are deemed eligible.

### **Business rates**

**Camden supports re-localising business rates;** this would not only improve local relations and the local economy, but also improve local authority accountability to the businesses in its area as well as being a significant step in addressing balance of funding issues.

Camden supported the LABGI and BID schemes in principle as a positive step towards re-establishing the desirable link between the business communities and local authorities, but they do not go far enough. In particular, LABGI is too complex and the reliance on national totals makes it unpredictable and hard to achieve. Genuine re-localisation of rates is an achievable way to improve the balance of funding issues as well as overreaching issues of accountability and local business interaction.

The LGA states in their combined approach that the RPI cap for business rates should be removed. Linking the business rates to the RPI has meant that business contribution to local authority expenditure has decreased from 29% in 1990/91 to 19% in 2004/05, which has added to the increasing pressure on council tax. **We believe the balance between council tax and business rates should be addressed.**

Camden recognises that a thriving and developing business community benefits from certainty over costs, and believes that it is possible for local authorities to provide the certainty businesses require.

### **Local Income Tax (LIT)**

In evaluating local income tax (LIT), as a supplement to the council tax system, considerations must be made as to the practicality of such a tax and the costs of administration in areas such as Camden with high population mobility. While there is much to recommend this option for its increased equity, work carried out by CIPFA suggests that the cost of running such a system would outweigh the potential benefits. Furthermore, CIPFA's work suggests that a LIT could dilute local accountability and expose government and local authorities to a greater degree of pressure. **More work on this area is crucial in terms of cost and implementation possibilities to ensure that this is a workable solution in practical terms before its merits can be fully assessed.**

### **Other taxes**

Your interim report has researched several other additional local taxes. In contrast to a LIT, the merits of these alternatives have been more clearly identified. **We recognise that the use of additional taxes may reduce some of the pressure on council tax and they should be properly considered.**

However, the actual impact these taxes would have on the current balance of funding appears to be minimal. Furthermore, at first view they appear too complex and costly to implement, considering the reduced benefits they would produce. **While proper costing has not been as yet undertaken to draw definitive conclusions, we urge the Inquiry to consider cost effectiveness in implementing any of these options of minor change.**

**Camden believes it is important that authorities are given a greater ability to raise funds locally. This can be achieved through re-localising business rates or implementing local income tax or other local taxes. This would give authorities greater freedom to make effective local policies. Local taxation can also be used to influence behaviour and assist in Local Government's role to shape and lead local communities.**

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