

14 September 2006

Sir Michael Lyons
Lyons Inquiry into Local Government
1 Horse Guards Road
London SW1A 2HQ.

Dear Sir Michael

LYONS INQUIRY INTO LOCAL GOVERNMENT

I wrote to you on 14 March, highlighting key issues which we feel need to be addressed, and enclosing our detailed response to your consultation paper and interim report. We South East County Leaders have also made a response and a follow-up submission. The purpose of this letter is to offer you a four point plan based on these earlier submissions.

The underlying problem is that successive governments have failed to apply the simple RACI test (who is Responsible, Accountable, Consulted, and Informed). As a result responsibility and accountability for public services, and for their resourcing, is fragmented and incoherent, leading to services being complex to use, and resources being used inefficiently. As a consequence people feel uninformed, disengaged, disenfranchised and inappropriately taxed, leading to an increasing disconnection between public institutions and the public.

We would suggest the following four point plan to address this:

- National role: Central government should be clear, in a new performance and funding framework, about what are vital 'national' services, and if it sets targets, must fully fund them (using activity costing, regionally adjusted; rather than the present system which is opaque and whose main characteristic appears to be to reward past expenditure). This would provide a discipline and clarity of accountability for both central and local government.
- Strategic role: There needs to be more integrated planning in the areas of strategic planning, community planning, community safety, health and social care and housing, transport, education, economic development, regulatory services, and waste management. This could be done through the development of an enforceable Local Area Agreement, with a duty to co-operate on partners, with a reserve power to direct available to the accountable lead body. Better still, county councils, as directly elected strategic bodies, should be given the equivalent powers to those the Government has agreed for London. In the South East in particular, this would recognise the importance of the economic contribution of the counties beyond the capital, which is by no means all linked to London, nor common across the region.

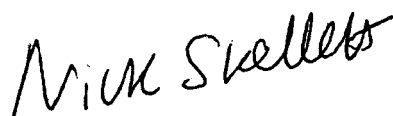
- **Local Role:** There also needs to be more integrated working in frontline services such as the contact centres, streetscene ('cleaner, safer, greener', and parking), trading standards, environmental health and public health, community health, social care and housing, waste collection, recycling and disposal, and youth services. This would make services easier to use for the public, simplify accountability, and redirect money from organisational and transaction costs into service delivery. It is possible that all the money needed for public services is being raised, but much of it is being lost to fragmentation rather than being devoted to frontline services. The need for integration also applies to back-office services such as HR, finance, ICT, procurement, property, legal services, and council tax and benefits. Surrey County Council has just won the award for the best new shared services centre (public or private) in Europe. Again this integration of front-line, and of back-office, services could be done through an enforceable Local Area Agreement (as referred to in the section on the Strategic Role above), or through the further development of unitary local government.
- **Resources:** Beyond those national targets properly funded nationally, councils need to have a stronger and more varied local funding base so that local taxes reflect local decisions on services, rather than the vagaries of the national grant system. Business rates should be returned to local control. There should also be a power to levy local sales taxes - specifically a local fuel sales tax, which would be much easier and cheaper to collect than a congestion charge, and would support the principle of "the polluter pays". If the amount were in low single figures, this level would be well within the range of fuel prices differences, and market forces would in effect put a ceiling on such a levy. Business representatives in Surrey support this, and the Government should be prepared to allow local discretion in sales taxes to reflect local economic circumstances and engage businesses in local democratic choices. Councils should also be freer to determine the balance between providing services as a community benefit and charging users (e.g. an example where this is permitted is the balance between funding a swimming pool from local taxation to promote the health of the community, and charging users for leisure use). Moreover councils at the moment have the greatest ability to charge for the most life-supporting services, for the most vulnerable people (social care users), and the least for nice-to-have services (e.g. libraries, for which there now are market alternatives). This probably reflects the history of when services were set up or reviewed, and position on charges needs a complete overhaul.

As I said in my previous letter, these proposals need to be put in a broader national civic context. If Surrey, for instance, is to continue to generate funds for the Government to re-allocate to less successful parts of the country, then Surrey needs to continue to be successful, competing not with other regions in the UK, but internationally. That success to a significant degree depends on its being a good place in which to do business and to live, which requires high quality, more coherent, local government and public services. They in turn depend on greater local determination and on a better funding base to meet distinctive local needs (which is more about sustaining success than the national urban regeneration template applied by the Government).

Yet for quite a while the reverse has been the case, with poorer funding accompanied by greater and inappropriate central prescription. Whilst we in the County Council do all we can to make ends and means meet – and Sir Peter Gershon has now signed off our Business Delivery Review – this is not sustainable for Surrey nor indeed for England.

More detail on our analysis and approach is contained in the earlier submissions, but we would be happy to discuss these proposals further with you.

Yours sincerely

A handwritten signature in black ink that reads "Nick Skellett". The signature is written in a cursive, slightly slanted style.A simple, horizontal handwritten flourish or underline stroke in black ink, positioned below the signature.

Nick Skellett
Leader of the Council