

# LYONS INQUIRY: KEY QUESTIONS

## Lyons Inquiry into Local Government: Consultation Paper and Interim Report December 2005

### BROMSGROVE DISTRICT COUNCIL RESPONSE

#### The Strategic Role of Local Government

1. What is the strategic role of local government? Is my description sufficient, or are there more elements you would add? (Page 6, S.19)

- 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?

We agree with the concept of “place shaping” as set out on page six of the document. Local councils are particularly well placed to understand the distinctive needs of their locality and we would emphasise the strategic roles of building and shaping local identity and understanding local needs and preferences. Examples of regeneration initiatives by councils outside those areas that receive neighbourhood renewal fund monies are a particularly good example of the difference that councils can make. Quantitative data from central government is an important part of helping shape local priorities, but this needs to be balanced with the local knowledge that councillors have and the wider dimension and drivers for change that they are aware of in their local communities.

We would welcome an increased clarity of the role and outcomes for local government, both from a national and local perspective, as a way of managing public expectation; however, we do not think that local government’s remit needs to extend beyond its current one. Whatever structures are developed there will always be overlap due to the complexities of solving difficult cross cutting issues. The success of crime and disorder reduction partnerships indicate that structures are less important, compared to good partnership working, supported by a general statutory duty and an appropriate performance management framework.

We support the Local Area Agreement (LAA) and recognise accept that the evidence based process for setting local priorities will mean a focus on those areas with the greatest deprivation. For a district like ours this means that we are unlikely to gain in terms of LAA funding, despite strategic issues within the District that matter to local people e.g. the potential redevelopment of Bromsgrove town centre and the Longbridge site. A district council has a specific role (working with partners where appropriate) in tackling strategic local issues like this that will not be identified at a county or national level. While the current LAA model clearly suggests a role for district councils we are concerned that the LAA model is essentially an urban one, relying on deprivation data and “hot spots” that will not pick up some of the more geographically spread out problems that exist in more rural communities.

2. What tools do councils need to perform the strategic role more effectively? (Page 8, S.19 to S.21)

- What are the existing barriers to councils performing this role effectively?

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- 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?

Capacity is always likely to be an issue, but the biggest barrier to performing our strategic role is the “tension” between national priorities and local priorities. The Council recognises that the Comprehensive Performance Assessment (CPA) model has now been changed to reflect issues like regeneration and user focus and diversity; nevertheless, it is still very prescriptive and too much management attention is spent on dealing with the requirements of this type of model, rather than tackling the issues which we think are important to the locality. The recent experience of the LAA negotiations also suggests that Whitehall is going to have considerable problems “letting go” of central policy initiatives and allowing local councils to set local evidence based priorities and being assessed against these.

The strategic role for a council works particularly well when there is a clear focus on an issue, which organisations can rally round. Often these are “bricks and mortar” issues or single issues. The current “thematic” approach to local strategic partnerships (LSPs) and LAAs is not particularly good at engaging Members and the public at a strategic, visioning level, as it can feel too detached from issues on the ground.

Through mechanisms like CPA, LAAs, service inspections etc, local government is under a lot of pressure to improve. The track record of improvement in local government over the last few years suggests that councils are improving rapidly. The Council wants to see a framework for improvement that creates an equivalent pressure to the private sectors for improvement i.e. customer choice and shareholder power. The Council would support a new performance framework that has more emphasis on determining local priorities, more emphasis on the customer, in particular, the “customer experience” and an assessment framework that measures a council’s progress against these.

The public are likely to judge a council as successful in its strategic role if there are clear examples of “bricks and mortar” and “cleaner, greener, safer” improvements to the locality that people want. Failure is perhaps most visible when progress on such issues is slow.

3. How important is the fact that local government is elected in relation to its ability and legitimacy to perform this role? (Page 6, S.19 to S.21)

Local councillors live in their wards, are close to their communities and can be voted in and out. Although electoral turnout is currently low this should not be interpreted as local people not being interested in their council. Any move away from a local approach and a democratic one are likely to be poorly received by the public. We accept that legitimacy could be improved and the current discussions around neighbourhood management approaches and improving Member involvement in LSPs are welcomed.

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### Devolution and Decentralisation

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? (Page 7, S.22 to S.28)
- 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?

The Council believes that national standards form a useful backdrop to discussions on performance, but that their direct use in considering councils' performance levels is not helpful. The Council would prefer a much stronger reliance on negotiated targets, which recognise the baseline position for each council. Tough, but realistic targets should be negotiated.

The Council recognises that services like: education, social care, benefits and regulatory services are more "national" in character and the Council would support the use of negotiated targets between central government and local government in these areas, with national standards forming a backdrop to these negotiations. The Council would support greater freedoms for local variation around what some councils already manage under single community services directorates which include leisure services, library services, other cultural services, environmental services and transport and highways.

Whatever system is introduced, the Council would like to see a reduction in complexity and greater clarity for the public in terms of what is local and funded through local taxation and what is nationally funded, but delivered locally.

5. How has the Government's approach to devolution and decentralisation affected your area and your local services? (Page 7, S.22 to S.28)
- 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?

Initiatives with regard to devolution and decentralisation introduced since 1997 have had little impact on Bromsgrove District Council. The two tier local government system and the responsibilities of each tier are essentially unchanged. Current proposed changes to the structures of the Police and the NHS suggest a move away from devolution and decentralisation towards a more centralised approach, driven by the need to reduce costs. The Council does not support this approach and will be responding to these consultations.

The biggest change to the Government's approach that has been felt by the Council is the performance regime through Best Value and CPA. The

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Council feels this regime is too prescriptive, particularly, around the key lines of enquiry and similar documents that set out how a council should be working. This is in addition to increased control over our funding and our results. Such an approach is turning local councils into agents of central government and unduly influencing local priorities. For example, a neighbouring council that had made its library service a relatively low priority and was prepared to accept a one star rating, has had to focus management energy on this area in order to gain two stars which are required under the new CPA Framework to become an excellent rated council.

The Government's focus on performance indicators has also created a focus on things that are measurable through quantifiable means. This approach has not particularly helped in terms of focusing on regeneration issues and on the customer experience. The Council is particularly concerned that the customer experience and other qualitative information is very absent from national thinking, with the current focus being very much a producer one i.e. produce more widgets of x or y, and taking little account of how customers are treated. The CPA methodology does include user focus and diversity, but we do not feel this covers the customer experience.

We would be interested to know whether the comprehensive spending reviews are part of the Lyons Inquiry and we would also welcome an expansion of the Inquiry to consider the capability of central government departments in their dealings with local government.

Finally, if service delivery is split into three elements: funding, management processes and results, the Council would like to see clarity of funding, minimal prescription in terms of management process (allowing local innovation) and negotiated targets (supported by national standards) or wholly local targets (supported by robust local consultation and performance management arrangements).

### **Managing pressures on local services**

6. How can pressures on local services be managed more effectively? (Page 8, S.29 to S.31)
  - 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 more efficiently?

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The Council would support the list of pressures identified on page 8, S.30 of the Report. The Council would particularly draw attention to: new legal and policy responsibilities introduced by central government, pressure from central government through targets and cost increases, including the local government pay bill.

Looking at these in turn, the Council is very uncomfortable with what we describe as “unfunded mandates”. It does not seem appropriate that national changes in policy have to be paid for from local taxation. National targets are a similar case. It does not seem appropriate that a target decided within Central Government should have to be funded through local taxation. Both these pressures cause confusion for the tax payer and damage local accountability. All councils appear to be experiencing difficulties with regard to inflation which may reflect a system that does not strongly incentivise cost control as the bottom line does in the private sector. We have commented further on this below.

The Council would certainly support greater clarity about what services are funded through local taxation as a way of managing public expectations. Recent focus groups held by the Council on the 2006/07 budget indicate a disconnection in public thinking between services and payment for them. Reform of Council Tax, so that it is only concerned with funding local services would be much simpler for the public to understand and allow councils to have a much clearer debate with the public on the local services they want and what they wish to pay.

The Council would certainly support incentivising the better use of resources. The cashable element of the Gershon savings and the ability for councils to reinvest this is supported by the Council. Similarly, the success of Local Public Service Agreements (LPSAs) suggests that incentivisation works. The Council does not support paper exercises like the non-cashable element of the Gershon savings (would a private sector company spend time identifying these) or the cost effectiveness target in the first generation LPSAs.

In principle, the Council would support a negotiated target around cost savings and would also like to explore a system of allowing savings produced from local services delivered through national funding to be transferred to local taxation services, if the negotiated national targets have been achieved.

### Scope for a new agreement

7. How could responsibility for local services be made clearer between local government, central government and other agencies? Page 9, S.32 and S.33
  - 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?

As detailed previously, a clear split between services delivered locally which are nationally funded and local services which are wholly funded through

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local taxation. The impact on the current performance management framework would be a clear separation of performance regimes between a national one, which would rely on negotiated targets using public service agreement targets as a backdrop; and local targets, including a much bigger emphasis on the customer. The Council would support a more limited and periodic form of corporate inspection to give the public reassurance that good corporate governance arrangements were in place.

The Council would support a more contractual approach to setting targets for the local delivery of nationally funded services, as the experience of LPSAs and Local Area Agreements suggest this approach is successful.

### Council Tax

8. Council tax and the ability to pay: Council Tax Benefit (Page 14 S.53 – S.57)

The Council agrees that there needs to be some effort dedicated to improve Council Tax benefit take up and it is felt that this should be undertaken both nationally and locally. It does beg the question as to whether council tax benefit should be administered through the local authority or whether all income related benefits should be administered through one organisation.

The question of the £16,000 threshold for savings is an interesting one and we feel that there is obviously a need for some level to be set but that there needs to be a review as to whether this level is still appropriate.

9. Revaluation to improve link to property value (Page 14 S.58 – S.61)

The Council fully supports the need to undertake a detailed revaluation exercise as we feel that this is well over due and is the reason for some of the criticisms of the current system.

More information on the use of a detailed point valuations will be needed before views can be offered on this.

10. Reform options and ability to pay (Page 15 S.62 – S.65)

The Council fully supports the views outlined in Section 65 – that Council Tax Benefit system needs to be reviewed in order that people's ability to pay is linked to the amount that they should pay.

### Other Taxation and Funding Issues

11. Local income tax. (Page 15 S.67)

The Council's preference would be to retain a local property tax, but for the tax to wholly fund local services, with services that are delivered locally, but subject to central government performance criteria to be directly funded by national taxation. The Council believes such an approach would encourage greater accountability and clarity. Similarly, a local property tax is a very obvious tax, compared to some forms of taxation, which acts as an incentive for efficient local delivery.

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12. Business interests and business rates. (Page 16 S.68 and S.69)

The Council fully supports the return of local business rates to local government. The Council sees no benefit or justification from continuing with the current system.

13. Land taxation. (Page 16 S.70 and S.72)

The Council does not support any proposals to move to this methodology as it involves significant costs to move to it but also we do not believe it is a fair system.

14. Tourist-related taxes. (Page 17 S.73)

The Council does not support this as we feel it would be costly to implement for fairly insubstantial benefit.

15. Other taxes and charges. (Page 17 S.74 and S.75)

The Council does not support any of these as we feel it would be costly to implement for fairly insubstantial benefit.

16. User charges for taxes. (Page 17 S.76 – S.77)

We fully support work being undertaken in this area as we feel the users of services should pay towards the costs of using those services. Such an approach helps manage demand by encouraging a user to more fully consider whether they require a service than if it was wholly funded through taxation.

17. Equalisation. (Page 17 S.78 – S.80)

The Council welcomed the Local Authority Business Growth initiative when it was first suggested and thought that we were going to benefit from it given that we had performed well in attracting new business to the District. We are still struggling to understand why we have not benefited from it and ODPM have not been able to advise us. If this scheme, along with any others, is to be successful it needs to be transparent.

We agree that there does need to be some incentives and continuing the response from earlier in the paper we feel that if we move to a situation whereby central government grant is meant to assure a certain level of service and if the local authority can achieve this it should be allowed to retain a significant proportion, if not all of it for local investment.