



To: **Lyons Inquiry into Local Government Funding**
Room 3/12
1 Horse Guards Road
London
SW1A 2HQ

Date: **18th April 2005**

From: **Cambridgeshire County Council**

Subject: **Submission to the Lyons Inquiry into Local Government Funding**

Submission to the Lyons Review into Local Government Finance

Cambridgeshire County Council welcomes the review into Local Government Finance and is grateful for the opportunity to submit representations at this stage of the process. Cambridgeshire would welcome changes to the balance of funding which would allow authorities more control over their revenue streams.

We support the main findings of the Balance of Funding review which concluded that a shift in the balance of central and local funding would give Local Authorities more flexibility by reducing the impact of gearing. Gearing clouds accountability and transparency; there is no clear connection between local taxes and local spending decisions yet it is highly visible. The burden placed on those with low and fixed income in Cambridgeshire is the subject of a number of complaints each year, as residents cannot understand why their bill increases at a rate above inflation even when the Council has received large increases in grant.

Cambridgeshire would also support the relocalisation of Business Rates and in particular the removal of the cap on Business Rate increases to inflation which has seen the proportion of local authority funding from this source decrease, with the resulting pressures on the Council Tax.

We also agree with the finding of Balance of Funding report that states that the forthcoming Council Tax Revaluation further necessitates a review of the current funding arrangements. Given differential house price moves in different parts of the country rolling forward the current system with revalued bands could lead to very large increases for people on low incomes living in high value homes. It is essential that reform of the system be implemented alongside revaluation.

The interaction between Council Tax and Council Tax benefit must be recognised and both should be reformed in order to reduce the council tax burden on those who can least afford to pay. In addition to this the savings limit must be reviewed as at present savings of just £10,000 would eliminate all entitlement to Council Tax benefit. We would support reform of the Council tax banding system and benefit scheme to a more equitable tax system as outlined in the submission from LGA (The Balance of Funding – Implementing the Combination Option).

While the continuing role of Government grant for equalisation of resources and need is recognised, the distortion of equalisation objectives through the operation of ceilings and scaling factors could be improved. In addition, any reform of local government finance should take into account considerable cost burdens faced by local authorities in high growth areas. The measure of high growth areas should be based on forward-looking projections of population growth rather than historic population increases

It is important that local control of budgets and council tax levels is retained, and that local authorities have the ability to respond to changes in their financial circumstances by adjusting future years' budget requirements and council tax levels where necessary. Expanding the range of revenue streams available to local authorities would assist in meeting this aim.

While the Lyons Inquiry is due to report its findings at the end of 2005 there are a number of other consultations regarding local government financing and the issues under consideration are all inter-connected.

The consultation on Three-Year financial settlements has now closed but 2007-08 will be part of the first three-year settlement. This will also be the first year in which the results of the Revaluation of Domestic Properties will take effect. Reform of the Council Tax system should be implemented at the same time as the revaluation results, yet the timing of the reports and settlements does not appear to support this requirement.

Similarly providing ring-fenced grants for schools budgets alone has a major impact on the balance of funding. The first provisional settlement incorporating this major change will have been announced before the Lyons Inquiry report has been released.

It is very important that the timing of the outcome of the inquiry should be coordinated with changes to schools funding, three-year settlements and the revaluation of domestic property. For all proposed changes it is essential that exemplifications be provided to assist local authorities understanding of the implications of the changes, as small details can have considerable financial effects.