



COUNTY COUNCIL

Date: 18th January 2005
Our ref: MA/VL
Your ref:

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Sir Michael Lyons
Lyons Inquiry into
Local Government Funding
1 Horse Guards Road
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Dear Sir Michael

I was pleased to be able to meet you on Tuesday 18th January at Preston.

You asked us to put in writing particular points that we would wish to make and I am taking this opportunity to do this, in addition to the points I made verbally.

1. Whatever changes are made, either by improving the existing Council Tax or by introducing a new system, will be totally undermined unless Central Government is able to 'get its act together'. I quoted one anecdote of our difficulties with the Department for Education. There are many, many more! I am sure you have been told of circumstances where Ministers in one Department have given different guarantees to other ministers in ODPM. Also I am sure that you will be made aware of Local Government Ministers who have made statements in Parliament such as "above inflation increases" whilst the Whitehall departments, such as the Department of Health, require us to provide services (such as the preserved rights which was drastically under funded upon transfer from DWP) which require significant above RPI spending.

If a new system has an in-built tension between National and Local Government, above and beyond the natural and healthy debate about what should be run centrally and what should be locally, then it is doomed to replicate the problems with the existing system. Bearing in mind that the general public seem to have accepted fairly easily the hypothecation of the increase in National Insurance with investment in the Health Service, it seems to me that there is a strong case to be made for a much more transparent link between what is actually done locally and what local money is raised. And Government should be absolutely clear that if they want to run a national service, delivered locally, then they should take that funding out of the Local Government settlement.

2. I made the point, more than once, that in my view a radical solution is required. I was involved in Local Government during the era of the traditional Rates system, the introduction of the Community Charge and its replacement with the Council Tax. In each case politicians ignored many of the technical arguments in order to seek out the lowest common denominator of consensus. And the resulting system did not last very long.



Whilst a move to Local Income Tax would be very drastic, and possibly difficult to implement, a system that allows some element of LIT, possibly combined with a reformed method of RSG to take account of inequalities built in by regional and local disparities, could well be an acceptable start which could then be regularly reviewed and amended in order to evolve to a fair and transparent system with real accountability.

3. There is a clear need for a number of local activities to be coordinated regionally. Whilst the Government insists that Regional Assemblies should **not** be democratically elected then it must follow that they should neither take services away from organisations that are democratically elected nor have a right to raise money by precept.

Some might argue that the now rejected proposals for Elected Regional Assemblies were inadequate and that it was a major mistake to link them to Local Government reorganisation. Local tax payers would find it totally unacceptable to have un-elected organisations levying a precept, or even collecting substantial levels of resources from the Local Authorities.

I hope you find these additional comments helpful.

Yours sincerely

Mike Ash