

S.I.G.O.M.A.

*The Special Interest Group
of Municipal Authorities (Outside London)
Within the LGA*

LYONS INQUIRY INTO LOCAL GOVERNMENT: AN INITIAL RESPONSE TO THE CONSULTATION PAPER FROM SIGOMA

INTRODUCTION

The Inquiry is seeking to generate a debate around:

- what we want local government to do;
- what we expect from our councils; and
- how that should be paid for.

SIGOMA welcomes the opportunity to contribute to this debate, which gets to the very roots of Local Government's place in society. However, this is also a debate that overlaps with a number of other developments, not least the ODPMs work to develop a 10 year vision for Local Government and proposals around a 'New Deal for Cities and regions'. Other Government Departments are also carrying out initiatives on related questions, such as the Home Office programme for Civil Renewal, and these also have important implications for local government.

As such, many of the themes Sir Michael's Report sets out are already being discussed or developed and SIGOMA is keen for Sir Michael to be able to join together these different debates so that he can produce some unified and comprehensive findings that make connections between initiatives in different Government departments.

To support this, SIGOMA is keen to supply an initial response to the consultation questions set out in the Interim Report and will be continuing to work on the important finance questions that have still to be addressed. We will particularly emphasise:

- The need to give greater acknowledgement to some core roles for local government on: democracy, direct service delivery, diversity of places and fairness.
- That accountability should be about who makes the decisions on how resources are spent, with local councillors having three distinct roles in this aspect.
- The way that local government funding currently compromises that accountability.
- The need for more clarity between the different forms of national standards and minimum standards, with more emphasis on higher level, outcome based targets for the majority of local services.
- The impact that the passporting of funding has on devolution and accountability.

- The pressures on local services caused in urban areas by a poor tax base, population migration and the inability of the current system to make sure that resources go to areas of need.
- The brokerage role that local councils can provide between Central Government and local communities, which needs a single agreement between central and local government rather than different Whitehall departments pursuing separate programmes of work

RESPONSE TO THEMES IN THE CONSULTATION PAPER

The Strategic role of local Government

1. Defining the strategic role

- The definition of ‘place-shaping’ set out in the Report is particularly useful in its approach to identifying the more ‘intangible’ or difficult to quantify roles of local government. This is especially important in urban areas, where social, economic and environmental regeneration is led by, and facilitated by, local authorities.
- However, the current definition could be strengthened by giving more prominence to the most important roles of councils. As part of the ODPM *local:vision* process, SIGOMA has sought to identify what these are, based on a number of core principles for local government. These are:
 - **Local democracy and leadership** – at its heart, effective local government needs the mandate provided by its democratically elected members to work with, and on behalf of, local communities, setting a clear lead.
 - **Practical results and real improvements** – to strengthen local democracy and ensure that government as a whole meets the needs of communities, local government needs to have a real impact; this means direct service delivery as well as the ability to influence or commission, acting as an agent of change for local well-being.
 - **A sense of place** – different towns and cities have different characteristics with varying opportunities and challenges facing each. These characteristics make local areas what they are and local government itself is part of this diversity.
 - **Fairness** – diversity and a sense of place should not mean inequality. Local government should seek to work towards the well-being of all its communities and this principle needs to be inherent in national policies and funding systems.
- In our urban areas, metropolitan and unitary local authorities are best placed to address each of these principles for good local government in a dynamic and efficient way – acting as the most direct and closest level of government to local people, able to make the connections between strategic issues and neighbourhood concerns.

2. Tools needed by Councils to perform a strategic role more effectively

- The recent rounds of CPA results demonstrate that many local councils have improved their efficiency and performance, and are ready to take on this increased strategic role. This needs greater acknowledgement.
- Many of the tools needed by Councils to fulfil this strategic role relate to local determination and local finance, and these are referenced below.
- As a pre-cursor to any discussions on strategic roles, we must also ensure that some of the barriers to good strategic working are avoided. For example, any new responsibilities assigned to local authorities by central government need to be sufficiently funded and avoid spending pressures in other areas.

3. The importance of locally elected accountability

- Local elections give local authorities the legitimacy, the accountability and the in-depth knowledge of an area to perform the more strategic role.
- But local elections alone are not sufficient. We need to ensure we have the right type of elected member inputs and that this is accountable. We would seek to identify three different elected member roles that each need to be enhanced. These are:
 - Strategic leadership - elected members have authority to set the policy framework in which services deliver and provide the community leadership that is needed on difficult decisions. This often means arbitrating between central and local priorities, reflecting and responding to the wide range of local opinions that will exist on different courses of action.
 - Local leadership – front-line councillors can ensure that services are delivered properly in neighbourhoods, acting as a powerful voice for local people to ensure that services and decisions are tailored to specific local contexts – ie at the street level.
 - Scrutiny - as part of their roles, and to strengthen accountability, councils and councillors need to set out what citizens have a right to expect so that they be held to account and be judged on their impact. Scrutiny, the third role, supports this process.
- However, we currently believe that local accountability is compromised in many SIGOMA areas because of funding issues and the local levels of council tax rates – there is no obvious connection between what people pay in taxes and what they get in local services. This is largely due to the levels of control exerted on funding decisions by Government and lack of revaluation for council tax purposes.
- In addition, SIGOMA strongly opposes the principle of council tax capping as being fundamentally in conflict with the accountability of local authorities. Although we have a concern over increasing council tax levels, pressures on local funding and problems with ensuring that a fair level of funding goes to areas of need, continue to mean that there is increasing pressure to fund the gaps with council tax (see comments below)

Devolution and decentralisation

4. National standards for services and local choice

- The interim report is right to point out the ‘accountability gap’ between central and local government. Greater accountability needs to be under-pinned by national measures to improve local flexibility, increase transparency and not reward inefficiencies.
- Councils should be able to make decisions on how resources are spent and how services are delivered to meet high level and outcome based national and local objectives. SIGOMA has argued that local authorities need greater control over how funding is used locally to address these national, as well as local, priorities.
- Local government also needs greater clarity and differentiation between what we mean by national standards and minimum standards. We would suggest this should differentiate between:
 - National standards to service entitlements – certain services are delivered locally but need minimum levels of service entitlements. We would suggest access to social care services, access to health services and education especially fall in this category as well as social housing provision.
 - Service level performance – certain local services have some very prescriptive performance standards set for them. This includes services like health and education mentioned above, but also encompasses other areas, for example land-use planning decisions have a standard eight week target for the statutory process, other local services like libraries have particular standards for public access whilst benefits services have seen increasingly restrictive standards set for the time that it takes to process claimants.
 - Outcomes (quality of life) based standards – these are more outcome based targets or aspirations, such as improving educational attainment, reducing worklessness, etc which reflect the wider well-being of a local area its and longer term outcomes.

5. How the Government’s approach is currently affecting our areas

- We would prefer to see central government concentrating on the first and third type of national standards, defined above, with less of the second type. Local Government needs a small number of high level targets and aspirations so that they can translate these into workable programmes on the ground. This is central to the ‘place-shaping’ role envisaged for local authorities.
- Greater local devolution has also been compromised with the increase in passporting of funding to local services, reducing the freedom of local councils to decide where their spending priorities should lie. Developments like the Dedicated Schools Grant have made this situation more difficult, giving local councils less room to manoeuvre and invest in local priorities.
- In contrast, other government decisions have strengthened local autonomy and the strategic role of councils. For example, non ring fenced funding like the NRF has

been seen to increase the influence and scope of local authority working, helping councils to work with a wider range of partners to develop locally specific solutions to national issues of social exclusion and deprivation.

- Where central and local government agree that some form of national standards are needed, so that every area meets some minimum service levels, there is also greater need to ensure that funding to local authorities is sufficient to ensure that these standards can be achieved.

Managing pressures on local services

6. Managing pressures more effectively

We would differentiate between two major sets of pressures on our local services at the current time:

- Demand side pressures, ie the increasing costs of services and the increasing level of local service provision. This is currently being driven by the increasing expectations of communities, fuel costs, waste disposal costs, wage costs and the increasing range of responsibilities of local authorities being given to councils by central government. In addition, some services like health and care are experiencing a shortage of qualified staff, which drives up delivery costs as professionals have to be brought in from a wider area, in some cases from overseas.
- Supply side pressures, ie the decreasing ability of councils to provide for, and meet, changing public demands. For example, this is currently being driven by the structural problems within the local government finance system and its inability to ensure that finance is distributed in line with local needs. SIGOMAs evidence concerns this latter point.

As illustrated in our previous submissions, SIGOMAs main concerns are the pressures brought about on services in urban areas by:

- The low tax base caused by widespread deprivation, making it difficult to raise finance for local services and local priorities;
- Lack of revaluation of properties for council tax purposes, meaning that a greater burden for funding services falls on poorer communities;
- Population migration away from some of our urban areas, often leading to a reduction in available finance without a corresponding reduction in the cost of service provision;
- Dampening of formula funding outcomes, where more up to date and fairer funding formulas are introduced, these have been scaled back so that resources are not delivered to the areas that need them.

More recently, the Government has introduced a new grant distribution method for 2006/07 (ie the four block model). This appears to be less transparent than the previous system, with the potential for a higher degree of Ministerial judgement and less predictability for councils to plan for future funding stream, meaning it could be more difficult to make informed decisions on how pressures are managed.

Scope for a new agreement

7. Clarifying the responsibility for local services between local and central government and other agencies.

- Overall, our conclusion is that one of the key aspects of a local council's strategic role is to be a 'broker' between central government and local people - making links between communities and citizens on the one hand and central government on the other. To some degree this role means that local authorities are translating different forms of national targets, discussed above, into locally specific targets and local programmes of services.
- To make this work better, the broker role requires one single agreement between central and local government rather than several different departments pursuing their own programmes of work. In this sense, local area agreements are a helpful model, but currently cover only part of the national and local agenda.
- SIGOMA would support a reduction in centrally set targets, with a small number of outcome related targets used to set a framework for local authorities. These would be translated into locally relevant targets and service plans.
- Working with the government, greater public understanding can be helped by acknowledging the 'mixed economy' of service providers working at local level.

FURTHER WORK FROM SIGOMA

As noted above, this is an initial response from SIGOMA and we would be very happy to provide further information on any of the points made above. We are also keen to continue to support the Inquiry by providing more detailed and considered evidence on a number of ongoing finance issues. This will include:

- The Council tax system – SIGOMA acknowledges and supports the emphasis on ensuring that council tax remains the principal local government tax. However, SIGOMA also continues to still maintain that the fairness of council tax can be improved and strengthened by increasing the number of council tax bands.
- The pressures on council tax – SIGOMA supports the analysis of pressures on council tax now being made by the Inquiry, particularly the very low tax raising base in our urban areas and the need to strengthen the accountability links between council taxpayers and local spending decisions.
- The need for equalisation – the Interim report acknowledges the need for equalisation as an ongoing element of local government funding, and SIGOMA supports this. But the report also seeks to look for some form of balance between the need for equalisation and the potential for financial incentives to encourage development. SIGOMA recognises the need to look at these issues and will seek to provide more information and views on how this balance could best be struck for all urban areas, many of which have a lower potential for gaining from such incentives.

10 March 2006

- The need for revaluation of council tax properties – SIGOMA maintains that this is still an important issue and will continue to limit the fairness of council tax until the Government finally addresses it directly.

10 March 2006