

INTRODUCTION

H.1 During my Inquiry, I have undertaken and commissioned a wide-ranging programme of research and stakeholder engagement in order to provide a substantial evidence base, which has informed my thinking and analysis throughout my work.

H.2 During the first phase of my Inquiry, focused on local government finance, I commissioned five pieces of analytical work to explore my interest in other countries' approaches to local finance arrangements, public attitudes to local government finance and taxation options. This included:

- a team at the University of Cardiff, led by Professor John Loughlin, who built on their work for the Balance of Funding Review to explore international models of local government finance, and their advantages and disadvantages in terms of greater fiscal decentralisation;
- Professor Tony Travers from the London School of Economics, who used the Cardiff work, and other pieces of international research, to produce a think piece on the key challenges of applying international models to the English system; and
- NERA Economic Consulting, who were commissioned to do a comprehensive literature review of actual and suggested local tax options. This inevitably encompassed international examples of local taxes as well as more theoretical suggestions for change.

H.3 Two pieces of public attitudes work were also commissioned:

- focus group work commissioned from GfK NOP Social Research gathered in-depth attitudes to the principles behind local taxation, including understanding who was responsible for services, and potential changes to local taxation; and
- a national survey commissioned from BMG Research that aimed to quantify people's attitudes to local taxation, as well as explore views on who should control local services and taxes. This survey was carried out in three separate waves.

H.4 Further details of the work outlined above, including a description of the findings up to the end of 2005, was provided in Annex D of my *Consultation Paper and Interim Report*, published in December 2005.

H.5 Following the extension to my Inquiry in September 2005, which enabled me to consider issues related to function before finalising my conclusions on funding, I commissioned a further phase of work to explore the current and future role and function of local government and the implications this may have for funding and finance. This programme of work included:

- a consortium of researchers from the University of Cardiff, University of West of England, Leeds Metropolitan University and Manchester Metropolitan University, who conducted interviews with senior members, council officials and stakeholder organisations within nine case study areas

to explore both the strategic role of local government and to focus more closely on six service areas - undertaking problem analysis through the delivery chain and identifying examples of good practice;

- the Office for Public Management used the same nine case study areas and the same six services to undertake a series of public engagement events, working closely with the selected councils. These events were designed to engage citizens in debate in each area, providing a detailed picture of the issues councils are facing on the ground. The work focused particularly on questions such as; what local people wanted from local government, what the most appropriate role for local government in delivering national priorities and services may be; and how should local government be paid for?;
- following this work, I held a series of expert seminars focused on the specific service areas to road test and explore further the findings arising from my case study work; and
- a third wave of a national attitudes survey of the general public was commissioned from BMG Research to cover my extended remit - quantifying people's attitudes to the role and function of local government, as well as providing further information on issues related to finance.

H.6 I also undertook a range of activities to understand the views and advice of experts and other stakeholders. In particular:

- I held three periods of consultation and discussion during my Inquiry, generating more than 2,500 responses. A summary of the stakeholder views I received on my original funding remit were published in Annex C of my *Consultation Paper and Interim Report*. My May 2006 report, *National prosperity, local choice and civic engagement*, invited comment on a range of questions related to the role and function of local government. A summary of the key messages from responses since December 2005, are presented in Annex F. Finally, in December 2006, I published a discussion document inviting views on the implications for local government of the Leitch Review on Skills, the Eddington Transport Study and the Barker Review of Land Use Planning. A summary of these responses is provided in Annex G;
- bespoke engagement events were conducted, including a series of round-table events with members of the business community in four areas across England (Leeds, Newbury, London and Coventry), and a series of workshops with a range of councillors held in Warwick, Liverpool and London. Findings from this work were published in October 2006;
- a national conference, supported by Neil Stewart Associates, on Promoting Economic Prosperity was held in London in September 2006, with contributions from Rt. Hon. Ruth Kelly MP, Secretary of State for Communities and Local Government; John Healey MP, Financial Secretary to the Treasury; Sir Digby Jones, former Director General of CBI; and David Frost, Director General of British Chamber of Commerce, among others; and
- other events brought together academics and other experts from across the public, private and voluntary sectors to discuss and critically assess key themes within my Inquiry including the role of public engagement and driving efficiencies in local government.

H.7 This annex brings together the key findings from my wide-ranging programme of research and stakeholder engagement. The full research reports and related work have been published by the Inquiry and are available from the Inquiry's website.¹ A copy of the website, complete with reports, research and selected submissions, is also available from the National Archives and UK Web Archiving Consortium.²

KEY FINDINGS FROM MY CASE STUDY WORK

H.8 Nine case study areas were selected using a range of sampling criteria including political control, government region, population, authority type and performance to ensure a wide range of characteristics. Two areas included two tier authorities and the researchers worked with both county and district representatives. The areas selected were: Barnet, Bristol, Essex (including Braintree, Brentwood Chelmsford, Colchester and Tendring), Hartlepool, Nottingham, Sheffield, Shropshire (including Oswestry, Shrewsbury and South Shropshire), Southampton and Trafford.

H.9 This summary draws on all three strands of the case study work:

- interviews with a range of senior members, local government officers and partner organisations;
- public engagement events; and
- expert seminars.

The strategic role of local government

H.10 The strategic or place-shaping role of local government was explored within all nine case study areas. Senior members and officials were interviewed in each area focusing on:

- the strategic role of the authority and the challenges of place-shaping;
- central-local relations and the case for devolution;
- options for streamlining and clarifying accountability; and
- options for managing the pressures of increasing demand and constrained resources.

H.11 The public engagement events in all nine areas included sessions focused on exploring citizens views of local government's current and future strategic role, particularly in place-shaping. This included debating:

- positive and negative views of the area in which people lived;
- priorities for improvement; and
- the current and future role of local councils in place-shaping.

Place-shaping H.12 The term 'place-shaping' was reassuringly interpreted fairly broadly among local authority councillors and officers across a range of service areas. Examples varied from large-scale regeneration projects to relatively local instances of community engagement. All were seen as important features of place-shaping and included:

¹ The Lyons Inquiry website: <http://www.lyonsinquiry.org.uk>

² Archived copies of the Lyons Inquiry website: <http://www.webarchive.org.uk/tep/15454.html>

- **Southampton** – where the City Council has taken a lead in re-positioning the city as a hub for knowledge based industries. They have facilitated major physical developments as well as promoted partnership working with the city’s two universities, developing Chilworth Science Park as a base for high-technology businesses;
- **Essex** – where the council has led a partnership – firstsite:newsite - promoting the economic and urban renewal of Colchester through the development of a new arts centre;

We want to show what art means to people and the wider community. The partnership is delivering something distinct and innovative. (Kate Wood, Director, Firstsite).

- **Barnet** – who have developed their ‘Three Strands Approach - Protect, Enhance and Grow’, a focussed, sustainable vision for development and planning in Barnet. The council are developing the area through design and construction planning based on sustainable and environmentally responsible development.

Support for place-shaping role

H.13 There was strong support for local government taking on a greater role in place-shaping across the board – in all areas and from the public as well as local authorities. From local authority officers, there was greatest support for this enhanced role in urban areas.

H.14 All respondents agreed that place-shaping should enable local government to focus on the key strategic issues facing their area.

I think there has been a major turn around in the last seven to ten years, local authorities actually thinking about the community leadership role and their involvement in the community a lot more than it has in the past. And I think they are realising it isn’t just about delivering a service to people. (Senior local government councillor)

H.15 The concept of place-shaping was seen by some local authority interviewees as summarising or formalising a role which historically has been undertaken by local government; these local government councillors or officers were usually working within strategic roles. Other interviewees saw place-shaping as a relatively new agenda; this group were often working in more traditional or hierarchical service areas such as adult social care or children’s services.

H.16 Although not always familiar with the term place-shaping, members of the public at the engagement events talked about a role for local authorities which went much wider than providing services. This included valuing the characteristics of a place, protecting what is good about an area and addressing things in need of improvement. Participants clearly highlighted the very important local dimensions to the issues they raised, which they felt needed a local, rather than national, solution suggesting a lead role for local government:

- in Bristol, the council was seen as having a role in curtailing the number of bars that opened, in the interests of community safety within the area;
- in Trafford, a similar issue arose around the number of fast food outlets which were felt not only to be out of keeping with the local environment, but also encouraged poor diets and led to obesity; and

- in Essex, there was considerable discussion about the need for the council to be more proactive in developing links with the local and national businesses as a way of funding activities and facilities for local communities. Participants gave the example of partnership working between B&Q and the local fire service to provide activities for children in the holidays.

H.17 When asked about place-shaping, many participants at the public engagement events suggested that local councils - who had been elected to represent their citizens and make public choices - were well placed to carry out a lead role in place-shaping their area, suggesting this should include:

- representing the public's interests;
- protection of what was good about an area and addressing things in need of improvement in addition to their role as service provider; and
- facilitating improvements through negotiation across the different interests and priorities within their area.

H.18 They also felt that local government was the tier of government which best understood the needs of a local area and was most likely to put those needs first. Although many warned that local councils were not without fault, they suggested that local government was the best alternative to central government.

I don't trust local government, but I trust central government even less. (Public engagement participant).

Barriers to place-shaping

H.19 Although the concept of place-shaping was widely supported, several respondents mentioned constraints which they currently faced in carrying out place-shaping effectively. These constraints were highlighted both by participants at the public engagement events and by local authorities themselves.

H.20 Three issues were particularly identified by local authorities, which they felt inhibited them carrying out the most effective place-shaping role within their area:

- **partnership working** – particularly the complex and changing map of partner organisations. For example in Barnet, interviewees commented that the planning and delivery of large-scale infrastructure (transport, utilities, health and educational provision) were spread across a range of different agencies.

If you want to get your transport strategy approved you have to go through three layers of government, and that takes a lot of investment. (senior local government officer)

- **central government 'crowding out'** – through exercising strong vertical control, particularly through targets, inspection and specific initiatives. Interviewees felt central government current crowds out space for local government to carry out place-shaping effectively at a local level.

You can't have these national and regional silos operating vertically and then when you get down to our level say 'by the way we want horizontal integration'. It just doesn't work. (Local government councillor).

- **lack of flexibility in funding** – in particular, respondents identified ring-fenced grants and capped council tax acting as barriers to allocating resources effectively at a local level.

Capping means that the extent to which the council can address some key place-shaping issues identified by the public is very limited. (Senior local government officer).

H.21 Interviewees also identified a lack of ability to invest in infrastructure such as roads and trams as an inhibitor:

Money ... for infrastructure development is absolutely key for us and the freedom to raise that ... The constraint is not having the freedom to properly invest. We will support that investment ourselves. We're not asking for more money from the government. We're saying we can raise that from the markets and pay for it out of the development. (Senior local government officer)

H.22 Members of the public who attended the public engagement events provided illustrations of the above barriers. They discussed central government 'crowding out' local choice or flexibility as a key issue, and some felt that central government were 'over bearing' and didn't provide space for local government to act in the local interest.

If they [central government] pay for it, they feel they can play the tune – it should allow local government to breathe. (Public engagement participant)

H.23 Many also expressed lack of trust in local government to take on this agenda at present. Some suggested councillors 'lived it up' on expenses and others saw officers as disengaged, particularly because of lack of communication and dialogue with citizens.

Making place-shaping more effective

H.24 A majority of the suggested solutions from councillors and local government corporate staff focused on creating more space at a local level to determine and act upon local priorities. Interviewees called for fewer targets, less inspection, fewer central government initiatives and clearer and more joined up thinking in those that remain. Facilitating partnership working by simplifying the system and boosting local authorities legitimate convening role were also suggested. In terms of funding, most emphasised the need for more flexibility within their budget. They criticised ring-fenced grants, passporting of resources to schools particularly, and argued for additional, more buoyant sources of local government finance.

H.25 Participants at the public engagement events also suggested that changes could be brought in to make local government's role in place shaping more effective. Many called for greater dialogue between the council and local residents, giving them more of a voice in decisions about their neighbourhoods:

Even if you're a service user you should have some influence – I still want to have a say. (Public engagement participant)

H.26 Several participants also discussed the role of planning in place-shaping. People felt that effective planning was core to local government's place-shaping role and believed that currently too many of the decisions were taken out of their hands. They called for more planning powers to help local authorities shape an area. Participants also recognised that it wasn't all about changing the system. They believed that their local councils should be more visibly proactive in planning, and ensure that they undertake strategic planning across their whole area. They also saw a key part of this role as representing local people's interests and appropriately engaging citizens in the planning process.

Local government and service provision

H.27 The case studies explored six services or functions in detail (two in each case study area). Interviews were carried out in each area with councillors, local government officers and appropriate partner organisations such as Primary Care Trusts and the police. Interviews particularly focused on:

- the issues and barriers facing the service;
- methods of funding;
- central-local relations; and
- local stakeholder relations.

H.28 Service specific discussions were also held in each of the public engagement events. The services were selected to represent a range of ‘types’, each being a significant area of work for local government, facing different pressures and with different central-local relations. They included: economic development; children’s services; adult social care; waste and recycling; health and well-being; and community Safety. The services were explored in each area as follows:

Study councils	Service areas
Barnet	Waste and recycling
	Health and well-being
Bristol	Economic development
	Community safety
Essex, plus Braintree, Brentwood, Chelmsford, Colchester and Tendring	Waste and recycling
	Children's services
Hartlepool	Health and well-being
	Children’s services
Nottingham	Economic development
	Community safety
Sheffield	Economic development
	Adult social care
Shropshire, plus Oswestry, Shrewsbury and South Shropshire	Waste and recycling
	Adult social care
Southampton	Community safety
	Children’s services
Trafford	Health and well-being
	Adult social care

H.29 An expert seminar was held on each of the service areas following this research to discuss the case study findings and add to the evidence base. These seminars brought together a range of specialists from across the public, private and voluntary sectors, and from academia and think tanks. A diverse range of views was heard and a range of evidence drawn upon which have informed my final conclusions and recommendations.

H.30 There are some general messages that can be drawn out across all six service areas, these are outlined below.

Issues and pressures

H.31 Councillors, officers and stakeholder organisations all spoke of the significant pressures faced in all six services. These pressures can be categorised into three broad themes:

- **changing demographics**, which interviewees across a number of service areas argued were increasing both the number and scale of need of service users. In social care, for example, the growing and ageing population, and in community safety the increase in instances of anti-social behaviour and fear of crime, were cited as pressures on service delivery;
- **new and additional legislation and initiatives**. For example, in children's services most interviewees were concerned primarily with the implementation of the Every Child Matters and the Working Together agendas, and in waste and recycling the EU targets to reduce dependence on landfill; and
- **an increase in public expectations** of what was being delivered. Across all service areas interviewees reported a perceived increase in the expectations of the quality and quantity of services being delivered to the public.

H.32 Participants at the public engagement events recognised the increased pressures that many service areas were facing. In particular, participants identified the increased demand on different services due to changing demographics or behaviour, or higher expectations on that service area. Those services particularly highlighted included adult social care, community safety, health and well-being, and waste and recycling.

Central-local relations

H.33 All interviewees, whether working in service areas with a strong national framework such as adult social care, children's services or waste, or in a more cross-cutting role in services such as economic development, health and well-being or community safety, felt that the current system relied too heavily on top down instruments such as prescriptive guidance, performance targets and inspection.

The performance agenda [for adult social care] is driven by numbers and not necessarily by quality and not necessarily of things that the social workers on the ground can actually see are the most appropriate numbers to be counting. (local government officer)

Another example of the kind of preoccupation with inspecting and checking [for children's services] and the onerous requirements, and that is the children's JAR, Joint Area Review ... I was amazed with the number of inspection teams ... the amount of time and preparation and information that's got to be collected to me it's crazy, absolutely crazy. (local government officer)

Partnership working **H.34** Effective partnership working was seen as key to addressing issues and pressures in all service areas – where partnerships were working well, services were seen as being delivered efficiently; where partnerships were problematic they were identified as being key barriers to effective delivery. Interviewees from all service areas recognised that both horizontal and vertical partnership working was important in achieving effective service delivery. Several good examples of partnership working were identified and discussed by interviewees. In economic development there were often strong partnerships working across local authority boundaries.

So we all work and share information and collaborate on a variety of projects and initiatives because there's nothing more silly than not selling the whole of the area to businesses and appearing ridiculous if we stopped providing the service if a firm was interested in locating beyond our boundaries. If it's good for the sub-region it will be good for the four authorities. (Senior local government officer)

H.35 However, not all partnership working was successful and there were considerable frustrations expressed by both council officers and stakeholders across a range of service areas. In particular, the vertical accountability of national organisations like the NHS, Job Centre Plus and Learning and Skills Council was viewed as a barrier, with different boundaries, targets, priorities and eligibility criteria.

The council is a major agent in economic development but so are Job Centre Plus and the Learning and Skills Council. Both of those organisations work to a central government agenda entirely and have very little discretion and now because of cuts even less discretion to actually address local priorities. (Local government officer)

H.36 Participants at the public engagement events also discussed local councils' role in partnership working and recognised the need for councils to work in partnership with others in successful delivery seeing a lead co-ordinating role for local government:

They should be a body that bangs heads together (Public engagement participant)

Funding/delivery **H.37** There was some call for increases in overall funding coming to an authority; however, most interviewees emphasised the need for greater flexibility within their budget and less short-term funding. They criticised capping of council tax, ring-fenced grants, passporting of resources to schools and the introduction of new and expensive service standards. For example:

At the moment government is far too prescriptive in terms of what it expects of local government and there is too little freedom and flexibility. The key is first of all finance, so long as 75 per cent of our spend comes direct from government grant, we are inevitably heavily dependent on government. Some of it is ring-fenced grant, other's not, but then there is a capping level ... plus of course the gearing effect on the council tax, which is a strong disincentive ... So I mean I'm a firm believer that local government needs to raise more of its own money. (Senior local government member)

H.38 Calls for greater flexibility in funding came mainly from corporate local government officials who made comments such as:

There is very little flexibility in reality and that's part of the problem. When you come to budget, 90 per cent is spoken for before you start ... And you think, what money have we got to play with? And the answer usually is precious little because

it's committed. There is very little room to play with. (Corporate local government officer)

H.39 Short-term funding pots were a greater cause for concern for those from cross-cutting services such as community safety and health and well-being.

Short-term funding is always a difficulty with communities because if they think this is just short-term fix they don't buy into it. They get quite upset in fact ... What's going to happen at the end of the year then? Don't know – Well what's the point of us committing if you're going to pull them out? You need the longer-term strategic approach to this kind of subject if you're going to get communities really engaged and supported because they will see through it. (Senior police officer)

Suggestions for reform

H.40 There were some very different perspectives on what needs to change in each service area from local government councillors and officers depending on where the interviewee sat in the current structure and where their current levers or areas of influence were. Views could be categorised into three different groups.

Corporate perspective

H.41 Interviewees focusing on the strategic or place-shaping role of local government had a wider perspective of the role of local government than those working in specific service areas, who generally held more of a narrow perspective. This group called for less use of hierarchical policy instruments, simplification of the complex web of institutions involved in governance and sought additional, more buoyant forms of local government finance, more local control and setting of local priorities.

I think ring-fencing brings bureaucracy and I think we've got enough of that and we're trying to get rid of that. It also gives a message of a lack of trust sadly (Senior strategic local government officer)

Cross-cutting

H.42 Officers in cross-cutting service areas held a similar view to the corporate perspective. Their work involved significant partnership working including economic development, health and well-being and community safety. This group were often frustrated by the difficulties of working alongside and across traditional service silos. They were used to relying on influence and finding room in a crowded agenda.

H.43 This group called for more space to work at the local level on local priorities and several argued for less central prescription and more autonomy at a local level:

Is there an answer that actually allows local discretion on spending on things that matter, that doesn't leave the Government feeling embarrassed to account for public sector spending that's not in their control? Because it feels like everything's about trying to give them the reassurance that they can show that they're being prudent (Senior strategic local government officer)

Hierarchical perspective

H.44 Officers and councillors currently working within typically traditional service areas for local government, with significant spend and resources attached, such as adult social care, waste and children's services (particularly child protection), saw the benefits of strong hierarchical management – centrally driven targets, performance management and ring-fenced budgets – and believed that they enjoyed a higher profile in their council because of these tools.

H.45 However, they did also report that often there was too much centrally driven performance management and excessive regulation, and believed a reduction in this would improve efficiency.

H.46 Across all officers and members there were four key areas where interviewees called for change:

- firstly, calling for less central prescription (this was to different extents, and on different aspects depending on which service area they worked on);
- secondly, a general call for more engagement with service users and policy makers within central government departments;
- thirdly, a need for clarity over functions and responsibilities, and accountability between their role and the role of central government departments; and
- fourthly, an end to short-term funding regimes.

H.47 Attendees at the public engagement events supported national minimum standards across most service areas, with a call for more local choice and flexibility. Participants felt that this would lead to more innovation, ambition and ownership of local solutions for local problems, whilst providing reassurance of a basic level of service.

H.48 However, there were two service areas where participants called for national standards, which all areas should follow, and greater accountability at the centre. For adult social care, and in particular, the supply of residential care, people felt that everyone deserved the same access to social care at the same level of quality and cost. They also saw that changing demographics meant that a higher need in certain areas should be seen as a national problem, not a problem for that area. Children's services was the other service area where people felt strongly that there was a role for national determination in the protection of vulnerable children.

BMG SURVEY

Overview

H.49 I commissioned BMG Research to conduct a survey to explore public attitudes towards local government.³ The fieldwork was conducted in three waves. These covered attitudes to funding local government and the role and function of local government. Conducting three waves provided the following benefits: first, it allowed further exploration of issues arising from each wave; second, it allowed analysis of the extent to which public perceptions varied over time; and third it provided an opportunity to consider the impact of external factors such as media reports. This final report from the survey combines the results from all waves of research.⁴

³ Qualitative work was undertaken by NOP World and the Office of Public Management. The findings from these were considered in detail when designing the quantitative survey.

⁴ BMG research, *Lyons Inquiry Survey 2007*.

Role and function

Setting standards of delivery

H.50 Respondents were asked about the balance between national standards laid down by central government and local councils freedom to decide on the level of service provided. Views tended to reflect respondents current understanding of who was responsible for each service area. A majority believed;

- local councils should be free to decide the level of service they provided in relation to issues such as leisure services (76 per cent); refuse collection (74 per cent); and social housing (68 per cent);
- central government should set national standards for the NHS (80 per cent); education (69 per cent); police (67 per cent); and fire and rescue services (60 per cent).

H.51 Local councils were regarded as being better at ‘seeing the bigger picture’ (53 per cent), having ‘more money’ (26 per cent) and ‘more power’ (23 per cent). Whilst central government was judged to have ‘a better understanding of the local picture’ (65 per cent), they were ‘better able to target resources to needs’ (46 per cent), and ‘better able to reflect local needs’ (31 per cent).

H.52 A majority of respondents felt local councils should be responsible for setting standards and priorities for many of the services they are responsible for however, few (13 per cent) believed they should be entirely free to provide the standard of service they felt reflected what the community wanted and needed.

Variation in service provision

H.53 At waves one and three respondents were asked whether they thought it mattered if local levels of service were not the same in different parts of the country. Considering the combined data from both waves, around half (55 per cent) of all respondents believed it did matter if local levels of service were not the same. Interestingly, once the concept of successful public consultation was introduced; two thirds (67 per cent) agreed that it did not matter if local councils provided a different level of service as long as people were consulted and were happy with the service they receive, and only 14 per cent disagreed.

Public engagement

H.54 Over half (54 per cent) of respondents in wave three mentioned at least one service that they would like to have a say in the standards of – the most often mentioned were police and community safety (25 per cent), and the NHS (19 per cent).

H.55 Those who felt council tax in their area provided poor value for money were more likely than those who felt it provided good value for money to report a desire to have a say in at least one of the services asked about.

H.56 Of the 45 per cent who expressed an interest in getting involved themselves, a half (50 per cent) reported that they would prefer to do so via public meetings, two fifths (41 per cent) via surveys, focus groups and related research mechanisms, and around a quarter via petitions (28 per cent), meetings with councillors (27 per cent), meetings of groups to which they belonged (24 per cent), at a meeting with council staff (24 per cent), and written communication (22 per cent). Few mentioned standing for council elections (6 per cent).

Funding

- Responsibility for setting council tax levels** **H.57** In wave one it was local councils that respondents felt should have the greatest control over setting council tax levels (41 per cent), and over half (53 per cent) felt central government should have the least say. Views were balanced as to the role of local residents, with just over a third (35 per cent) feeling they should have the most say, and an equal proportion (35 per cent) feeling they should have the least say.
- Awareness of council tax banding** **H.58** Despite the fact that around three quarters (78 per cent) of all respondents reported that their household paid all of their council tax, it is clear that many people did not know which council tax band their house was in, regardless of whether they paid all/some council tax themselves, or whether council tax benefit paid it all. Over a third simply did not know (34 per cent), and around a further quarter (23 per cent) provided the incorrect band.
- Proportion of spending that comes from council tax** **H.59** There was also low awareness of the proportion of the money that a local council spent every year came from council tax. Over a third (35 per cent) of respondents did not offer a response, and around two fifths (44 per cent) provided the incorrect balance of funding for their local council.
- Fairness-setting local taxes** **H.60** There was a strong sense from the three surveys' that a household's ability to pay, rather than the size of the property, the size of the household, use of services or the value of the property is the most important factor.
- H.61** A fifth (20 per cent) of all respondents mentioned property value, and a third (32 per cent) mention property size. Income was seen as the more equitable basis on which to calculate local tax, mentioned by over two fifths (42 per cent) of people.
- H.62** When respondents were asked the extent to which they agreed or disagreed that if a person's house went up in value more than others in that area they should pay more council tax. While a quarter (25 per cent) did agree that this should be the case, over half (55%) disagreed to some extent.
- Attitudes towards revaluation** **H.63** In wave one, over two in five (43 per cent) respondents agreed that there should be regular revaluations to take into account changes in house prices, while just over a third (34 per cent) disagreed with the concept.
- Attitudes towards subsidising others** **H.64** It should be noted that this section is largely based on a set of hypothetical questions that tended both to be difficult for respondents to answer (hence some questions had high levels of 'don't know'/not provided'), and that were also more difficult to analyse definitively.
- H.65** Consequently some caution should be shown when considering the results of this section of the report.
- Pensioners** **H.66** When asked about which group, if any, respondents felt should be subsidised they were most likely to say pensioners, and to support an automatic payment to pensioners to allow them to pay less council tax, even if they owned a property without a mortgage. This proportion fell to half (51 per cent) when savings, pensions and investments were introduced.
- H.67** Respondents identified high earners as the primary group to pay more to compensate for pensioners paying less (46 per cent). A much smaller proportion (17 per cent) mentioned that all working people should pay more. Over a quarter (27 per cent) could not or refused to provide an answer to this question.

H.68 Of those who mentioned that they would be prepared to pay more to subsidise pensioners, around a quarter (27 per cent) were not prepared to specify an amount, a similar proportion (25 per cent) reported that they would be prepared to pay an extra one per cent, a fifth (20 per cent) that they would be prepared to pay an extra two per cent, and a further fifth (18 per cent) an extra five per cent.

Local income tax **H.69** Overall, half (49 per cent) felt there should be a move away from council tax being entirely based on property values, comprised of a third (33 per cent) saying that council tax should be entirely replaced with a local income tax and 16 per cent saying that it should be partly replaced. Just over one in ten (14 per cent) thought that council tax should continue to be based solely on property values.

H.70 Half (50 per cent) of all respondents believed that pensioners would pay less tax if there were to be a move to local income tax, however only just over one in ten (13 per cent) thought that the amount their own household would pay would go up. This suggests that respondents did not link pensioners paying less tax to a possible rise in the amount of tax their own household would have to pay.

Charges for services **H.71** At all waves respondents were asked whether they thought local councils should be allowed to offer better quality services to those households that choose to pay more for them.

H.72 In waves one and three, opinions were very much balanced, with close to half (48 per cent and 46 per cent respectively) saying that local councils should, and similar proportions (48 per cent in both waves) that they should not be allowed to offer better quality services to those who choose to pay more for them.⁵

H.73 At wave three respondents were also asked whether their household would be prepared to pay extra in order to receive a new or better service from their council. Whereas around half (46 per cent) felt that councils should be allowed to offer new or better services to those who chose to pay for them, only 29 per cent reported that their household would actually take advantage of such an opportunity. Of these, one in ten (9 per cent) reported that their household would consider this option for all services, and one in five (20 per cent) that their household would consider this option for some services.

H.74 When those who reported that they would be prepared to pay more for some services were asked for which services they would be prepared to pay more, the key areas identified were the police (44 per cent) and the NHS (30 per cent).

H.75 Around a fifth mentioned: public transport (21 per cent); roads (21 per cent); refuse collection (20 per cent); education (18 per cent); social services (18 per cent); and leisure services (17 per cent).

H.76 In terms of level of service usage, it was those who were high or medium users of services who were more likely to report that their household would not be prepared to pay extra to receive a new or better service from their local council (65 per cent and 71 per cent respectively compared to 43 per cent of low users of services).

H.77 In contrast, close to a third (32 per cent) of low users of services reported that their household would be prepared to pay extra for all services. This points to a dichotomy, whereby those who are most likely to use services are least likely to wish to pay for them, and vice versa.

⁵ This question was not asked in Wave 2 of the Survey.

Bespoke engagement events with councillors

H.78 I held a series of councillor-focused events in July 2006 to seek the views of, and engage directly with, a range of councillors from across England. This important group of stakeholders – usually the public face of local government, elected to represent and make public choices – play a key local leadership role. Input from councillors has therefore been essential to my Inquiry. I am very grateful for all those who gave up their time to attend these events, and to Councillor Sir Simon Milton (Leader of Westminster City Council) in London, Councillor Bryony Rudkin (Suffolk County Council) in Warwickshire and Councillor Richard Kemp (Liverpool City Council) in Liverpool who supported me in co-facilitating these events.

H.79 I published a report of the events on the Inquiry website in October 2006. Some very clear messages emerged from across the three meetings, which are summarised below.

H.80 Firstly, there was a strong appetite among councillors for greater local responsibility. There was regret and frustration that local priorities were often crowded out by national pressures. Some councillors also expressed the view that moves towards further centralisation by successive governments had led to councillors often feeling disempowered. Councillors felt especially strongly about planning decisions, which they believed were often closest to the hearts of their constituents but where, too frequently, they felt that their councils were overruled by centrally determined priorities.

H.81 Secondly, there was a clear desire among the councillors to improve their communication with residents. Many felt that a more transparent and devolved system would assist this. Many saw communication as part of the process of public engagement. However, from what councillors said it was evident that councils vary in the extent to which they see proactive citizen engagement as part of their core business.

H.82 Across the three meetings councillors suggested a range of interesting ideas for change:

- a more specific role description for councillors with a clearer indication of the time commitment required. Some councillors particularly commended the model used by the NHS for its non-executive directors;
- there was enthusiasm for widening the pool of councillors, through providing appropriate training opportunities for people to develop necessary skills to become a councillor, and widening recruitment, going beyond political parties. However, several councillors stressed the need for political parties to also take on a greater role in improving the calibre of councillors; and
- there was also a keen interest from councillors at all tiers to have responsibility for individual ward budgets.

Bespoke engagement events with businesses

H.83 During August 2006 I held four events across the country to consult with businesses on specific issues related to my Inquiry. I am very grateful to the 150 delegates from businesses who gave up their time to attend the events and contribute so fully to this debate. I would also like to extend my thanks to the Chambers of Commerce in Leeds, Thames Valley and Coventry and Warwickshire, together with

London First, British Chambers of Commerce, the CBI and the Small Business Service who successfully recruited a range of business representatives to each of the events. These events built upon the many meetings I have held throughout the life of my Inquiry with national, regional and sectoral business groups.

H.84 The events provided an opportunity for me to debate many issues with the business community including: the role for local government in ‘place-shaping’, exploring what this means for businesses; and their views and experience of the need for local choice and priority setting to reflect the different needs and aspirations of the communities within which they work.

H.85 Three key themes emerged across the four events:

- firstly, businesses’ desire for economic prosperity to be raised higher up the local government agenda;
- secondly, a clear call to see stronger leadership from local government across the area, championing the promotion of economic prosperity; and
- thirdly, businesses identified a real need for local government officials and elected members to develop the appropriate skills, expertise and confidence to carry out this role successfully.

H.86 Overall, businesses supported local government developing a stronger place-shaping role, thus promoting prosperity in their area. Several attendees identified some examples of where local government are already taking on this role including Coventry, Manchester, Birmingham and Leeds, as well as some smaller areas such as Rugby. There was also wider recognition among attendees that place-shaping was important for both urban and rural areas. However, many attendees pointed out that these examples should be seen as exceptions rather than the norm and called for local government to raise its game to meet the challenges of this new role. In particular, they argued that local government needed to overcome two main barriers:

- firstly, economic development needed to be raised up the agenda and be seen as a priority within local government; and
- secondly, businesses questioned the skills base of some officers and councillors. Many felt that there was room for both officers and councillors to improve their knowledge and skills in relation to understanding and working with businesses, particularly in increasing their knowledge of the planning process and legislation.

H.87 Several businesses suggested that the debate around funding would be more fruitful and constructive if re-cast – not to be seen as about taxation or the funding of services – but about investment. They agreed that this debate should not be focused on taxing more, but about exploring what the right system was to ensure the best stewardship of public resources.

H.88 There was some appetite among businesses to raise money for economic development and increase investment at a local level based on three key principles:

- that the money is spent locally;
- it is transparent what the money is spent on; and
- there is appropriate engagement of the business sector in how it is used.

H.89 Business Improvement Districts (BIDs) were seen to meet the criteria, set out above, by those who had experienced them. However, they were often seen as too small scale, time limited and overly bureaucratic. A majority of businesses recognised that big challenges around infrastructure could not be solved in the current system and showed an interest in developing the right funding mechanisms for achieving this.

Economic prosperity – the local contribution

H.90 I held a conference, supported by Neil Stewart Associates, in September 2006 to explore the role of local authorities and other agencies in promoting economic prosperity which was well received by both the public and private sector. I published a report from the conference on the Lyons Inquiry website in October 2006; a brief summary of the common themes that emerged on the day is provided below.

H.91 The conference heard from a range of speakers from across the public and private sector including central, regional and local government. Three common themes emerged from the event.

H.92 Firstly, there was a clear view from both speakers and delegates that local wealth creation should be far higher up local civic agendas and at the centre of a shared vision of economic prosperity between local authorities and local business.

H.93 The conference offered clear support for the concept of place-shaping, identifying good examples from across the UK. Speakers also compared the current British situation to the local civic dynamism that they argued could be found abroad in the USA and in European cities such as Turin and Barcelona, where public and private sectors share a common vision and have the freedom to pursue flexible local strategies.

Local government and local business work far more closely together through such institutions as Mayor's offices and civic government [in the USA]. (Elisabeth Reynolds, Massachusetts Institute of Technology)

You see a wealth of pride in German cities, a pride in themselves, and everyone shares that both in business and in the public sector. They are all on the same side. (David Frost, Director General, British Chambers of Commerce)

H.94 The second theme called for a decentralised framework where the public and private sectors are able to move fast and flexibly without being held back by central constraints and performance targets.

Further devolved decision making and freedoms are required for regions and local areas, first; to respond to rapidly changing economic circumstances, second; to deal with persistent pockets of deprivation or sluggish economic performance and third to develop to their fullest possible potential. (John Healey MP, Financial Secretary to the Treasury)

We have to think and act long term but also have fewer but more strategic interventions. The government has a role in providing clarity but it must trust local government more. (Michael Parkinson, Director, European Institute of Urban Affairs)

H.95 Finally, both public and private sector speakers and delegates called for local government to develop a clear vision and strengthen their expertise, skills, leadership and understanding of enterprise so that they were more able to form effective partnerships with the business sector.

We need a far better quality of leadership at both councillor and officer level. (Sir Digby Jones, former Director General of the CBI)

As a property developer ... I want to see strong leadership from local government. We want vision and someone who can see the future and who knows where they are going. (Tom Bloxham, Urban Splash)

H.96 The conference highlighted a shared view across the public and private sector that promoting economic prosperity was an issue that affected the entire country and was therefore everyone's responsibility. There was a call for action, for the public and private sector to work together at both local and regional levels to promote economic development.