



# Centre for Cities 'City Leadership' launch

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**LYONS INQUIRY**  
into Local Government

# An opportunity for change?

- Welcome this report – reflects growing interest in urban devolution agenda and rich debate
- Government is opening up issues about devolution, cities and structures – White Paper
- Considerable recent comment and debate on localism and the role of local authorities
- Inquiry's remit links funding reform to role and function and feeds into CSR
- A “tipping point” towards consensus for a change in central-local balance?

# Agreement about what the challenges are

- Our urban areas are under-performing economically compared to European counterparts
- General consensus, even in Government, that this is related to lack of local powers and autonomy
- Policy has made incremental steps – LAAs, LEGI, LABGI, BIDs
- However big devolution questions remain: what, how and to whom?

# And some of the answers

- **Local government has a wider role to play**
- Beyond delivery and administration of local public services it can:
  - Play a strategic role as “place-shaper”, concerned with the success and prosperity of the whole area
  - Make difficult choices about priority based on local need and opinion
  - Drive enhanced local performance & efficiency
  - Provide greater choice and higher satisfaction
  - Engage with local business
  - Help communities to make their own choices about their future

# Finance is an important part of the discussion

- What funding system do we need to support the kind of local government we want?
- Fairness, efficiency, flexibility, accountability all important considerations
- Particularly interested in:
  - **Flexibility** - how flexibility over revenues could support investment in infrastructure and services, through prudential borrowing
  - **Incentives** - how financial arrangements can provide a local link to the benefits of development and economic growth, providing incentives through tax base growth and proposed Planning Gains Supplement

# And it isn't just about the balance of funding

- Debate often centres on how much revenue is raised locally
- But that omits the question of who controls the spending
- Would more local revenues but the same central direction over spending really be a good situation?

# However: hard questions

- **Responsibility:**
  - are councils willing to take responsibility for tough choices under constrained resources?
- **Capacity:**
  - do they have the capacity to do this?
- **Trust:**
  - can we explain high levels of trust in local services, but low levels of trust in local government?
  - (although they are lower in central government than local government)

# And on wider devolution questions

- **National standards:** under what circumstances will the public endorse variation in services?
- **Confusion:** how can citizens understand the choices and trade offs available to them?
- **Services:** should councils monitor and challenge other services; what does this mean for their services?
- **Pressures:** is devolution the only answer to reducing pressures?

# And on structures...

- **City regions?**
  - how does this debate fit with re-organisation questions?
  - Formal/informal?
- **What about other areas?**
  - Smaller towns and rural areas?
- **Mayoral debate?**
  - Not straightforward
- **Councillors:**
  - what is the role of the elected councillor?

# A complex issue with broad implications

- Cannot be a technical debate between local and central government and experts
- Critical questions to be answered:
  - What do the public want from local services?
  - What type of local government do we want?
  - How do we want to be governed?
  - What are we willing to pay for?
- Financial devolution must be connected to the wider questions

# So public debate is essential

- Hard political decisions depend on evidence of what public want
  - urge towns and cities to engage their public and provide evidence
  - and to make the arguments about what would make a difference to them terms of economic development
- Need recommendations which are acceptable to local and central government – and citizens
- Devolution depends on public understanding of choices available to them, and confidence in local government

# Going forward

- Feed into ODPM White Paper – publishing papers in April – one on “Place-shaping”
- Final recommendations December 2006 – pre-CSR
- Recommendations on funding in the light of what we want local government to do
- Endgame:
  - A **stable** and long-lasting settlement
  - **Clarity** of central / local / other responsibilities
  - **Better services** and recognition of **broader role of local government**
  - A **funding system** which matches
  - **Ultimately:** more prosperous communities