

## **GREEN PAPER - MODERNISING LOCAL GOVERNMENT FINANCE**

### **(DRAFT) RESPONSE FROM BUCKINGHAMSHIRE COUNTY COUNCIL**

#### **General**

1. Whilst there are several proposals to welcome in the Green Paper, the Council is disappointed that the fundamental question of the balance between centrally and locally determined funding for local authorities receives scant discussion. To merely state 'there is no evidence that shifting the balance would strengthen local accountability or enhance financial freedom' is somewhat dismissive of this important issue.
2. One of the aims of the Government's modernisation agenda is to enhance the level of engagement between local authorities and their communities. An underlying principle is that local authorities are clearly accountable to their communities for the performance of the services they provide. The current funding regime for local authorities, with the majority centrally determined, weakens that accountability.

#### **Revenue Grant**

3. In terms of the major issue concerning 'formula' or 'plan' based systems for allocating revenue support grant, the Council is opposed to any significant shift towards a plan-based system. It is more judgemental and would further blur accountability. It is difficult to see how the Government can avoid getting involved in the details of an individual local authority's service prioritisation, resource allocation and funding options. It is likely to be more bureaucratic than the existing system and resources should be spent on services, not bureaucracy.
4. Although the existing formula-based process for allocating revenue support grant has limitations, it does provide some objective rationale for the method of allocating grant. Any developments to the system should not make it more complex to understand and explain. Any 'floors and ceilings' need to be carefully drawn so that they do not undermine the basic objectivity of the formula approach. This would suggest that only a limited number of authorities should be affected.
5. On the question of the formula, there has to be a trade-off between simplicity and perceived fairness. For example, this authority is most concerned that proposals to simplify their funding allocations by the Learning and Skills Council and the Lord Chancellor's Department (for Magistrates Courts) do not properly reflect higher costs in the South East. There is substantial independent research to support the Area Cost Adjustment factor in the current system and we would not like to see that disappear in the quest for simplification.

6. A feature of the current system for revenue support to local authorities is the growth in specific grants. For Buckinghamshire specific grants have almost doubled in value over the last 3 years. Whilst there is a role for specific grants, the presumption should be that the maximum proportion of funding from central government should come as general grant. Local authorities are best placed to identify and meet the service needs of their communities.
7. The Green Paper refers to the Neighbourhood Renewal Fund as a specific, but not ringfenced, grant aimed at deprived areas. Our concern is that the method of identifying deprived areas is not robust enough to identify pockets of deprivation in what appear to be reasonably affluent authorities.
8. This council has not yet been involved with Public Service Agreements and will be interested in the outcome of the pilots. At this stage it seems premature to comment on their potential role in funding local government.

### **Capital Investment and Borrowing**

9. We welcome the proposal to abolish detailed controls over local authority borrowing and introduce a regime based on prudential and accounting controls.
10. It is hoped that the fears expressed in the Green Paper, of a rapid increase in local authority debt if controls are abolished, prove unfounded. Pressures on local authority revenue budgets are considerable and any increased borrowing will have to compete for funding. Thus any transitional controls should not be too tightly drawn and be lifted as soon as possible.
11. The Green Paper outlines options for revenue support of borrowing in any system. We would be interested in seeing the option for capital grant developed.

### **Business Rates**

12. The proposals for supplementary business rates appear to be cumbersome. Given the stated business opposition to this proposal, it seems unlikely to make a significant impact on funding for local authorities. It seems more likely that local authorities and businesses would take forward specific proposals, which both parties supported, outside of such a complex procedure.
13. The proposed extension of rural rate relief to more than one property in small settlements is supported, as is the proposal to bring consistency to other forms of rate relief eg for charities and non-profit making sports clubs.

## **Council Tax**

14. The view that the council tax system is not in need of major change is accepted. However, it is right that regular revaluations are introduced. Without any revaluations the system will lose credibility. On the question of revaluation cycles for council tax and business rates, the preference is for the longer end of the range suggested.
15. On the question of collecting the council tax, the grounds for counties assuming the responsibility in two-tier areas are real. Counties receive the majority of the tax collected and can offer economies of scale. Consideration needs to be given to the related functions of business rate collection, council tax benefit administration and housing benefit administration.

## **Education Funding**

16. The statement that it would not be appropriate for central government to determine individual school budgets is welcome. The proposal, however, to separate out Education funding as between schools and LEA responsibilities needs careful consideration. It would appear to assume a standard pattern of delegation across the country and would require a detailed definition of which activities were the responsibility of schools or the LEA. On a related point, it would not be sensible to increase the level of delegation required of local authorities (eg to 90%) while this debate is ongoing.
17. Again, the Green Paper refers to simple formulae. Notwithstanding the principle involved, the comments at paragraph 5 above would apply for Education. Furthermore, simplification should not be at the expense of rural authorities, where pressures for village schools to be retained are supported by the Government, and where transport costs are a significant feature.

## **Medium Term Planning**

18. The Government's commitment to assist local authority medium term planning through the Comprehensive Spending Review, three year spending totals and the SSA methodology freeze are welcome. However, to further assist the process, the signalled three year indicative levels for capital resources and specific grants need to be implemented.

LGFGP/MS  
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