House of Commons
Transport, Local Government and the Regions Committee

DRAFT LOCAL GOVERNMENT BILL

Fifteenth Report of Session 2001–02

Volume I

HC 981–I
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Volume I:

Report and Proceedings of the Committee

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Contacts
All correspondence should be addressed to The Clerk of the Committee, Committee Office, 7 Millbank, London SW1 P 3JA. The telephone number for general inquiries is: 020 7219 4972; the Committee’s e-mail address is: tlrcom@parliament.uk.

Footnotes
In the footnotes of this Report, references to oral evidence are indicated by ‘Q’ followed by the question number. References to written evidence are indicated by the memorandum number, eg LGB 01.
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The Transport, Local Government and the Regions Committee has agreed to the following Report:

DRAFT LOCAL GOVERNMENT BILL

Conclusions

The Government promised to redress the imbalance between central and local government. This Bill fails to achieve that. It makes some small steps in the right direction but at the same time increases the power of the Secretary of State. Central Government seems to be terrified of trusting local authorities and allowing them their independence.

We welcome the new prudential regime for local authority capital finance. We are concerned that the detailed Clauses in the Bill undermine that prudential regime with Clause 4 giving the Secretary of State power to restrict local authority borrowing as he sees fit and Clause 10 allowing the pooling of capital receipts. We are also concerned that the Government’s control of local authority revenue funding effectively restricts borrowing.

The draft Bill is far too reliant on regulations. The Government should set out its intent on the face of the Bill, not through secondary legislation. When the Bill comes forward for consideration, all the secondary legislation should be available in draft.

We do not object to the Government bringing forward a revised version of the Bill, which gives greater emphasis to giving greater freedoms to local authorities. But there is a need not only for a Bill which makes minor modifications but which would constitute a major re-appraisal of how the aim of bringing about local government and local democracy will be achieved. If we are to have effective local government, the centre must let go—not just the Office of the Deputy Prime Minister but Government as a whole.
Introduction

1. On 12 June 2002, the Government published a consultation paper on its draft Local Government Bill and asked us to scrutinise it. We received written memoranda from 45 organisations and took oral evidence from 19 organisations during July 2002, culminating in evidence from the Rt Hon Nick Raynsford, MP, Minister of State for Local Government and the Regions. We appointed Rita Hale, Anna Capaldi, Amanda McIntyre and Professor Sir Michael Lyons and as our advisors and are grateful to them and all those who gave evidence to the Committee.

2. The draft Bill contains measures on local government capital finance, financial administration, grants, business improvement districts, non-domestic rates, council tax, housing finance and miscellaneous matters which include the categorisation of local authorities according to performance and powers to charge and trade. Our Report considers the general principles of the draft Bill, goes on to consider it by Part and concludes with observations about omissions and implementation.

The draft Bill

General principles

3. The draft Bill, follows the publication in December 2001 of the White Paper Strong Local Leadership: Quality Public Services. The Government’s introduction to the consultation paper on the draft Bill stated:

"Last December we published the White Paper Strong Local Leadership: Quality Public Services which represents a milestone in the history of the relationship between central and local government. The proposals in the White Paper seek to change the relationship between central and local government: to establish a partnership for the delivery of high quality services and to secure strong and responsive leadership by local government, freed from unnecessary Government controls."

The proposal to change the balance between central and local government is admirable and generally supported amongst our witnesses. Unfortunately, our evidence suggested that the draft Bill fails to fulfil this commitment. Professor Gerry Stoker told us:

"It is a good starting point but it is not enough. I do not know anyone in the local government or the academic community who would describe themselves as even moderately excited by this draft Bill. It is not going to set the world on fire in terms of a change in the way in which central/local relations are constructed or the way in which local government should work."

He continued,

"I do not think the Bill as it stands is going to be the Bill that we all look back at and say 'that was the Bill that regenerated local democracy or local government.'"

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1 Paragraph 1, Local Government Bill—Consultation on legislation, Office of the Deputy Prime Minister, June 2002
2 Q321
3 Q322
4. We have also received evidence of concern from local authorities that central Government is concentrating on “establishing a national framework of standards and accountability” at a much faster rate than “devolution to local councils to encourage diversity and creativity.” We heard from the Local Government Association that:

“The thrust of the Bill is I think welcome in the fact that it is a step in the right direction but from local government’s point of view the challenge is to give the freedoms and the powers and the responsibilities to local government and by doing so to release the energy and innovation amongst those that work in local government. Therefore, we have seen so far, I think, some of the freedoms and flexibilities but probably fewer than we have seen progress on things like the Comprehensive Performance Assessment.”

5. The White Paper on which this Bill is based, raised considerable expectation about a change in the relations between central and local government. On the whole the draft Bill appears to be far from a radical overhaul and in many cases gives more powers to the Secretary of State. The way in which it is drafted could enmesh local authorities in more regulation. We are furthermore concerned that aspects of the Bill centralise powers unnecessarily. We strongly believe that if local government is going to regain the public respect and authority it once enjoyed, the Government must be prepared to trust it much more.

Regulation

6. As with the Local Government Act 2000, our witnesses were concerned about the level of regulation proposed. The Royal Institution of Chartered Surveyors stated:

“We are alarmed however at the quantity of secondary legislation to be initiated by these measures. We calculate there are over 50 regulations or order enabling powers that will need to be made as a result of the Bill.”

There was also a concern about the amount of power to be concentrated in the Secretary of State as a result. Westminster City Council’s memorandum concluded,

“The City Council is concerned that the Secretary of State will be given new and wide ranging powers under the draft Bill.”

Many of our witnesses stressed that it would be hard to judge the likely effects of many measures within the Bill without sight of the regulations and stressed the importance of the draft regulations being available to Parliamentarians when the final Bill is considered. Mr Raynsford made a commitment to provide draft regulations (or a description of the principles underpinning regulations) on all the “important” clauses within the Bill, when it reaches the Committee Stage. We recommend that the volume of regulation should be reduced. Instead principles should be clearly articulated on the face of the Bill and be implemented through voluntary guidance and local discretion. Where regulations are necessary, draft
regulations should be available for consideration alongside the Bill at the Committee Stage.

Part 1: Capital Finance and Accounts

7. Part 1 of the Bill introduces a new prudential regime for local authority borrowing. Ms Wellen of the Chartered Institute of Public Finance and Accounting (CIPFA) described the new prudential system:

"Essentially in the new system local authorities are going to be responsible for taking decisions on how much they can afford to borrow and, therefore, taking their own decisions with respect to their capital investment and their capital programmes."\(^{11}\)

The prudential regime replaces the system of credit approvals, whereby central government stipulates the amount and type of capital investment that each authority may fund from borrowing. There are two conditions necessary for the meaningful operation of the prudential regime:

(i) powers (which we discuss further below); and
(ii) resources (in particular revenue funding), which are mostly in the control of central Government.

As CIPFA told us:

"A freedom under the Prudential Code to manage your own shop in terms of capital investment is not a freedom if you have not got the revenue support behind it."\(^{12}\)

We welcome the introduction of the prudential regime for capital finance and hope that the resources needed to implement it will swiftly follow.

Clause 2: Control of borrowing

8. Clause 2 includes a duty on local authorities not to breach borrowing limits. It also includes provisions for the Secretary of State to make regulations governing loan agreements. We received evidence about loan agreements from the Local Government Association:

"In addition to imposing controls on local authority borrowing, Clause 2 provides for the Secretary of State to make regulations governing loan agreements. We question whether it is necessary to carry over into the new system, the detailed requirements that currently exist in this area. We are discussing with the Office of the Deputy Prime Minister whether these regulation-making powers are necessary and hope that the outcome of those discussions is that they are not. In the light of these ongoing discussions it would be premature to say now that we want these provisions removing from the Bill."\(^{13}\)

We have asked the Local Government Association to report the outcome of its discussion with the Office of the Deputy Prime Minister on Clause 2 to the Committee. We will monitor developments.

\(^{11}\) QW7
\(^{12}\) Q91
\(^{13}\) LGB05(a)
Clause 3: Duty to determine affordable borrowing limit

9. Under Clause 3, each local authority is to determine and keep under review the amount of money it can afford to borrow. The Secretary of State can, by regulation make provisions about the performance of this duty, including a requirement for local authorities to follow particular codes of practice. The Explanatory Notes to this Clause explain that the power will be used primarily to specify the Prudential Code being produced by CIPFA, which will then lay down the practical rules for deciding whether borrowing is affordable. Ms Wellen of CIPFA explained,

"The purpose of the Code we are developing is to support the local democratic decision making by ensuring that certain matters are taken into account during those decisions. Firstly, that local authorities need to have regard to their strategic plans, their management planning and option appraisal and so will have an impact on service delivery. Secondly, to make sure that in taking those decisions they take into account all of their assets and all of their liabilities, and that is very crucial to making sure they get proper decision making. Thirdly, and crucially, the Code will require them to set prudent indicators that will show that their decisions are affordable in the short and medium term, in the long-term sustainable, or if they are not will demonstrate quite clearly that they are not."\(^{14}\)

Clause 4: Imposition of borrowing limits

10. Clause 4 gives the Government a power to limit both the borrowing of individual local authorities and aggregate borrowing across local authorities. Mr Raynsford told us that this would be a reserve power.\(^{15}\) We received a great deal of evidence about Clause 4—arguing that it was drawn too broadly and could potentially undermine the prudential approach set out in Clauses 2 and 3. Evidence from the Local Government Association (LGA) stated:

"Clause 2 prevents local authorities from borrowing in excess of limits they themselves have determined under Clause 3 or in excess of limits imposed by the Secretary of State under Clause 4. The Secretary of State may impose a national limit on all authorities or set limits for individual authorities. The LGA believes that the key test of affordability should be authorities' own prudential limits, determined locally, which take account of local priorities and ability to pay. The decisions that authorities take will be in accordance with a Code produced by CIPFA. This will require them to act prudently when drawing up their investment plans and to frame their strategies with regard to certain prudential indicators relating to external debt, capital commitments and treasury management."\(^{16}\)

Mr Travers of the London School of Economics and Political Science told us,

"There is no doubt that although the Government has set in the Bill a framework within which it would be possible to operate, its so-called prudential rules system, the same legislation would indeed allow the Government to operate a very different capital control system, one similar to or even more controlled than the present one."\(^{17}\)

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\(^{14}\) Q87
\(^{15}\) Q641
\(^{16}\) LGB05(a)
\(^{17}\) Q282
11. Mr Raynsford described the importance of central Government retaining a reserve power to limit the aggregate level of local authority borrowing in times of macroeconomic crisis. The Local Government Association put forward recommendations about how Clause 4 could be amended to take account of this:

"If the Government is unwilling to make this change [the removal of powers for the Secretary of State to impose a aggregate limit on authorities] then the Bill should specify those circumstances in which the Secretary of State would exercise his powers. These could be couched in terms of protecting the country's economic interests or preventing levels of public expenditure becoming unaffordable nationally, these being the conditions for the use of the power contained in the White Paper and the Explanatory Notes to the Bill."19

12. We heard that the proposed power to allow the Secretary of State to impose a borrowing limit on individual authorities was unnecessary and should be removed. The Local Government Association argued:

"Clause 4 gives the Secretary of state a power to impose a borrowing limit on an individual authority. Irrespective of whether the power to set a national limit is retained we believe that this power is unnecessary given that the authority will have to comply with CIPFA's Prudential Code in determining its borrowing needs. This provision should be removed from the Bill."20

13. We recommend that Clause 4 be redrafted so that the circumstances in which the Secretary of State can control the aggregate level of local authority borrowing are limited to occasions where this is in the interest of the national economy and subject to consultation with representatives of local government and affirmative action by both Houses of Parliament. We also recommend that proposals for the Secretary of State to limit the borrowing of individual authorities be removed.

14. We recommend that Clause 4 be amended along the following lines:

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<td>(1) Where the Secretary of State considers that it is necessary to do so in the interests of the national economy, he may by regulations set a limit on the aggregate level of borrowing of money by local authorities.</td>
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<tr>
<td>(2) No regulations may be made under this section unless -</td>
<td></td>
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<tr>
<td>(a) the Secretary of State has consulted such representatives of local government as appear to him to be appropriate,</td>
<td></td>
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<tr>
<td>(b) he has laid before each House of Parliament a report explaining the reasons why he considers it necessary that the regulations be made, and</td>
<td></td>
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<tr>
<td>(c) the report has been approved by resolution of each House of Parliament.</td>
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<tr>
<td>(3) Section 116(1) and (2) does not apply to regulations made under this section.</td>
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18 Q641
19 LGB05(a)
20 LGB05(a)
Clauses 2 and 24 would need to be appropriately amended.

Clause 10: Capital receipts

15. Clause 10 relates to the use of capital receipts by local authorities. It creates provisions for the ‘pooling’ of such receipts across councils. We have received evidence that Clause 10 could undermine the prudential regime—the knowledge or even possibility that capital receipts would be pooled could change sale and investment decisions made by local authorities and would reduce the prudential limit for each authority. Mr Bisland of CIPFA told us,

“I think it is more likely that Members are going to be reluctant to sell assets if they think they are going to be pooled.”

Ms Wellen of CIPFA added,

“The direct link with the prudential system is that local authorities are going to have to regard to all their income sources, so if they are keeping all their capital receipts they can do their programme of activity for capital receipts in the knowledge of what they are going to get. If those capital receipts are going to be pooled and then redistributed, in order to take proper account of the income they are going to have they will need to know how that pooling is going to operate because otherwise—we are talking quite large amounts of money here—they will not know what income is going to come in to support the capital investment. So the pooling will have a direct impact on how the prudential system operates.”

We recommend that Clause 10 be removed from the Bill

Housing

16. We received a great deal of evidence commenting on the difference between the treatment of the pooling of receipts in the White Paper and the draft Bill. The White Paper refers to the pooling of housing receipts whilst the draft Bill refers to any capital receipt. Recognising that the Government may insist on going ahead with Clause 10, we were pleased to hear the Minister’s commitment that the final version of the Bill will refer to housing capital receipts only, with respect to Clause 10. We also welcome the Minister’s commitment that Clause 10 will not be used retrospectively.

17. We received evidence from the Chartered Institute of Housing that recommended an approach which differentiates between stock transfer and right to buy receipts.

“It helps to distinguish the two main kinds of housing receipts, right to buy receipts and receipts resulting from transfer. There is a prima facie case for right to buy receipts being directly recycled by the local authority in the way that, for example, housing associations, broadly speaking can do so.”

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21 Q113
22 Q109
23 Q670
24 Q674
25 Q242
The Minister has proposed that the Government retain Clause 10, but amend it so that it relates solely to housing capital receipts. If this happens, the approach to pooling housing receipts should differentiate between right to buy and stock transfer receipts. The former should be retained locally for re-investment in housing (either new build or renewal, depending on local market conditions).

18. The draft Bill contains insufficient information about the operation of any pooling system and any redistributive mechanism that could be used, meaning that it is not possible to comment on its fairness. The draft Bill gives power to the Secretary of State to make provisions about the use of capital receipts by regulation. Mr Perry of the Chartered Institute of Housing said, "A lot depends on the kind of formula you use, the extent to which there are some receipts left at the local level and the transparency of the overall operation. One of the dangers would be that, as happens at present, the receipts are scooped into a national pool and nobody ever knows the relationship between the national pool established from receipts and the bigger pool set aside by the Treasury for resources generally."26

The draft regulations for Clause 10, which relates to capital receipts, must be available when the Bill reaches the Committee Stage. We would be disturbed if the Government introduced a mechanism which took resources away from areas of housing need.

Timescale

19. Clause 10 gives the Secretary of State the power to make provisions about the time within which the capital receipts must be used. With the exception of the current provisions on set-aside, there are presently no restrictions on the timescale within which authorities must utilise receipts. Additional restrictions are seen as being against the spirit of further freedoms for local authorities and could skew decisions under the prudential regime. We recommend that the measure in Clause 10(1)(b) that allows the Secretary of State to make provisions about the time within which decisions about the use of capital receipts be made be deleted.

Clause 21: Accounting practices

20. Clause 21(1) gives the Secretary of State the power to specify accounting practices by regulation. The memorandum from CIPFA stated:

"In order to comply with UK Generally Accepted Accounting Practices, provide good management information and to ensure the sustainability of capital investment, CIPFA recommends that depreciation is charged within the accounts of local authorities and is resourced... The full application of depreciation would be consistent with the Government's fiscal strategy, which treats depreciation as a part of current expenditure, and with resource accounting."27

We support the recommendation of CIPFA that treatment of depreciation should move towards UK Generally Accepted Accounting Practice, in line with the resource accounting approach and that such a move should be resourced. It seems logical that central and local government finance should be run on the same basis and under proper accounting rules.

26 Q246
27 LGB29
Part 2: Financial Administration

21. Part 2 imposes new duties on local authorities about how they set and monitor their budgets. On the basis of the Minister’s evidence we are concerned that these Clauses have been drafted with two or three failing authorities in mind. He referred to Hackney and Walsall on numerous occasions. He had insufficient regard to the fact that these are general powers which could be applied to any authority. As a result this Part of the draft Bill is seen by councils as evidence of a lack of trust in local government by central Government. The memorandum from the Society of Local Authority Chief Executives described Part 2 of the draft Bill as evidence of the “prevailing attitude of mistrust of local government.”\textsuperscript{28} We did not receive any evidence that had these particular measures been in place they could have prevented financial imprudence.

Clause 25: Minimum reserves

22. Clause 25 gives the Secretary of State the power to determine the minimum level of reserves held by local authorities. We received evidence that it is impractical to set the level of reserves centrally and that consideration of reserves should anyway be within the scope of prudential financial management. Mr Soare of CIPFA said,

"I think on that particular issue, the background of the context is quite important here. I think the latest Audit Commission figures which have come out show that approximately 90 per cent of local authorities have adequate balances, the other ten per cent are judged by the auditors to have inadequate balances. However, when you look at the pattern of local authority spending, although in terms of a range, depending on type of authority, between 20 to 40 per cent of local authorities do overspend on individual directorate levels in year, virtually none of the local authorities actually end up having to reduce services as a result, i.e. they have enough in balances to cover those in year differences against actual and budget. It is in that context, I think, that we come at this particular point and say there is not a general problem. There are some well publicised problems for a very small minority of local authorities but the vast majority do manage very prudently. When we come to the issue about reserve balances it is in that context, specifying reserves and balances, what we say is it is a very local decision and judgment as to at what level balances should be set."\textsuperscript{29}

23. Some councils may choose to operate with low levels of reserves—provided that they are prepared to take appropriate action as and when necessary. A clear national statement from Ministers about what is an “acceptable” level of reserves may also make it far harder for individual authorities to deviate from national standards, despite good, local, management reasons. We heard from Wolverhampton City Council:

"We believe that we are a well-run financial authority; we have no records of overspending against budgets; as we regularly take monitoring reports to members. If the Secretary of State were to use this power in a fairly casual way, without a full assessment of local circumstances, I could envisage a situation where Wolverhampton’s minimum reserve level would have to be increased. At the moment we are quite confident that we can manage a contingency reserve of £2 million. If that had to be increased, the council would be faced with the difficult choice of either cutting services or increasing the council tax."\textsuperscript{30}

\textsuperscript{28} LGB10
\textsuperscript{29} Q99
\textsuperscript{30} Q360
We recommend that Clause 25 be removed from the Bill.

Clauses 26 and 27: Budget calculations: report on robustness of estimates etc and budget monitoring

24. Clauses 26 and 27 introduce new duties on Chief Financial Officers with respect to reporting on financial matters. We received no evidence that these clauses will make any difference to the decisions made by an authority that wishes to act imprudently. In relation to Clause 26 (which sets a duty on Chief Financial Officers to report on the robustness of estimates when the annual budget is being set), Mr Soare of CIPFA said,

"I suppose we view that what is intended by Clause 26—we would say going back to the general picture—is already happening in the vast majority of local authorities. In terms of a local authority treasurer giving advice on the robustness of estimates and the reserves position, there is legislation already around balanced budgets, there are also, if you like, interventionist type powers which local authority treasurers can exercise under Section 114 of the 1988 Local Government Finance Act. We feel that those already statutory powers, plus the guidance that we are developing for local authority treasurers should be sufficient."

He added,

"Not being party in detail to any of the authorities which have found themselves in this position, again it is difficult to say. Having something on the Statute Book potentially would not have altered the set of circumstances which took place on the ground in those small minority of authorities." 31

Mr Raynsford said that having Clause 26 in place would not stop a council from ignoring the advice of its Chief Financial Officer. 32

25. Clause 27 requires authorities to monitor income and expenditure against budget. Mr Soare told us,

"In the sense of it being a professional requirement on the local authority treasurer, that is already there. In terms of best professional practice, invariably—and again if you look at Audit Commission work in this area—you do not find the vast majority of local authorities being unaware of the in-year budget position. Indeed, there is a regular cycle of reporting, as is commonly known. We are developing our guidance into a professional practice standard for those treasurers who are CIPFA members, that is coming out later this year. We would say in the vast majority of authorities that in-year budget monitoring is part and parcel of the professional round and it is acknowledged that it is an essential element of financial management." 33

We recommend that Clauses 26 and 27 be removed.

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31 Q104
32 Q680
33 Q105
Part 3: Grants etc

Clauses 29-44: Proposals to merge the Revenue Support Grant and National Non-Domestic Rates

26. Clauses 29-44 will allow Government to merge revenue support grant and redistributed national non-domestic rates into a single stream—to be known as Formula Grant. These proposals had not been the subject of significant consultation before the publication of the draft Bill and within our evidence only one local authority was in favour of the proposal. The other councils had two main concerns—the loss of transparency that would result arise from the merger of the two funding streams and concern that the merger would remove the possibility of the non-domestic rate returning to local control. The memorandum from Brighton and Hove City Council stated,

“...the council is unhappy with the proposals to combine revenue support grant and national-non domestic rates into a formula grant. Being unable to identify the amount of national non-domestic rate receivable by an authority will not aid our discussions with the local business community. The council has agreed a policy to support the localisation of the business rate as a principle means of creating a more healthy local tax base. This proposal will move further away from this objective.”

27. Although opposed to the possibility of any return to local control of the non-domestic rate, the Confederation of British Industry has also objected to the merger of the two streams:

“We object to the Bill's presumption that business rate revenue amounts to simply one aspect of ‘Government support’ for local authorities. Revenue support grant constitutes Government support. Redistributed national non-domestic rates represent a separate business contribution to local authorities' funding. This tax should be transparent and should be clearly separated from revenue support. The effect of merging revenue support grant and the national non-domestic rate would be to lose sight of the business rate contribution to local government finance.”

28. The memorandum from Sefton Council stated:

“The introduction of a merged grant system appears to be a major change merely to simplify the administrative payment system. The explanatory notes published with the Bill indicates that this new grant ‘will have no effect on the total amount of Government support and almost no effect on the amount of support which each authority receives.”

Mr Raysnford confirmed that the benefits of merging the two funding streams would be administrative and argued that they would, in the main, accrue to local authorities. This is surprising, given the extent of the opposition to this proposal that we have heard from councils. We recommend that revenue support grant and the redistributed national-non domestic rates should not be merged.

34 LGB12
35 LGB35
36 LGB39
37 LGB17
38 LGB45
29. Clauses 31 requires the Secretary of State to decide each year how much grant it to be paid to local authorities, to obtain the consent of the Treasury and to consult representatives of local government before reaching his decision. Clauses 32 and 33 require the Secretary of State to make a report to Parliament setting out how much grant is to be paid and the basis on which the amount available to local authorities is to be divided up. The draft Bill therefore sets out the mechanics but not the basis for the distribution of revenue grant. The Government published a separate paper on its proposed new basis for local government revenue funding, on 8 July 2002. We recommend that the principles by which the Government wishes to operate the distribution system be specified on the face of the Bill.

30. Clause 49 would enable the Secretary of State to make payments to local authorities that have transferred their housing stock under a Large Scale Voluntary Transfer (LSVT) to another registered social landlord, where the capital receipt generated by the sale of the housing is insufficient to repay the outstanding debt on the houses transferred to the new landlord, (the gap between the amount received from the asset sale and the outstanding debt is usually referred to as “overhanging debt”).

31. A number of witnesses expressed concerns about the proposals. For example, CIPFA said,

“Points about transparency, equity and fairness can be made concerning the draft Bill’s proposals for the Government to pay off ‘overhanging debt.’” CIPFA continued, “From the perspective of the tenant who remains with the local authority, part of their rental payment services the historic housing debt rather than being applied to repairs, maintenance and improvements. The ‘playing field’ is not level and taxpayers’ money is being used in a discriminatory fashion. There is also a measure of ‘perverse incentive’ in the proposal as it benefits authorities that have not maintained their housing stock in the past to a standard where the market value exceeds the historic debt.”

32. The Committee recognises that there is a trade-off between the one-off payment in respect of “overhanging debt” and the subsidy a local authority would receive towards its debt financing costs if it were to retain its housing stock, but a number of witnesses suggested that the value of the “overhanging debt” write-off exceeds the value of the subsidy. Mr Raynsford offered to ask Lord Rooker, Minister of State for Housing, Planning and Regeneration, to send a note to the Committee on the balance of the benefit from overhanging debt write-off and breakage costs as against subsidy. The Office of the Deputy Prime Minister did not provide any illustrative calculations to either confirm or refute this point. The proposals contained in Clauses 48 and 49 on the re-payment of “overhanging” debt by central Government at the point of stock transfer result in an uneven choice for tenants between remaining with the local authority and choosing the stock transfer route.

39 Q236
40 Q696
41 LGB 45
42 After we had agreed our report, we received a letter from Lord Rooker which is being published as a memorandum to this inquiry (LGB 45(b))
Part 4: Business Improvement Districts

33. Part 4 of the Act puts in place provisions for the introduction of Business Improvement Districts (BIDs). Under a Business Improvement District local businesses would vote to pay a levy to fund additional services or improvements of benefit to the locality. Generally, our evidence is positive about the “enabling” way in which Part 4 of the Bill has been drafted and its reliance on local discretion and guidance prepared jointly by central and local government the business community.\(^{43}\)

Funding new activities

34. The Explanatory Notes state that “Clause 56 provides that a billing authority which has made Business Improvement District arrangements must keep a separate account for the BID levy revenue, i.e. the revenue is ring-fenced and may only be used for BID purposes.” The memorandum from the Confederation of British Industry (CBI) noted:

“BIDs must bring identifiably new money and improvement. The draft Bill recognises that BID revenue must be ring-fenced and demonstrably used to fund new activities as opposed to existing services to the business community.”\(^{44}\)

CV One (the city centre company in Coventry) which operates a close approximation to a Business Improvement District (based on voluntary contributions) stressed that business support depended heavily on the guarantee of tangible, additional benefits.

“You have to demonstrate genuine measurable additionality. It would not only give people a package of enhanced benefits and services, but also set ourselves performance targets every year, much like public service agreements—and we are part of Coventry’s public service agreement—whereby people can see that there have been tangible and measurable improvements in trading performance and crime levels, et cetera.

We recommend close monitoring of the additionality of Business Improvement District-funded activities.

Occupiers

35. We were pleased that the Minister wanted to encourage property owners to contribute to BIDs.\(^{45}\) This makes sense as landlords have much to gain in the long term from a successful BID. The British Property Federation said that its members wanted active involvement. The CBI and British Retail Consortium also argued that property owners should be involved. We heard different views on the best way of achieving this. We recommend that the Government works with the British Property Federation and other business organisations to find the best way of involving property owners as contributors to Business Improvement Districts, if necessary amending primary legislation and certainly covering this point in regulations and guidance.

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\(^{43}\) See for example, Association of Town Centre Managers (LGB32), Coventry City Council and CV One Limited (LGB14) and Local Government Association (LGB05)

\(^{44}\) LGB39

\(^{45}\) Q636
Small businesses and other special interest groups

36. Under Clauses 58 and 59, for a Business Improvement District to be established, a “prescribed percentage” of those liable to pay the levy must first vote in favour—on the basis of both a percentage of businesses and a percentage of the rateable value. The Regulatory Impact Assessment indicates that this will prescribed as the majority of businesses and more than 50% of the rateable value. The memorandum from the Association of Convenience Stores stated, “It is vital in setting rules for the arrangement of BIDs, appropriate and effective protection for small businesses is retained.” We recommend that a threshold of two thirds of the number of businesses should be adopted to safeguard the interests of small businesses in a Business Improvement District. The memorandum from the Association of Convenience Stores also raised wider concerns about the need to define the scope of a Business Improvement District well. The geographical area where Business Improvement District levies are payable should accurately reflect the geographical area where benefits will be accrued.

37. The Regulatory Impact Assessment states, “The amount that small businesses chose to contribute to a BID scheme will be left to each BID area to decide and the voting system should ensure that their interests will be effectively represented. It will be feasible for smaller businesses to contribute at a lower rate than larger businesses, if that is agreed locally.” Similarly, it may make sense for a few specific occupiers within a BID not to contribute, perhaps because they have limited budgets or because they would receive limited benefits from the scheme. For example, it might make sense for schools, hospitals or small providers of niche or community services not to contribute. They could be explicitly “carved out” in the proposal on which the remaining businesses are asked to vote. We recommend that Business Improvement District partnerships give consideration to reductions and exemptions from the levy, at the start of the process, so that the composition of those voting accurately reflects those who will be liable for the levy.

38. We have also received evidence that proposes that the BID concept should be developed more widely and be used in other contexts. Professor Stoker said: “I would be quite interested in seeing whether you could extend the principle of BIDs, the Business Improvement District idea, to a kind of negotiated agreement with other sectors in the economy, not just business people.” We recommend that the Government ensures that the Bill is drafted so that local authorities can choose to adapt such districts, if appropriate to meet local circumstances.

Part 5: Non-domestic rates

Clause 69: Small business rate relief

39. The Bill includes proposals for the introduction of rate relief for small businesses. There are clear concerns that an unintended consequence of such a scheme could be an increase in the rent charged by the landlords of small businesses, ultimately resulting in little or no benefit to the
small business.\textsuperscript{51} The Government should monitor the introduction of small business rate relief very closely to ensure that the benefit goes to the businesses and not to their landlords.

40. We have received evidence that the thresholds set for small business rate relief are too low to be of benefit to many small businesses. The Explanatory Notes indicate that this power will be used to implement the scheme set out in the White Paper \textit{Strong Local Leadership: Quality Public Services}, i.e. to make mandatory rate relief available at 50\% for properties up to £3,000 rateable value and will then decline on a sliding scale as rateable value increases, reaching no relief at £8,000 rateable value. The Association of Convenience Stores stated,

"For a small store a turnover of £4,000 per week is the minimum necessary to make a store viable, and the proposed threshold suggests a weekly turnover of less than £1,346. A store that has this low level of turnover has little chance of long term survival even if it received rate relief."\textsuperscript{52}

We have received evidence that the rateable values proposed for the small business rate relief scheme are too low for the scheme to be meaningful and recommend that the Government revise the thresholds in the light of our evidence.

\textbf{Clause 71: Transitional relief}

41. Clause 71 contains proposals for a self-financing transitional relief scheme when non-domestic rates are revalued. We received evidence that such schemes have not been successful in the past:

"The Partnership remembers the attempt by a previous Government to operate a similar non-statutory scheme in the 1990s, which was introduced in 1990-91 and abandoned in 1992-93, primarily because it attracted so much criticism from the business community."\textsuperscript{53}

We heard that there is a risk that such mistakes will be repeated. Mr Travers of the London School of Economics and Political Science told us:

"Based on past experience there must be a risk that the businesses and other non-domestic ratepayers who should be achieving or having a lower bill and gaining out of the reform will find that they are not getting their full gain because they are paying towards the protection of losers. That could well lead to resentment which I think would put pressure on the Government to step in and then at some point simply pay them all the money that they are entitled to, and that is what they will feel they will want."\textsuperscript{54}

The optimum design of any transitional scheme can only be decided on the basis of the results of a revaluation. It does not make sense for the Government to close off the option of Exchequer support even though in particular circumstances it may provide the ‘least worst’ option for

\textsuperscript{51} The Regulator Impact Assessment stated, “When responding to the Green Paper, valuation professionals argued that gains from rate relief would often be shortlived because the majority of business premises are rented and the landlord would take account of any reduction in rates. However, property market is more complex than this analysis suggests. Landlords would take into account the ability of their tenant to pay the rent when negotiating an increase. The rate relief will be monitored to ensure that it benefits small businesses not landlords.”

\textsuperscript{52} LGB23

\textsuperscript{53} LGB15

\textsuperscript{54} Q289-290
managing the transition. We recommend the Government abandon its proposals in Clause 71 for a statutory requirement to make non-domestic rate transition schemes be self-financing.

Part 6: Council tax

42. Part 6 includes provisions for council tax revaluation and an increase in the number of bands. Clause 79 introduces a statutory revaluation cycle with valuation lists to be revalued at least every 10 years. The first new valuations are due to take place in April 2005 and come into force from April 2007. The introduction of the new council tax valuation must not be delayed beyond 2007.

43. Clause 80 introduces a power for the Secretary of State to change the number of valuation bands. The proposal to increase the number of bands was welcomed “in principle” by the Association of London Government, the Special Interest Group of Municipal Authorities and the County Councils Network. We welcome Clause 80 and look forward to its use to increase the number of council tax bands.

Part 7: Housing Finance

44. The Act introduces a number of measures relating to the housing revenue account. These must be seen alongside the proposals on capital, earlier in the Bill—in Part 1 (the prudential capital regime and pooling of assets) and Part 3 (Clauses 48 49 payment of “overhanging debt”).

Clause 96: Housing Revenue Account subsidy: payment and calculation

45. Clause 96 amends Sections 79 and 80 of the Local Government and Housing Act 1989 (“the 1989 Act”). The Explanatory Notes state that this Clause amends Section 80 of the 1989 Act so that Housing Revenue Account subsidy may be calculated in a manner determined by the Secretary of State rather than in accordance with formulae. We heard from Wolverhampton City Council:

"Part 7 of the draft Bill would allow the Secretary of State to adopt a highly subjective regime to determine each local authority’s annual subsidy for council housing. It mixes the present formula approach with subjective assessments of Housing Revenue Account business plans and authorities’ performances and ‘assumptions as to any other matter.’ Clearly this would give extremely wide powers to the Secretary of State with which to determine subsidy and the Government has determined the general fund services that plan-based grant decisions are not appropriate, but for housing finance apparently a different approach is being taken."

The Government should adopt a transparent approach to housing finance, in particular decisions should not be based on an assessment of business plans in the Housing Revenue Account when such an approach has been rejected for local government finance more widely.

55 Qg125-126
56 Q363
Clause 97: Housing Revenue Account subsidy: negative amounts

46. The Committee welcomes the Government's proposals to separate rent rebate subsidy from Housing Revenue Account (HRA) subsidy.\(^{57}\) However, a number of witnesses expressed concerns about the effect of Clause 97, which would require local authorities to pay over negative subsidy to the Secretary of State. For example, Wolverhampton City Council told us that, despite being one of the most deprived areas in the country, the Council pays about £10m of so-called "surplus subsidy" into its General Fund under the existing Housing Subsidy system (the equivalent of £1 per tenant per day). The council is concerned that it may have to make similar payments to the Secretary of State under the new arrangements.\(^{58}\) The Minister's interpretation of Wolverhampton's position is different from the council's. In the Minister's view, the system only requires the council to set aside its notional surplus on the Housing Revenue Account for major repairs. Nonetheless CIPFA said in its written evidence to the Committee that,

"The proposal to redistribute excess rental income between local authorities raises questions of equity." It continued, "Arguably, equity would dictate that rents should be reduced to match expenditure and that redistribution and equity should be achieved centrally through housing revenue account subsidy. The assumption behind these proposals seems to be that housing is a national service and that money from one area can be readily moved around the country."\(^{59}\)

The Chartered Institute of Housing also expressed concern about the proposals on the grounds that housing authorities only have freedom to generate extra resources at the margin— and most of that remaining flexibility will be "squeezed out" by the proposals in the draft Bill.\(^{60}\)

47. The Committee is concerned that the proposals in Clause 97 of the Bill mean that the "nearly poor" are being asked to subsidise the rents for other "nearly poor" people. Accordingly, the Committee believes that the Government should reconsider their proposals to introduce negative Housing Revenue Account subsidy arrangements.

Part 8: Miscellaneous

Clause 102: Power to trade in function related activities

48. Clause 102 gives the Secretary of State the power to make an Order enabling best value authorities to trade in any of their ordinary functions. We welcome the Minister's clarification that the power to trade will be extended to councils on the basis of high performance in particular services.\(^{61}\) Tony Travers described the tradition of "ensuring as far as possible that local authorities where they do trade with the private sector do so on fair and equal terms." While we welcome the intention to give trading powers to local authorities, we would wish to see safeguards against authorities trading unfairly, particularly by using an unfair competitive advantage to undercut small local firms. We recommend that the framework for trading should make it impossible for local authorities to cross-subsidise the costs of providing the traded service from other areas of council activity.

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\(^{57}\) Rent rebate subsidy refers to the contribution made by the Exchequer towards the cost of rent rebates given to council tenants on low incomes. Housing Revenue Account subsidy refers to payments made by the Exchequer to some, but not all, housing authorities towards the capital financing and other costs in respect of their housing stock.

\(^{58}\) Q364-366

\(^{59}\) LGB29

\(^{60}\) LGB03

\(^{61}\) Q599
Clauses 105-106: Performance Categories

Inspection

49. The White Paper contains a commitment to establish a new model of inspection for local
government based on the principles of co-ordination, proportionality (based on performance and
risk), and effectiveness. The memorandum from the Society of Local Authority Chief
Executives (SOLACE) expressed disappointment that the draft Bill had not been used to
rationalise inspection services:

"The draft Bill has missed the chance to rationalise inspection services in the wake of the
Comprehensive Performance Assessment. That failure seems to reveal a ‘silo’ mentality
within Government departments. A Government with a real desire to achieve
modernisation and improvement by making local authorities more effective may well have
used a draft Bill to say so in a more comprehensive manner." 63

50. We received evidence about the "paralysis" 64 caused to local authorities by very high levels
of inspection, distracting officers from providing services. We heard from SOLACE:

"I think it is the LGA who estimate that nearly two years ago now the cost of inspection
was running at something like £700 million, but that was just indirect costs, as I recall, not
in the actual costs to the authority, because for every pound the Government is spending
on this the authority is spending £2 or £3 trying to get it right, and the sheer burden is
something to behold." 65

Total Audit Commission spending on local authorities is estimated by the Commission to have
doubled since 1998 and now stands at £130 million, of which £12 million is being spent on
Corporate Assessments. 66 Within individual local authorities, one Chief Executive was reported
to have spent 87.5 hours in June on inspection related matters. 67 Other authorities estimated that
it required one month’s preparation time to gather the documents and information required by the
Comprehensive Performance Assessment inspection team,

"The document requirements of the assessment team are extremely large and onerous. In
terms of paralysis, the senior management across the authority has been very heavily
engaged in this process for at least a month. We have had to construct appropriate office
accommodation for the inspection team within the city centre. Obviously because
Wolverhampton wants a fair assessment, we have had to produce an enormous amount
of documentation and training, which we have had to disperse throughout the whole of the
staff." 68

51. We are disappointed that the Act has not been used as an opportunity to reduce
the amount of inspection that authorities receive. This would seem to us to be a pre-
condition to the introduction of any new regime of categorisation. The ongoing costs and
opportunity costs of the current level of inspection mean that money continues to be
taken away from service provision.

62 Paragraph 3.40, Strong Local Leadership: Quality Public Services,
63 LGB10
64 Q339
65 Q189
66 Q475
67 Q450
68 Q349
Categorisation

52. The White Paper proposed the introduction of a Comprehensive Performance Assessment of each authority. The assessment of a council’s performance draws on existing performance indicators, existing inspections and audits and a corporate governance assessment of the whole authority. Comprehensive Performance Assessments are currently being undertaken in unitary and county councils, with the aim to complete the assessment of all upper tier authorities by December 2002. Local authorities are not satisfied with the methods being used to undertake Comprehensive Performance Assessments. A key concern is the lack of transparency about the methodology that will be used to combine service and corporate performance assessments to generate the Comprehensive Performance Assessment for the authority as a whole. Councillor Bruce-Lockhart, Vice Chair of the LGA said:

“We know the blocks which make up the Comprehensive Performance Assessment and they cover the main services, such as education, social services and so on, and they cover a quarterly assessment, they cover performance indicators, satisfaction ratings and so on, but we do not know how those are added together to judge where authorities will eventually come. It is very important for this to have any credibility that the process is fully transparent. You could, of course, devise a methodology of drawing these facts together which would favour one particular type of authority above another and, therefore, absolute transparency about the methodology, which we have not yet been allowed to see, is extremely important.”

In his evidence to the Committee, Professor Steve Martin, Director of the Local and Regional Government Research Unit at Cardiff University Business School, commented that:

“The proposal to judge an authority’s overall performance therefore requires a weighting system and the resulting categorisations will depend crucially on the weightings attached to different service areas.”

53. Local authorities also question the balance between local, democratic agreement of priorities and a centrally imposed methodology which applies a national weighting to the relative importance of different services in the Comprehensive Performance Assessment. Councillor Bruce-Lockhart said:

“The places that cause particular concern are where local priorities, which are the priorities of the electorate, are not necessarily judged as being right because they do not sign up to Government priorities and that causes us a major concern.”

54. Another concern relates to authorities who find themselves close to the boundary of a performance category. Tony Travers said:

“I think the real difficulty will be if there are significant rewards particularly for those in the top rank or penalties for those in the bottom then being on the margin and just in or just out, that will be very, very important. The question of how that is calibrated, if it is not done properly, will lead to legal challenges, there is no question.”

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69 Chapter 3, Strong Local Leadership: Quality Public Services
70 Q59
71 LGB06
72 Q56
73 Q307
55. SOLACE questioned the effect of a poor Comprehensive Performance Assessment on those officers within the council whose services are good:

"It is not really very fair on a rather good trading standards officer and a very good trading standards department to be damned for all time merely because something went wrong in social services. I think one has to be a little bit cautious about making overall judgements like that could demoralise very, very good people for reasons well beyond their control."\(^{74}\)

56. Local authorities are also concerned that no account is taken of their ability to carry out their 'community leadership' role, which councils have been encouraged to develop following the Local Government Act 2000:

"As an example, in the last couple of weeks when this was going on, Coventry was trying to protect jobs, and still is, at Marconi; and Massey Ferguson had closed and we were trying to sort out staff there. We have a very diverse, multi-ethnic community, with Muslim, Hindu, Sikh and Kashmiri. We were talking to them to try to take the tensions out following what had happened on the Asian sub-continent. At the same time we had the young second generation Irish theatre group that was performing in Cork, doing a marvellous play. None of that would be taken into account, as far as we can see—the fact that our community leadership is leadership is strong and is expected to be strong. We have the feeling that whatever else the CPA is, comprehensive it is not; and there is this awful feeling that the situation is pre-judged even before anybody arrives on the scene; and yet we have spent literally months going through what we do, item by item."\(^{75}\)

57. Councils' concerns about the methodology are compounded by the fact that it is still being developed whilst inspections are being undertaken. The Audit Commission told us it is now consulting on the methodology for weighting the results of the inspections of various services and authorities' corporate capacities which will be used to combine the judgements on individual elements into a Comprehensive Performance Assessment.\(^{76}\) The Audit Commission told us that its proposal to give equal weighting to education, social services and environmental services, would not be the same as deciding the weighting nationally.\(^{77}\) The Minister suggested that giving equal weighting to services would avoid controversy.\(^{78}\) However, the decision to give equal weighting is still a subjective decision and the Commission told us that the Comprehensive Performance Assessment was a way of "using numbers to add up subjective judgements."\(^{79}\)

58. Local authorities are clearly not yet happy with the methodology for Comprehensive Performance Assessment. A high quality, transparent, trusted mechanism is needed, particularly at the margin of each category. Concerns about the methodology are compounded by the fact that it is being developed whilst inspections are being undertaken. It is not yet clear how assessments can be made comprehensively across the council and there is a risk that good officers providing decent services will be demotivated by poor performance ratings for their authority as a whole.

\(^{74}\) Q186
\(^{75}\) Q338
\(^{76}\) Q464
\(^{77}\) Q486
\(^{78}\) Q582
\(^{79}\) Q820
59. We were frustrated by the difficulty in getting a straight answer from the Audit Commission about the necessity and value of a single Comprehensive Performance Assessment as opposed to the publication of service ratings and the corporate assessment. **We recommend the Minister reads the transcript of our evidence session with the Audit Commission and hope that councils find it easier than we did to get clear, concise, straightforward advice from the Commission.**

60. In its evidence to the Committee, the Audit Commission also commented that inspections showed that 60% of councils were classified as weak or failing in relation to all services except education. **If 60% of councils are classified as weak or failing in relation to all services except education, this raises concerns about the calibration of inspection results and the incorporation of these into the overall performance assessments.**

**Appeal**

61. Clause 105 requires the Audit Commission to categorise English local authorities on the basis of their performance. Under Clause 105(5), the Secretary of State cannot change the Audit Commission’s categorisation of an authority. The Audit Commission appears to have only internal procedures available for appeal[^1] but as we heard from the Local Government Information Unit and many others:

> “The Government needs to acknowledge that councillors might disagree with an Audit Commission assessment that might also be rejected by the local community. It must put in place a mechanism whereby councils can challenge or appeal against their classification. The Bill as drafted specifically excludes appeal to the Secretary of State.”[^2]

Mr Travers added:

> “It would be surprising if there were not some form of appeal mechanism built into the arrangements and, indeed, one would hope that the Audit Commission and the Government will build such a mechanism in because if they do not there is the risk that it will go to court.”[^3]

**The Bill must include a mechanism for external appeals against categorisation by the Audit Commission.**

**Clause 113: Overview and scrutiny committees: voting rights of co-opted members**

62. Clause 113 gives local authorities the power to allow co-opted members of overview and scrutiny committees to vote at meetings of those committees. We heard from the County Councils Network (CCN) that this “may be regarded as a step away from the democratic principles of elected local government representation. The CCN is concerned at the potential precedent this may set.”[^4] **We believe that Clause 113 is unnecessary and undemocratic.**

[^1]: Q534
[^2]: Q494
[^3]: LGB25
[^4]: Q320
[^5]: LGB33
Additional measures

63. The consultation paper covering the draft Bill suggests that the final version of the Bill will include additional measures related to:

- Council tax discounts and exemptions;
- Expenditure grant; and
- Two-tier workforce.

Council tax discounts and exemptions

64. It is over four months since the end of the Government’s consultation on council tax exemptions on second and empty homes. We are pleased that central Government has signalled its intent to take action on this matter but disappointed that detailed Clauses could not be included in the Bill. The Committee made a recommendation about the payment of council tax on empty properties in its Empty Homes report:

“Any discretionary powers given to local authorities to charge full council tax on empty homes must include the freedom to do so on a ward by ward basis to take account of differences in demand within a local authority area, failure to provide for such flexibility could prove very damaging in areas where demand is low.”

This should be incorporated into the Bill.

Expenditure grant

65. The Notes on Additional Measures in the consultation paper state: “There will be a power to make a wide range of capital or revenue grants to local government. It will provide the means of delivering Government support for local authorities’ capital investment programmes (regardless of whether that takes the form of revenue grant, capital grant or some combination of the two).” Many witnesses said that the grant regime must be consistent with, and support, the new prudential rules—based capital finance system, and stressed that it should not be biased in favour of PFI/PPP schemes. CIPFA told us that the “prime method of providing Government support for capital investment in local government should be through revenue support” because “capital grants make capital investment free to the local authority at the point of delivery” and as a result, can skew management decisions. Put bluntly, capital grants can encourage local authorities to undertake schemes that would not otherwise be seen as providing good value for money. We believe that these are important points. We recommend the Government provide the majority of support for local authorities’ capital investment programmes through revenue support; and to make capital grants only in exceptional cases, for example, as pump-priming for new initiatives. Such a system should create a level playing field between local authority borrowing and PFI/PPP.

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85 Recommendation on Transport, Local Government and the Regions Committee’s Sixth Report, Empty Homes, HC240-I, March 2002
86 For example Q89-91
87 Q462
88 LGB29
Two tier workforce

66. The Notes on Additional Measures in the consultation paper state, “Earlier this year the Government committed to legislate to make statutory within local government the provisions in the Cabinet Office Statement of Practice on Transfers in the Public Sector and the annex to it, A Fair Deal for Staff Pensions.” This decision was made as part of the outcome of the recent review of Best Value and has been welcomed by the Local Government Association, Trades Union Congress and Confederation of British Industry. In its memorandum, the CBI stated:

“We welcome the intention to legislate. This will make it clear that staff should transfer consistently when the local authorities outsource work and subsequently when contracts change hands. It must be supported with practical advice on handling the staff transfer process and by ongoing efforts to raise awareness of the requirements and good practice.”\(^{89}\)

We welcome the intention to give statutory force within local government to guidance on staff transfers, thereby ending uncertainty on the Transfer of Undertakings (Protection of Employment) regulations, which damages the interests of local authorities, employees and contractors. We recommend that the legislation is accompanied by practical support for local authorities to spread good practice.

Omissions

A new approach to local government

67. Given the Government’s overall aspirations to change the relationship between central and local government, we are disappointed that this legislation is not braver. Mr Travers told us,

“I used the word “war weariness” in my memorandum to describe the wider problem that any discussion of local government now tends to be war weary because over the last 15, 20, 25 years we have lived through staggering levels of local government reform affecting structure, finance, functions, often again and again and again. There is a risk that we all think nothing can ever be done, this is the best it can ever be... If it were my Bill it would be rather more radical than this one... I think it would be a more radical look at the whole position of local government’s place within the constitutional arrangements of England within the UK... to consider the question of how national government, regional government and local government fit together and what their respective financing and service arrangements are we are probably at a time now when rather than iteratively doing little bits at a time there would be a good place for such a review.”\(^{90}\)

68. The Local Government Association has called for a 50:50 balance between funding raised locally and funding provided from the centre, compared to the current 25:50.\(^{91}\) Our predecessor Committee undertook an inquiry into Local Government Finance in May 1999, which concluded that more local government finance should be raised locally to improve democratic accountability and that the ‘least worst option’ to redress the imbalance would be to give local authorities control of the national non-domestic rate.\(^{92}\) We were pleased to see the commitment in the

\(^{89}\) LGB39
\(^{90}\) Qq330-332
\(^{91}\) Q45
White Paper to review the central / local balance of funding, including "a high-level working group involving Ministers and senior figures from local government, to look at all aspects of the questions—reviewing the evidence and looking at reform options." The review has not yet begun formally and the Minister could not give us a date for its start or end. We recommend that the Government set a date for an interim report to be produced by the high level working group looking at the central/ local funding balance. Against this background, there is no logic to the Government's proposals to merge the revenue support grant and national non-domestic rate (see paragraphs 26-28). Another major constraint in local government finance is ring-fenced grant. The LGA told us that ring-fenced grants now finance 12% of local government expenditure the Association would like to see it returned to around 4%.  

69. We heard about the need to identify new ways to raise funding locally. Mr Travers said,

"Local government's tax base is not only very, very visible, the tax that people pay is visible, but the base is not buoyant, as you rightly say, it has to be revalued. When it is revalued it will simply jump all over the place, for some people it will be good news and for others bad news but it does not feel terribly logical because the steps are big. So it is not a buoyant tax base and I think that is a profound disadvantage for local government."  

Professor Stoker told us,

"At the moment, in addition to congestion charging, car park fees and so on, one could imagine possibly a proposal which was put forward by the urban investigation suggesting that in a way you could have micro-zones within urban areas and where property values had been increased through regeneration measures that the additional business rate or property rates raised through that could then be made available to the local authority. I would also like some experimentation with tourist taxes in certain areas. It is a common tax in other places. You could think about labelled rental taxes, something that has been piloted in a couple of areas and would be a tax on utilities when they were disrupting our highways. You could think about takeaway taxes. You could think quite broadly about a range of other environmental taxes as well. I also would be quite interested in seeing whether you could extend the principle of BIDs, the Business Improvement District idea, to a kind of negotiated agreement with other sectors in the economy, not just business people."  

70. The only tax local authorities currently have—the council tax—is highly visible, but not very buoyant; the Government controls the level and distribution of about 75% of their income; and too much of that income from central Government is ring-fenced. Put simply, they have very little financial room for manoeuvre. What is needed is a new approach to local government finance that has regard to the structure and functions of local government in England, the appropriate relationship between central and local government and the balance between central and local funding of government services that would be consistent with all of these. The Committee recommends the Government undertake such a wide ranging review and come forward with proposals.

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93 Paragraph 2.16, Part 2, Strong Local Leadership Quality Public Services
94 Q567
95 Q12
96 Q283
97 Q285
71. Chapter 5 of the White Paper described the Government’s proposals to help support councils, “support for capacity building for councils and training for member and officers is an important part of our proposals to see excellent local government services and leadership.” The evidence we have received on the draft Bill argues that it suggests a level of mistrust of local government by central Government. We have received evidence that the draft Bill suggests a lack of trust in councils by central Government. This does not sit easily with the Governments commitment to support and empower councillors and their officers, in the recent White Paper. More emphasis on such issues is needed.

Specific measures

Councillors

72. The Local Government Act 2000 included provisions for the payment of pensions to executive members and the chairmen of overview and scrutiny committees. Our inquiry into that Act heard that there remain unresolved issues about both councillors allowances and pensions. This inquiry received evidence from several councillors that the issues of allowances and pensions could usefully have been addressed in the draft Bill. We recommend that the Government addresses the issues of councillors’ allowances and pensions in the final Bill.

73. The Local Government Information Unit argued that more measures could have been introduced in the draft Bill to encourage people to stand as councillors. One particular measure proposed would be to amend the legislation which bars council officers earning above a certain salary standing for election. Instead, only those officers undertaking roles which require them to give advice to councillors on sensitive issues should be barred from standing. We recommend the Government uses the opportunity of this Bill to remove the bar to standing for elected office currently covering council staff undertaking non-sensitive functions.

 Licensing of private landlords and housing in multiple occupancy

74. Minister have made commitments for legislation as soon as Parliamentary time permits on matters including the following.

- rationalising and modernising the controls on Houses in Multiple Occupation (HMOs) including a clearer definition of HMOs and a compulsory licensing scheme. This was a manifesto commitment in 1997 and 2001;
- selective licensing of private landlords in areas of low housing demand, to deal with the growing problem of unscrupulous landlords and their often anti-social tenants undermining efforts to regenerate declining parts of northern cities.

Mr Perry of the Chartered Institute of Housing told us that both measures would be welcome and the former was long overdue. We have previously recommended that the licensing of private landlords should be a discretionary power to local authorities and linked to housing benefit.

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98 Introduction, Chapter 5, Part 1, Strong Local Leadership: Quality Public Services
99 LGB25
100 LGA40
101 Q153-154
102 Q428-431
103 LGB45(a)
104 Q272-272
105 Recommendation 9, Transport, Local Government and the Regions Committee’s Sixth Report, Empty Homes, HC240-1, March 2002
If changes to the controls of Houses in Multiple Occupation and licensing of private landlords have not been introduced by Private Members Bills, the final version of this Bill should include such measures. We recommend that the licensing of private landlords be a discretionary power to all local authorities, linked to housing benefit.

**Mandatory rate relief to Community Amateur Sports Clubs**

75. We received a memorandum from the Central Council of Physical Recreation (CCPR). It explained that at the last Budget, the Chancellor introduced a special tax status for Community Amateur Sports Clubs and

"It is understood that the former Minister for Sport, Kate Hoey, MP, had received written assurances from the then Local Government Minister, Hilary Armstrong, MP, that any Inland revenue tax exemptions for Community Amateur Sports Clubs would be supported by 80% mandatory rate relief." It continued, "The CCPR has calculated that the gross cost of giving mandatory rate relief at 80% to all Community Amateur Sports Clubs would be in the region of £35 million. However as many local authorities already give limited discretionary relief, the net cost would be closer to £20 million. This should be seen against the benefits to social inclusion, health, education and crime provided by voluntary sports clubs."\(^{106}\)

We recommend that the Government introduces mandatory 80% rate relief to Community Amateur Sports Clubs in the Bill.

**Disposal of capital assets**

76. The Royal Institution of Chartered Surveyors argued that the provisions for the disposal of capital assets contained within the Local Government Act 1972, need to be amended to bring them into line with the Local Government Act 2000.

"One source of revenue for local authorities is the use or disposal of their property assets that are then converted into capital receipts. Local authorities may currently do so under section 123 of the Local Government Act 1972. Under that Act’s definition of ‘best consideration’ local authorities may dispose of the property assets for returns below their market value. This definition should be expanded to incorporate the Local Government Act 2000’s definition of best consideration as including the ‘social, economic and environmental well-being of the local community.’ This important amendment will significantly improve the ability of local authorities to dispose of their property assets where it is to the long-term benefit of their communities."\(^{107}\)

The Minister promised to look into this.\(^{108}\) We recommend that the Bill amend Section 123 of the Local Government Act 1972 in relation to disposal of capital assets, to take account of the well-being power introduced in the Local Government Act 2000.

\(^{106}\) LGB31

\(^{107}\) LGB19

\(^{108}\) Q655
Capacity of the Office of the Deputy Prime Minister

77. A new relationship between central and local government requires new ways of working on both sides. The Committee was disappointed that the Office of the Deputy Prime Minister took the view that it could not provide information on the Office of Public Service Reform’s review of its predecessor department, the DTLR. We note that the Office of the Deputy Prime Minister will be making a statement on its response to the report of the Office of Public Service Reform on the Department for Transport, Local Government and the Regions\(^{109}\) and recommend that this is full and frank. This will demonstrate to local government that central Government also values the benefits of external inspection and exposure of the results. It will also demonstrate that the Office is serious about making the necessary improvements.

78. We were told that the civil servant in charge of local government finance has only been in post since April 2002 and has no prior experience of local government. We also heard that the team leader post in the business rate team has been vacant since April and will not be filled until September.\(^{110}\) Our Inquiry identified three areas where improvements are needed. Firstly, the Office of the Deputy Prime Minister needs to take a firmer lead within Whitehall in changing central Government’s relationship with local government. In particular, the Departments of Education and Skills and Health are not doing enough to bring about the White Paper’s ambitions to establish a partnership for delivering local services and to free local government from unnecessary controls.\(^{111}\) Secondly, the Office of the Deputy Prime Minister needs to recognise that local government finance and non domestic rating are complex specialisms and therefore do more to retain civil servants with relevant expertise. Staff turnover, particularly at senior levels, is high. Typically staff who have built up expertise then move on to completely different areas of work. Policy formulation is weakened by a failure to learn from the past.\(^{112}\) Finally, the Office needs to improve its understanding of what actually drives performance improvement in local government and consequently of how it should make the best use of “carrots and sticks” and practical support for authorities.\(^{113}\)

Pre-legislative scrutiny

79. The Committee strongly supports the idea of pre-legislative scrutiny; and therefore has welcomed the chance to scrutinise this draft Bill. However, a number of things are needed for pre-legislative scrutiny to be truly effective:

(i) adequate time is needed so those people and organisations which are interested can read the draft Bill and make written representations to a pre-legislative Committee;
(ii) such a Committee needs adequate time to take advice, to call witnesses for oral scrutiny and to produce a report; and
(iii) it only makes sense for a draft Bill to be looked at by a Committee if account is taken of our report and evidence by Government, in drafting the final version of the Bill.

\(^{109}\) Q577
\(^{110}\) LGB45
\(^{111}\) LGB10 and Q578
\(^{112}\) Q291
\(^{113}\) LGB10
We appreciate the Government’s wish to have the result of our scrutiny by the end of July 2002 - but feel that the timetable imposed by the Government did not fully embrace the importance of pre-legislative scrutiny. We have not had time to address many of the technical issues within the draft Bill which would benefit from further examination.

Wales

80. We note Tony Travers comments:

"The tortured tone of sections 7 and 8 of the Consultation Paper ("Section 1") accompanying the Bill suggests it is now very difficult to reflect the needs of the Welsh Assembly Government in legislation of this kind."114

We have referred to the comments on Welsh local government to our colleagues on the Welsh Affairs Committee. We recommend the Government ensures that adequate consultation takes place with the National Assembly for Wales.

Conclusions

81. The Government promised to redress the imbalance between central and local government. This Bill fails to achieve that. It makes some small steps in the right direction but at the same time increases the power of the Secretary of State. Central Government seems to be terrified of trusting local authorities and allowing them their independence.

82. We welcome the new prudent regime for local authority capital finance. We are concerned that the detailed Clauses in the Bill undermine that prudent regime with Clause 4 giving the Secretary of State power to restrict local authority borrowing as he sees fit and Clause 10 allowing the pooling of capital receipts. We are also concerned that the Government’s control of local authority revenue funding effectively restricts borrowing.

83. The draft Bill is far too reliant on regulations. The Government should set out its intent on the face of the Bill, not through secondary legislation. When the Bill comes forward for consideration, all the secondary legislation should be available in draft.

84. We do not object to the Government bringing forward a revised version of the Bill, which gives greater emphasis to giving greater freedoms to local authorities. But there is a need not only for a Bill which makes minor modifications but which would constitute a major re-appraisal of how the aim of bringing about local government and local democracy will be achieved. If we are to have effective local government, the centre must let go—not just the Office of the Deputy Prime Minister but Government as a whole.

114 LGB42
List of conclusions

(a) The White Paper on which this Bill is based, raised considerable expectation about a change in the relations between central and local government. On the whole the draft Bill appears to be far from a radical overhaul and in many cases gives more powers to the Secretary of State. The way in which it is drafted could enmesh local authorities in more regulation. We are furthermore concerned that aspects of the Bill centralise powers unnecessarily. We strongly believe that if local government is going to regain the public respect and authority it once enjoyed, the Government must be prepared to trust it much more (paragraph 5).

(b) We recommend that the volume of regulation should be reduced. Instead principles should be clearly articulated on the face of the Bill and be implemented through voluntary guidance and local discretion. Where regulations are necessary, draft regulations should be available for consideration alongside the Bill at the Committee Stage (paragraph 6).

(c) We welcome the introduction of the prudential regime for capital finance and hope that the resources needed to implement it will swiftly follow (paragraph 7).

(d) We have asked the Local Government Association to report the outcome of its discussion with the Office of the Deputy Prime Minister on Clause 2 to the Committee. We will monitor developments (paragraph 8).

(e) We recommend that Clause 4 be redrafted so that the circumstances in which the Secretary of State can control the aggregate level of local authority borrowing are limited to occasions where this is in the interest of the national economy and subject to consultation with representatives of local government and affirmative action by both Houses of Parliament. We also recommend that proposals for the Secretary of State to limit the borrowing of individual authorities be removed (paragraph 13).

(f) We recommend that Clause 4 be amended along the following lines:

<table>
<thead>
<tr>
<th>4</th>
<th>Imposition of borrowing limits</th>
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<tbody>
<tr>
<td>(1) Where the Secretary of State considers that it is necessary to do so in the interests of the national economy, he may by regulations set a limit on the aggregate level of borrowing of money by local authorities.</td>
<td></td>
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<tr>
<td>(2) No regulations may be made under this section unless -</td>
<td></td>
</tr>
<tr>
<td>(a) the Secretary of State has consulted such representatives of local government as appear to him to be appropriate,</td>
<td></td>
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<tr>
<td>(b) he has laid before each House of Parliament a report explaining the reasons why he considers it necessary that the regulations be made, and</td>
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<tr>
<td>(c) the report has been approved by resolution of each House of Parliament.</td>
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</tr>
<tr>
<td>(3) Section 116(1) and (2) does not apply to regulations made under this section.</td>
<td></td>
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</tbody>
</table>

Clauses 2 and 24 would need to be appropriately amended (paragraph 14).
(g) We recommend that Clause 10 be removed from the Bill (paragraph 15).

(h) Recognising that the Government may insist on going ahead with Clause 10, we were pleased to hear the Minister's commitment that the final version of the Bill will refer to housing capital receipts only, with respect to Clause 10 (paragraph 16).

(i) We also welcome the Minister’s commitment that Clause 10 will not be used retrospectively (paragraph 16).

(j) The Minister has proposed that the Government retain Clause 10, but amend it so that it relates solely to housing capital receipts. If this happens, the approach to pooling housing receipts should differentiate between right to buy and stock transfer receipts. The former should be retained locally for re-investment in housing (either new build or renewal, depending on local market conditions) (paragraph 17).

(k) The draft regulations for Clause 10, which relates to capital receipts, must be available when the Bill reaches the Committee Stage. We would be disturbed if the Government introduced a mechanism which took resources away from areas of housing need (paragraph 18).

(l) We recommend that the measure in Clause 10(1)(b) that allows the Secretary of State to make provisions about the time within which decisions about the use of capital receipts be made be deleted (paragraph 19).

(m) We support the recommendation of CIPFA that treatment of depreciation should move towards UK Generally Accepted Accounting Practice, in line with the resource accounting approach and that such a move should be resourced. It seems logical that central and local government finance should be run on the same basis and under proper accounting rules (paragraph 20).

(n) We recommend that Clause 25 be removed from the Bill (paragraph 23).

(o) We recommend that Clauses 26 and 27 be removed (paragraph 25).

(p) We recommend that revenue support grant and the redistributed national-non domestic rates should not be merged (paragraph 28).

(q) We recommend that the principles by which the Government wishes to operate the distribution system be specified on the face of the Bill (paragraph 29).

(r) The proposals contained in Clauses 48 and 49 on the re-payment of ‘overhanging’ debt by central Government at the point of stock transfer result in an uneven choice for tenants between remaining with the local authority and choosing the stock transfer route (paragraph 32).

(s) Generally, our evidence is positive about the “enabling” way in which Part 4 of the Bill has been drafted and its reliance on local discretion and guidance prepared jointly by central and local government the business community (paragraph 33).
(i) We recommend close monitoring of the additionality of Business Improvement District-funded activities (paragraph 34).

(u) We recommend that the Government works with the British Property Federation and other business organisations to find the best way of involving property owners as contributors to Business Improvement Districts, if necessary amending primary legislation and certainly covering this point in regulations and guidance (paragraph 35).

(v) We recommend that a threshold of two thirds of the number of businesses should be adopted to safeguard the interests of small businesses in a Business Improvement District (paragraph 36).

(w) The geographical area where Business Improvement District levies are payable should accurately reflect the geographical area where benefits will be accrued (paragraph 36).

(x) We recommend that Business Improvement District partnerships give consideration to reductions and exemptions from the levy, at the start of the process, so that the composition of those voting accurately reflects those who will be liable for the levy (paragraph 37).

(y) We recommend that the Government ensures that the Bill is drafted so that local authorities can choose to adapt such districts, if appropriate to meet local circumstances (paragraph 38).

(z) The Government should monitor the introduction of small business rate relief very closely to ensure that the benefit goes to the businesses and not to their landlords (paragraph 39).

(aa) We have received evidence that the rateable values proposed for the small business rate relief scheme are too low for the scheme to be meaningful and recommend that the Government revise the thresholds in the light of our evidence (paragraph 40).

(bb) We recommend the Government abandon its proposals in Clause 71 for a statutory requirement to make non-domestic rate transition schemes be self-financing (paragraph 41).

(cc) The introduction of the new council tax valuation must not be delayed beyond 2007 (paragraph 42).

(dd) We welcome Clause 80 and look forward to its use to increase the number of council tax bands (paragraph 43).

(ee) The Government should adopt a transparent approach to housing finance, in particular decisions should not be based on an assessment of business plans in the Housing Revenue Account when such an approach has been rejected for local government finance more widely (paragraph 45).
(ff) The Committee is concerned that the proposals in Clause 97 of the Bill mean that the "nearly poor" are being asked to subsidise the rents for other "nearly poor" people. Accordingly, the Committee believes that the Government should reconsider their proposals to introduce negative Housing Revenue Account subsidy arrangements (paragraph 47).

(gg) We recommend that the framework for trading should make it impossible for local authorities to cross-subsidise the costs of providing the traded service from other areas of council activity (paragraph 48).

(hh) We are disappointed that the Act has not been used as an opportunity to reduce the amount of inspection that authorities receive. This would seem to us to be a pre-condition to the introduction of any new regime of categorisation. The ongoing costs and opportunity costs of the current level of inspection mean that money continues to be taken away from service provision (paragraph 51).

(ii) Local authorities are clearly not yet happy with the methodology for Comprehensive Performance Assessment. A high quality, transparent, trusted mechanism is needed, particularly at the margin of each category. Concerns about the methodology are compounded by the fact that it is being developed whilst inspections are being undertaken. It is not yet clear how assessments can be made comprehensively across the council and there is a risk that good officers providing decent services will be demotivated by poor performance ratings for their authority as a whole (paragraph 58).

(jj) We recommend the Minister reads the transcript of our evidence session with the Audit Commission and hope that councils find it easier than we did to get clear, concise, straightforward advice from the Commission (paragraph 59).

(kk) If 60% of councils are classified as weak or failing in relation to all services except education, this raises concerns about the calibration of inspection results and the incorporation of these into the overall performance assessments (paragraph 60).

(ll) The Bill must include a mechanism for external appeals against categorisation by the Audit Commission (paragraph 61).

(mm) We believe that Clause 113 is unnecessary and undemocratic (paragraph 62).

(nn) The Committee made a recommendation about the payment of council tax on empty properties in its Empty Homes report:

"Any discretionary powers given to local authorities to charge full council tax on empty homes must include the freedom to do so on a ward by ward basis to take account of differences in demand within a local authority area, failure to provide for such flexibility could prove very damaging in areas where demand is low."

This should be incorporated into the Bill (paragraph 64).
We recommend the Government provide the majority of support for local authorities' capital investment programmes through revenue support; and to make capital grants only in exceptional cases, for example, as pump-priming for new initiatives. Such a system should create a level playing field between local authority borrowing and PFI/PPP (paragraph 65).

We welcome the intention to give statutory force within local government to guidance on staff transfers, thereby ending uncertainty on the Transfer of Undertakings (Protection of Employment) regulations, which damages the interests of local authorities, employees and contractors. We recommend that the legislation is accompanied by practical support for local authorities to spread good practice (paragraph 66).

We were pleased to see the commitment in the White Paper to review the central/local balance of funding, including "a high-level working group involving Ministers and senior figures from local government, to look at all aspects of the questions—reviewing the evidence and looking at reform options" (paragraph 68).

We recommend that the Government set a date for an interim report to be produced by the high level working group looking at the central/local funding balance (paragraph 68).

Against this background, there is no logic to the Government's proposals to merge the revenue support grant and national non-domestic rate (paragraph 68).

The only tax local authorities currently have—the council tax—is highly visible, but not very buoyant; the Government controls the level and distribution of about 75% of their income; and too much of that income from central Government is ring-fenced. Put simply, they have very little financial room for manoeuvre. What is needed is a new approach to local government finance that has regard to the structure and functions of local government in England, the appropriate relationship between central and local government and the balance between central and local funding of government services that would be consistent with all of these. The Committee recommends the Government undertake such a wide ranging review and come forward with proposals (paragraph 70).

We have received evidence that the draft Bill suggests a lack of trust in councils by central Government. This does not sit easily with the Government's commitment to support and empower councillors and their officers, in the recent White Paper. More emphasis on such issues is needed (paragraph 71).

We recommend that the Government addresses the issues of councillors' allowances and pensions in the final Bill (paragraph 72).

We recommend the Government uses the opportunity of this Bill to remove the bar to standing for elected office currently covering council staff undertaking non-sensitive functions (paragraph 73).
(xx) If changes to the controls of Houses in Multiple Occupation and licensing of private landlords have not been introduced by Private Members Bills, the final version of this Bill should include such measures. We recommend that the licensing of private landlords be a discretionary power to all local authorities, linked to housing benefit (paragraph 74).

(yy) We recommend that the Government introduces mandatory 80% rate relief to Community Amateur Sports Clubs in the Bill (paragraph 75).

(zz) We recommend that the Bill amend Section 123 of the Local Government Act 1972 in relation to disposal of capital assets, to take account of the well-being power introduced in the Local Government Act 2000 (paragraph 76).

(aaa) We note that the Office of the Deputy Prime Minister will be making a statement on its response to the report of the Office of Public Service Reform on the Department for Transport, Local Government and the Regions and recommend that this is full and frank. This will demonstrate to local government that central Government also values the benefits of external inspection and exposure of the results. It will also demonstrate that the Office is serious about making the necessary improvements (paragraph 77).

(bbb) Our Inquiry identified three areas where improvements are needed. Firstly, the Office of the Deputy Prime Minister needs to take a firmer lead within Whitehall in changing central Government’s relationship with local government. In particular, the Departments of Education and Skills and Health are not doing enough to bring about the White Paper’s ambitions to establish a partnership for delivering local services and to free local government from unnecessary controls. Secondly, the Office of the Deputy Prime Minister needs to recognise that local government finance and non domestic rating are complex specialisms and therefore do more to retain civil servants with relevant expertise. Staff turnover, particularly at senior levels, is high. Typically staff who have built up expertise then move on to completely different areas of work. Policy formulation is weakened by a failure to learn from the past. Finally, the Office needs to improve its understanding of what actually drives performance improvement in local government and consequently of how it should make the best use of “carrots and sticks” and practical support for authorities (paragraph 78).

(ccc) We have referred to the comments on Welsh local government to our colleagues on the Welsh Affairs Committee. We recommend the Government ensures that adequate consultation takes place with the National Assembly for Wales (paragraph 80).
The Sub-Committee deliberated.

Draft Report [Draft Local Government Bill], proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 84 read and agreed to.

Resolved, That the Report be the Fourth Report of the Sub-Committee to the Committee.

Ordered, That the Chairman do make the Report to the Committee.

[The Sub-Committee adjourned.]
PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT

WEDNESDAY 17 JULY 2002

Members present:

Andrew Bennett, in the Chair

Sir Paul Beresford       Helen Jackson
Mr Clive Betts          Miss Anne McIntosh
Mr Brian H Donohoe      Mr Bill O'Brien
Mrs Gwyneth Dunwoody    Dr John Pugh
Mrs Louise Ellman       Christine Russell
Chris Grayling          Mr Bill Wiggin

The Committee deliberated.

Report from the Urban Affairs Sub-committee [Draft Local Government Bill] brought up and read.

Ordered, That the Report be read a second time paragraph by paragraph.

Paragraphs 1 to 84 read and agreed to.

Resolved, That the Report be the Fifteenth Report of the Committee to the House—(The Chairman.)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Urban Affairs Sub-committee be reported to the House.

[The Committee adjourned.]
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Monday 8 July 2002
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LOCAL GOVERNMENT ASSOCIATION

Cllr Sandy Bruce-Lockhart and Mr Neil Kinghan

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

Mr Vernon Soare, Ms Maureen Wellen and Mr Chris Bilsland

ASSOCIATION OF LONDON GOVERNMENT

Mayor Sir Robin Wales

SPECIAL INTEREST GROUP OF MUNICIPAL AUTHORITIES (SIGOMA)

Cllr Stephen Houghton

COUNTY COUNCILS NETWORK

Cllr Ken Thorner, CBE

Tuesday 9 July 2002
HC 981-ii

SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES

Mr David Clark

CHARTERED INSTITUTE OF HOUSING

Mr John Perry

Mr Tony Travers

Professor Gerry Stoker

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CONFEDERATION OF BRITISH INDUSTRY

Mr Michael Roberts and Mr Stelio Stefanou
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Fourteenth Report: How the Local Government Act 2000 is Working (HC 602-I)

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