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Government Committee

The Balance of Power: Central and Local Government

Sixth Report of Session 2008–09

Report, together with formal minutes

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Communities and Local Government Committee

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Summary

The balance of power between central and local government matters. It matters because improving the lives of local people and local communities matters, and because where the balance of power between central and local government lies, there lies the responsibility and accountability for the delivery of those improvements.

Even more fundamentally, it matters because the strength of Britain's famously unwritten constitution depends upon a strong democracy, and a strong democracy requires two important elements; popular participation at the local level; and popular participation at the national level. The two are interconnected. If popular participation at the grass roots continues to decline in this country, then the national body politic will not be immune from the consequences. Flourishing grass roots are only likely where local people understand what local government is responsible for in terms of both policy and resources, where they can hold to account local government for its performance, and where, crucially, they believe that local government can make a real difference.

Whilst we acknowledge the need for central government to set and monitor national strategic goals, local government must have its own autonomy. Local authorities should have the freedom to shape the development of their communities and the scope to unlock the full potential of local innovation. Our report considers how far away we are at present from such an equitable balance of power arrangement in England, and the scope for further adjustment.

We note the lesson from English history that, whilst the balance of power has been subject to pendulum swings, the predominant trend, particularly since the second world war, has been for central government to increase its powers and responsibilities at the expense of local government. Whilst welcoming the changes that this Government has made to allow local government greater space in which to act, we question whether enough has been done to counterbalance these historic centralising tendencies.

Acknowledging how difficult it has been for governments of whatever hue to swing the pendulum back in the opposite direction, we assess why this is the case—highlighting in particular the extent to which the political culture in England, encouraged by public opinion and the media, traditionally looks to the centre to take the initiative on a range of domestic policy issues, and blames the centre when things go badly wrong in the localities.

Our report looks at the current role of local government, assessing where it could be more proactive in making best use of existing structures, and where change is required elsewhere—by central government and its agencies and by Parliament—to increase the scope for autonomous local government activity.

This leads us to consider the role of central government, and the advantages to be gained at both the local and the national levels from adopting a “minimalist” as opposed to a “maximalist” role in relation to local government. We advocate further cultural change within central government to facilitate a lasting pendulum swing towards a more decentralised balance of power structure, stressing the need for consistency across

Whitehall, and the extent to which this is yet to be achieved.

We also focus on the other key challenge for central government in this area, the pressing need for reform of local government financial arrangements. Whilst acknowledging the extent to which this issue remains complex and politically intractable, we articulate some key principles and propose some options that would better align local government finance with a more equitable balance of power, by enabling local government to raise more of its own money.

Finally, we consider the extent to which a new constitutional settlement for local government could create and maintain a new, more appropriate, balance of power. We note the particular challenges posed by the English way of doing things. We believe that the manner in which Parliament debates some essentially local issues can work to constrain local government. Whilst we fully accept that Members of Parliament have an obligation to raise issues that matter in their constituency, it may be that they need to set themselves a higher threshold before raising and debating essentially local matters in the Chamber.

More formally, we believe that the Central-Local Concordat, signed between the Secretary of State for Communities and Local Government and the Leader of the Local Government Association, and the European Charter of Local Self-Government, signed by all member states of the Council of Europe, are potentially useful documents that ought to be guiding Government departments' relationships far more obviously than has been the case thus far. We recommend, therefore, a constitutional settlement that puts the European Charter of Local Self-Government on a statutory basis, and requires government departments to confirm on the face of new Bills that new domestic legislation is compatible with the statute.

Finally, we conclude that Parliament should have a greater scrutiny role with regard to the relationship between local and central government, to ensure that government abides by this new constitutional settlement. Accordingly, we recommend that Parliament establish a Joint Committee to monitor compliance with the new statutory arrangements. The Government should adopt a policy of including analysis of compatibility with the statutory principles for local government in the impact assessment which accompanies each domestic bill. This may appear a rather rarefied ending; but we see a direct link between a new status for local government in England, and the potential for enhanced local innovation and variation to improve the lives of local people and local communities.

1 Context

Why this matters

1. The debate about the balance of power between central and local government can appear rather abstract. However, we are convinced that the balance of power matters. It matters because at its heart is the challenge of improving the lives of local people and local communities, and determining where the decisions that affect them directly should be made.

2. Even more fundamentally, it matters because the strength of Britain’s famously unwritten constitution depends upon a strong democracy, and a strong democracy requires two important elements: popular participation at the local level; and popular participation at the national level. The two are interconnected. If popular participation at the grass roots continues to decline in this country, then ultimately the national body politic will not be immune from the consequences. Flourishing grass roots are only likely where local people understand what local government is responsible for in terms of both policy and resources, where they can hold to account local government for its performance, and where, crucially, they believe that local government can make a real difference.

3. Accordingly, we have concluded during the course of this inquiry that the case for greater decentralisation is strongest when it is linked to the potential for local improvement that could not be achieved as well, or at all, by central direction, and where it increases local accountability. For Birmingham City Council the debate

starts from the issue of what we are trying to achieve—we are not interested in constitutional or structural changes for their own sake. Our case for more autonomy and devolution is simple: the UK will benefit economically and socially from returning to local government some of the powers and independence it has lost over the last century.¹

Birmingham City Council argued further that greater autonomy in raising finance “will mean that investment is sensitive to the needs of the locality”, that local management of fund raising and projects “will accelerate investment”, that local political leadership “can galvanise public support and focus on delivery”, and that “devolution fosters innovation—allowing us to find fresh new ways to work with the private sector to create new economic opportunities. Centralisation leads to standardisation and drives out the risk takers and the innovators”.²

4. One of our witnesses, Professor Vernon Bogdanor CBE, Professor of Government, Oxford University, possibly put it most strongly when he argued that decentralisation can “stimulate a sense of local patriotism which can lead to real improvements in public services. In a decentralised system of government, each local authority will strive to ensure

¹ Ev 122

² Ev 123

that its own performance is better than that of its competitors”.³ Another witness, and our specialist adviser for this inquiry, Professor Tony Travers, Director of the Greater London Group, London School of Economics,⁴ made the additional point that shifting the balance of power in favour of local government is an important part of enhancing local democracy, and that local democracy is important because, “if local government and local democracy were to wither and die—or were to wither too much—it is inconceivable that it would not affect Parliament, because they have the same roots.”⁵

5. During the course of this inquiry we have come to recognise the potential benefits of greater decentralisation in terms of outcomes both for local people and communities and for the democratic process. We also believe that central government would benefit too. Government departments would have more time to set strategic guidelines and to review performance if they intervened less at the tactical level, except in exceptional circumstances. Even more fundamentally, we feel there is much for the centre to gain from a vibrant local democracy, and such gains are more likely to occur where local government is seen as commanding its own destiny. We will explore later the areas where we see most benefit in greater decentralisation.

6. We also recognise, however, that there are serious challenges which any government intent on local government reform would encounter. If these challenges are to be overcome, they must be recognised and understood. To begin with, any report addressing the relationship between local and central government must acknowledge the extent to which the recent history of local government reform shapes the current challenges.

A brief history of local government reform

7. England has for centuries had a tradition of decentralised power. Following the birth of modern local government in the nineteenth century, local government led the way in establishing and delivering services and tackling the problems facing the local community: for instance by developing gas and electricity supplies, building schools and hospitals, and providing better public facilities. Perhaps the most famous example is Joseph Chamberlain’s Birmingham.

8. Joseph Chamberlain was elected Mayor of Birmingham in 1873. In three years of relentless activity, he turned a somnolent, insular council into a paragon of municipal virtue. Under Chamberlain, the council bought the local gas and water works companies as a means of improving the lives of Birmingham citizens. Landlords were obliged to connect to the town water supply, streets were paved and lit, six public parks were opened, public transport was introduced and a town hall was built. Chamberlain’s last project, before he departed for national politics, was to plan the regeneration of the town centre

³ Ev 303

⁴ Professor Travers declared the following interests: Board Member (unpaid) Centre for Cities, Honorary Member (unpaid) CIPFA, Honorary Member (unpaid) IRRV, irregular research and consultancy undertaken for a number of public and private sector bodies – non permanent (paid), regular (paid) contributions to a number of national and regional publications – including the Times, Guardian, Daily Telegraph, Financial Times, Evening Standard, Local Government Chronicle, and Public Finance.

⁵ Q 425

using retail development down Corporation Street as the main driver—a policy which still resonates today.⁶

9. Today, however, England is one of the developed world’s most centralised democracies. The centre controls virtually all taxation, and power has followed money. Over the period since 1945 power and authority have moved upwards within the English political system, as expectations of government responsibilities for improving individual lives have risen with the advent of the welfare state, and as parliamentary and governmental attention has turned from governing overseas territories to directing domestic policy.

10. Across a whole swathe of issues with a strong local dimension, including health, education, housing, planning, and regeneration, post-war governments of whatever political hue have wholly or partly taken responsibility away from local government. Appointed bodies (“quangos”) have proliferated and they, schools, non-governmental agencies and private companies have all come to have a part in the delivery of public services. There has been an increase in oversight and regulation. Schools’ funding has been ring-fenced. The non-domestic rate has been nationalised. Local domestic taxation has been capped. In many areas housing associations and arm’s-length management organisations, rather than councils, have assumed responsibility for social housing.

11. In sum, local government powers and responsibilities have been pushed both upwards to central government, and sideways and downwards to the regional arms of central government and to other local bodies. There has been less emphasis on local government having a unique local role. As Professor George Jones OBE, Emeritus Professor of Government, London School of Economics, put it to us during oral evidence, “what has been happening for the last 30 or so years is that increasingly the central government has seen local authorities as their executive agents, no different from other parts of the central government departments”.⁷

12. The vast majority of our witnesses have argued that this growing centralisation of power, and confining of local government roles, has had far-reaching negative consequences for individuals, for local communities and for democracy. Latterly, successive governments have attempted to move power and decision-making away from the centre and towards localities. However, any government of the day must take account of public and media expectations that demand that it “do something” about almost any issue of public policy. Moreover, there are additional expectations about fairness and service regulation that cannot be ignored.

13. Our inquiry has sought to determine whether the current balance of power is optimum and the benefits which might accrue from changing it. In doing so, it takes account of two previous investigations into the relationship between central and local government, and reflects on the raft of local government-related reforms introduced by the current Government.

⁶ Information about Joseph Chamberlain taken from *New Start* March 09 edition.

⁷ Q 398

Lessons learned from Layfield and Lyons

14. In 1974, the government of the day appointed Frank Layfield QC to chair an inquiry into local government finance. Although Layfield's recommendations were not accepted, his report, published in 1976, remains relevant, its arguments still framing much of the debate today. Several witnesses referred to it in evidence to our inquiry, and Sir Michael Lyons, in the executive summary of his own report into local government completed some 30 years later, observed that "I follow firmly in the footsteps of Sir Frank Layfield."⁸

15. The enduring influence of the Layfield Report stems from its comprehensive nature, and specifically from the manner in which it placed financial reform within the wider context of the relationship between local and central government. The Layfield Committee postulated two models for local government: the "centralist" model, under which central government would have the main responsibility for local government expenditure; and the "localist" model, under which local authorities would have the main responsibility for the level and pattern of expenditure on local services. It advised the then Government to choose between the two models, and to develop a system of local government finance that would support the chosen model, with the balance between central funding and locally raised funding reflecting where the main power and responsibility lay.

16. As Professor George Jones and Professor John Stewart, Emeritus Professor of Local Government and Administration, The Institute of Local Government Studies, University of Birmingham, who both served on the Layfield Committee, explained in their evidence to our inquiry, the Committee made clear its preference for a localist solution, and concluded, therefore, that local authorities "should be able to control local expenditure and local taxation, and to be accountable for those spending and taxing decisions" because "a decentralised model of governance could not be sustained if central government grant was the predominant source of local government's revenue".¹⁰ Accordingly, the Layfield Committee made recommendations to the Government, in 1976, to devolve powers to local government, including taxation. Significantly, the then Government opted for a "middle way" which in practice confirmed much of the centralist status quo and did not involve any major changes to the financing arrangements for local government, effectively rejecting Layfield's localist ideas.

17. The Lyons Report is the other key reference document for our inquiry. In July 2004, the Government appointed Sir Michael Lyons to re-examine the local government finance system. In September 2005 his remit was extended to consider the strategic role of local government. The long-awaited Lyons Report, *Place-shaping: a shared ambition for the future of local government*, was published in March 2007. The recommendations made in the report are a result of three years of work, with extensive consultation, and are backed up by a 400-page report.

18. Sir Michael Lyons coined the phrase "place-shaping" to describe what he saw as the core role of local government in the 21st century. In contrast to the more traditional focus

⁸ The Lyons Inquiry, *Final Report*, (London 2007) Executive Summary, para 1.

⁹ Ev 132

¹⁰ Ev 132

on the role of local government as a provider of specific services, he promoted “a wider, strategic role for local government,” which he termed ‘place-shaping’—“the creative use of powers and influence to promote the well-being of a community and its citizens”.¹¹ He saw two benefits arising from local government taking on this ‘place-shaping’ role. First, it would enable decisions to be tailored to the needs of local areas, leading to an enhanced service to the public. Second, it would enable local people to have a greater say in decisions that directly affect their lives.

19. Despite reaching similar “localist” conclusions, Sir Michael Lyons’ tone was more cautious than Frank Layfield, particular with regard to financial reform. Sir Michael Lyons advocated a “developmental approach”, suggesting that “as short-term reforms take effect, the Government should consider building on them to further increase local flexibility and choice and consider longer term and more radical reforms to the funding system”.¹² This difference probably reflects in part the negative government reaction to the more radical Layfield report: Sir Michael Lyons was, it appears, playing close attention to the art of the possible. It is also because, whilst Sir Michel Lyons placed a similar emphasis on freeing local authorities’ ability to spend money according to its own priorities, he placed less emphasis on local authorities raising a greater proportion of their finance locally. As Sir Michael Lyons himself explained to us during oral evidence:

[...] I thought the preoccupation with local government having freedom to raise more money was a distraction from the most urgent presenting problem, in my judgement, and that—and I did not change this view over the life of the work I did—was actually the flexibility to use the money that it had [...] the last thing that local government needed was the ability to raise more money that it did not have the freedom to explain how it was going to spend. It is a question of the sequence of these things. Yes, the balance of funding comes on to the agenda but not before the issue of flexibility.¹³

Yet, notwithstanding Sir Michael Lyons’ caution, within hours of the Lyons Report’s publication the Government issued a press release rejecting Sir Michael Lyons’ recommendations to remove capping and for a revaluation of domestic properties for council tax, and has not responded formally to his other recommendations.

20. A number of the written submissions we received were critical of the Government’s handling of the Lyons report. Sunderland City Council, for example, observed that the manner in which the Government had rejected some of its recommendations (e.g. abolition of capping) and shelved others (e.g. council tax banding reform) “does not bode well for the future”;¹⁴ the Association of North East Councils commented that “it is disappointing that there has been so little action on Lyons’ recommendations (except to reject the abolition of capping) and we believe that the Government should now set a timetable for considering them.”¹⁵ When we pressed the Secretary of State for Communities and Local Government, Rt Hon Hazel Blears MP on this point during oral

¹¹ The Lyons Inquiry, *Final Report*, (London 2007) Executive Summary, para 14.

¹² The Lyons Inquiry, *Final Report*, (London 2007) Chapter 10 Para 41, recommendation 10.1.

¹³ Q 24

¹⁴ Ev 232

¹⁵ Ev 183

evidence, she confirmed that the Government had no intention of responding formally to Lyons.¹⁶ It appears, therefore, that the Lyons report will share the fate of its predecessor; to be more influential with academics and with local government than with the government that commissioned it.

21. We have drawn two key lessons from the Layfield and Lyons Reports. First, these last two government-commissioned investigations have both recommended shifting the balance of power between central and local government in favour of the latter. The evidence submitted to our inquiry has led us to the same conclusion. Second, the government response to both reports serves to highlight enduring government resistance to a radical enfranchisement of local government. In each case, the government's response appears to us to be a missed opportunity to benefit from a more substantial move towards greater local autonomy.

The situation today

22. Table 1 below illustrates the series of local government reforms which the government has introduced over the last decade, creating a new framework for the interaction between central and local government.

Table 1: Key recent events in the relationship between central and local government		
Date	Event	Devolutionary impact +++ = significant change ++ = moderate change + = little change 0 = no change/too early to say
April 2009	The new Comprehensive Area Assessment (CAA) comes into force.	0
January 2009	The Government introduces legislation to grant upper tier local authorities the power to raise and retain additional business taxation through a 'Business Rate Supplement'.	++
June 2008	Negotiations are concluded between central and local government on the new local area agreement targets.	++
April 2008	The new three-year settlement for local government begins.	+
December 2007	The central-local concordat is published.	+
October 2007	Royal Assent is granted for the <i>Local Government and Public Involvement in Health Act 2007</i> . The Act contains provisions on structure, executive arrangements, and local area agreements.	++

¹⁶ Qq 596-598.

October 2007	Royal Assent for the <i>Greater London Authority Act 2007</i> is granted, providing enhanced powers for the Mayor and London Assembly.	+++
July 2007	The Sub-national economic review is published. The review recommends abolishing Regional Assemblies and introducing a duty on local authorities to promote economic development.	0
March 2007	The Lyons Report is published.	0
March 2006	The Government publishes a White Paper, <i>Strong and prosperous communities</i> , which includes measures to increase community empowerment and the simplification of the performance framework for local government.	++
September 2005	The remit of the Lyons Inquiry is extended to cover the strategic role of local government.	0
July 2004	The Balance of Funding Review publishes its report into all aspects of local government funding. The Government commissions the Lyons Inquiry to look in more detail about options for reform of local government finance.	0
July 2000	Royal Assent for the Local Government Act 2000 is granted. This Act introduces the cabinet system in local government and powers for local authorities to undertake any action for the social, economic and environmental well being of their area (the 'well being' powers).	++

23. In the Government's view, these changes amount to a very dramatic swing of the pendulum in favour of 'localism'. The Secretary of State told us that "the whole architecture of the relationship between the centre and the locality has changed and will continue to change", and that "I think you are seeing a radical shift [...] a real shift in the balance of power between the centre and the locality"¹⁷. This is, however, a minority view. Other witnesses have judged the impact overall of government change in this area to date to be far less dramatic than the Secretary of State suggests. For example, the recent reduction in the number of performance indicators simply reversed earlier government decisions which increased their number.

24. Certainly, some witnesses have pointed to changes that have been genuinely 'localist' in both intent and impact. Sir Michael Lyons, for instance, highlighted to us government adoption of his 'place-shaping' concept and the enhanced powers to enable local government to carry out its local leadership role contained in the 2007 Local Government and Public Involvement in Health Act.¹⁸ Professor George Jones acknowledged the 2000

¹⁷ Q 604

¹⁸ Q 2

Local Government Act, which introduced powers for local authorities to undertake any action for the social, economic and environmental well being of their area (the well-being powers) as “the one positive step that I would attribute to central government in enhancing the power and discretion of local government.”¹⁹ A number of local government and academic witnesses also highlighted the potential for Local Area Agreements (LAAs) and Multi Area Agreements (MAAs) to provide local authorities with more space in which to act. Lancashire County Council, for example, welcomed in its written evidence to our inquiry “the freedom to decide our own priorities with our local partners through the new Local Area Agreement”.²⁰ LAAs, launched in 2004, and put on a statutory basis in 2007, aim to join up public service delivery at the local level through an agreement between local and central government, whilst MAAs, first mentioned in the October 2006 Local Government White Paper, similarly aim to join up public service delivery but across council boundaries at the regional and sub-regional level.

25. Few witnesses, however, see this as the whole picture. James Morris, Chief Executive of Localis, was not alone in drawing our attention to contradictions in government policy:

[...] during the last ten years we have had this movement towards very much top-down approaches to both regional and local government at the same time as there being rhetorical lip service paid to decentralisation of power. So the example of planning powers being placed into the hands of democratically unaccountable regional development structures, for example, I think is an example of policy tensions which still exist in the central/local relationship, and one could go through a whole series of them around education, health, even the provision of welfare, which are still very current.²¹

26. Witnesses have also pointed to the heavily prescriptive nature of the audit and inspection framework for local government begun in 2002—the Comprehensive Performance Assessment (CPA). At one stage local government was subject to well over 1,000 performance indicators. Although the government has reduced the number of performance indicators substantially—albeit to a still not inconsiderable 189—and a lighter touch inspection regime is promised from 2009—the impression persists that the monitoring of local government by central government remains pervasive. As an example of the Government’s continuing prescriptive tendencies, the Association of Northern Councils noted that the Licensing Act 2003 “specified, in primary legislation, the composition of a local authority Licensing Committee”, and observed that “details of internal organisation really should be left to individual local authorities.”²²

27. Arguably of most significance, central government continues to hold the purse strings. Local government relies on central government grant for some 75% of its total expenditure. Although the government has moved away from the use of specific ring-fenced grants, this is not the case for education, for example. Here, the introduction of the dedicated schools grant in 2006–07 resulted in local government having less autonomy on education expenditure, as the funding is now “passported” directly to schools, effectively bypassing

¹⁹ Q 404

²⁰ Ev 138

²¹ Q 53

²² Ev 182

elected local government. Even where the Government has moved in principle to increase local authorities' ability to spend their money as they see fit, with the adoption of "area-based grants" in place of ring-fenced funding, it has proved unable fully to let go. Lancashire County Council, for example, complained to us that "central government continues its attempts to influence the choice of indicators and related funding in area-based grants even though such funding is not supposed to be restricted in this way,"²³ and West Sussex County Council commented that "when funding is granted, it often comes with so many strings attached that the flexibility to fit in with local arrangements becomes impossible."²⁴

28. There is clearly a wide division of opinion between the Government's view of recent developments and the views of the majority of our witnesses, many of whom believe that central direction and control remain unchanged or even that they have increased. The Government's record appears to us to be mixed. There remains a sizeable gap between the newly empowered local government that the Government believes it has established in principle, and the actual impact as witnessed at the local level. Against this background, our report assesses the scope for a more untrammelled devolution.

The European context

29. England is not alone in wrestling with intractable local government issues, but there are alternative balance of power models available which may better facilitate the delivery of responsive public services and the strengthening of democracy at the local level. In theory all member states of the Council of Europe share a common set of principles for local democracy and local self government, expressed in the European Charter of Local Self-Government.

30. The UK Government formally signed the European Charter of Local Self-Government in May 1997, and ratified it the following year. Jeremy Smith, Secretary-General of the Council of European Municipalities and Regions, explained in his evidence to this inquiry that the Charter has been ratified by all member states of the Council of Europe apart from three micro-states, "and can be said to lay down a common set of principles for local democracy and local self-government for the whole of Europe".²⁵ The Secretary of State for Communities and Local Government told us the Government was making "quite significant progress"²⁶ on implementation.

31. In principle, the Charter bolsters and protects the role of local government. Article 2 asserts that "the principle of local self-government shall be recognised in domestic legislation, and where practicable in the constitution." Article 8(3) asserts that "administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect." Article 9(4) asserts that the resources available to local authorities should be of a "sufficiently diversified and buoyant nature to enable

²³ Ev 141

²⁴ Ev 148

²⁵ Ev 214

²⁶ Q 662

them to keep pace as far as practically possible with the real evolution of carrying out their tasks” and Article 9(7) asserts that “as far as possible, grants to local authorities shall not be earmarked for the financing of specific projects.”

Visit to Denmark and Sweden

During the course of this inquiry, the Committee undertook a useful and informative visit to Denmark and Sweden.

In general, we were struck by the consensual nature of the political culture in both countries, underpinned by their proportional voting systems.

In Denmark we learnt that:

- Reform of local government has recently been completed to create larger municipalities—equivalent to English local authorities with responsibility for most local services in Denmark including social services, primary education and primary health care—with more scope to deliver specialist services and make efficiencies.
- The number of Danish municipalities has reduced from over 200 with an average population of just under 20,000 to 98 with an average population of just over 55,000.
- Municipalities have substantial revenue raising powers—60% of total revenue comes from local taxes.
- Central government focuses on macro-economic stability and the setting of minimum acceptable standards of service, leaving local government considerable space to operate within overall expenditure limits and priorities in selected areas.
- Agreement of overall local government expenditure limits, within central government’s overall macro-economic strategy, is by negotiation between the Finance and Welfare Ministries for central government and the Danish local government association (Local Government Denmark) acting on behalf of local government. Local Government Denmark plays a pivotal role, negotiating with central government to agree the overall total for local government as a whole, and with individual authorities to determine individual local authority spending within this overall total.
- Danish local government is empowered to devise and deliver local services and priorities without reference to or interference from central government.
- As a result of the recent reform, the second tier of Danish local government—previously five County Councils, now five Regions responsible chiefly for secondary healthcare—has lost authority, losing their ability to levy taxes. It is possible that, in future, the regions will be phased out with hospital Boards taking over their healthcare role.

In Sweden we learnt that:

- High importance is attached to the ability of local authorities to raise a high proportion of their revenue locally.
- Both tiers of Swedish local government, Municipality (responsible for most local services) and County Councils/Regions (responsible for healthcare), raise around 70% of their revenue through local taxation.
- High importance is also attached to equalisation—whereby additional funding is transferred to the poorest municipalities. This is achieved partly by central government grant and partly by transfer of municipal local income tax. The process is transparent, in that individual citizens can see on their bill how much of their local income tax is transferred to other municipalities as part of the equalisation process.
- Central government is limited in its ability to control municipal spending, but does have the ability to freeze the local income tax rate temporarily—a power it has used, in the early 1990s.
- As with any system of local government, there are tensions, particularly related to the redistribution of resources away from Stockholm under the equalisation system, and the level of legal prescription regarding the services that local services must provide.
- For the most part though, there is a relatively high level of co-operation both between parties and between tiers of government in the Swedish system.

32. We shall consider in a later chapter the extent to which the Government is compliant with the letter and, more importantly, the spirit of the Charter. For the moment, it is important to note that, whilst the precise balance of power between central and local government is pitched differently across Europe, by most measures the English model appears at the far centralist end of the spectrum. We can see this in three key areas: constitutional protection for local government; financial arrangements; and intervention from the centre.²⁷

33. Local government in England has far less constitutional protection than most of its European counterparts. In Germany, for example, Article 28(1) of the Basic Law guarantees the existence of elected councils for counties and municipalities, and Article 28(2) guarantees “the right to regulate all local affairs on their own responsibility, within the limits prescribed by the laws.” It also guarantees their “self-government” within their areas of competence, and applies this principle to “the bases of financial autonomy”. These are significant safeguards. Similarly, article 1 of the French constitution states that “it [the Republic] shall be organised on a decentralised basis.” Article 72 defines the various “territorial units” and incorporates a form of the subsidiarity principle:

²⁷ More detailed analysis of these themes can be found in a Localis publication: Roger Gough, *With a Little Help From Our Friends—International Lessons for English Local Government*, (London 2009), sponsored by the Local Government Association.

territorial units may take decisions in all matters that are within powers that can best be exercised at their level.

The French constitutional system also covers financial arrangements, offering the possibility of access to a variety of sources of tax incomes, and making it clear that when new responsibilities are given to “territorial units” suitable funding should also be transferred or made available.

34. The local government figures and representatives whom we met in Denmark and Sweden left us in no doubt of the importance they attached to constitutional safeguards that served as a basis to oppose the centralising tendencies of national government. Whilst the Danish constitution makes the bare-bones statement that “the right of municipalities to manage their own affairs independently under State supervision shall be laid down by statute”, the Swedish constitution is more precise in giving equal weight to the importance of both central and local government in the democratic process. Its first article locates the origin of public power in the people, “realised through a representative and parliamentary polity and through local self-government.” The Swedish Association of Local Authorities and Regions (SALAR) further explained to us that the constitution specified that local authorities may levy taxes in order to perform their tasks. We discuss the implications of the relative paucity of constitutional protection for English local government in more detail in a later chapter.

35. Our hosts in Denmark and Sweden were also clear that the strong position of local government in their countries owed much to the high degree of local government financial autonomy. Danish municipalities raise 60% of their revenue from local taxes (mainly income tax), and a further 14% from charges for services. They are dependent upon central government for only 27% of their funding (12% reimbursements for social expenditure and 13% block grant including an equalisation equation).²⁸ Similarly, Swedish municipalities raise 69% of their revenue from local tax (mainly income tax), and only 15% in the form of government grant.²⁹ The local government representatives we spoke to in both countries felt that the clear link between local tax payment and the delivery of local services led to a strong engagement in local democracy. In England, the financial situation is reversed. Local government raises, in total, only 25% of its revenue locally—mainly through the council tax. It is dependent upon central government for the vast majority of its revenue.

36. Local government, of whatever political persuasion and however autonomous, is liable to complain about the level of central government intervention. Local government in Denmark has a wide range of functions, and considerable autonomy as to how it fulfils them. We heard, however, from Danish opposition MPs that over the last few years central intervention had increased as the Government had passed more legislation specifying minimum standards, and had become stricter on imposing taxation limits. We also heard from Stockholm City Council how much of its activity is mandated by law, meaning that its freedom of action is more circumscribed than might initially appear to be the case. It

²⁸ Equalisation is covered in more detail in the next chapter

²⁹ In addition, fees and charges make up 7%, rents and charges 7%, sales of services and contracts (1%) and other revenues 5%. Source: SALAR.

was accepted, though, that the municipality retained considerable flexibility as regards how services are delivered.

37. Tension between central and local government over the degree of central intervention is therefore by no means unique to England. Nevertheless, there remains a difference of degree between central government's standard-setting legalistic interventions in Sweden and Denmark, and the extent of central government presence and direction at the local level in England. We have noted previously the extent to which central government agencies and quangos influence the delivery of services at the local level in England. Add to this an elaborate performance management system—with still around 200 national indicators—and the level of government intervention in England still looks high compared to its European counterparts. In France, for example, improvement remains a matter for local authorities themselves. The overall attitude has been expressed by one Mayor thus:

Nobody from the national state would ever dare to intervene in the effectiveness of local services. This is unheard of. If people aren't satisfied they don't vote for you next time.³⁰

It is inconceivable that an English council leader or mayor would say the same.

38. The relationship between central and local government in England deviates from the European norm in at least three areas—the level of constitutional protection, the level of financial autonomy, and the level of central government intervention. All serve to tilt the balance of power towards the centre. In the next chapter, we analyse possible reasons why successive governments have retained centralising tendencies, identifying three key challenges which any government considering change must face.

³⁰ Quoted in Roger Gough, *With a Little Help From Our Friends—International Lessons for English Local Government*, (London 2009) page 43.

2 Key issues

Key challenge 1: Public expectations

39. There are a number of reasons why central government moves cautiously if at all to introduce greater autonomy for local government. One of them is concern that the public has yet to be fully convinced of the merits of “localism”, particularly when it results in varying standards of service delivery, the so-called “postcode lottery”. The Lyons inquiry found that 57% of people objected to the idea of local levels of service not being the same in different areas of the country. In our view, the media, both national and local, does not see that one of its duties is explaining or contextualising issues, but instead seizes on every failure as a stick to beat local government. Much of the public in England appears to equate variation of service with unacceptable standard of service. Behind this connection may lie a continuing doubt that local government is able to deliver on its promises—what Sir Michael Lyons, during his oral evidence session, referred to as “[...] the problem of a debate with the public of this country which, when surveyed, believes that more decisions should be made locally but still has some anxieties about those decisions being made by local government.”³¹

40. The problem may be that centrally-imposed solutions sound fair and efficient in principle, even though in practice the challenge of imposing a uniform national standard of service delivery from the centre can prove particularly intractable. Fifty years of the NHS has not guaranteed a uniform standard of healthcare everywhere at any time. But when local government fails to deliver a satisfactory level of service, the public—and the media—in England automatically looks to central government and constituency MPs to intervene. Moreover, the British electorate appears to have unusually strong expectations about equal treatment of people in different parts of the country and in different circumstances. A number of witnesses to our inquiry echoed Professor Vernon Bogdanor’s view that “all too often national politicians are held to blame for local matters and that is incompatible with a healthy local government system.”³² In effect, as Professor Tony Travers put it to us, public and media expectations “[put] the Prime Minister in the position of being mayor of England.”³³ Clearly, if national politicians know that they are going to be held ultimately accountable for the sins of local government, then they will want to retain the ability to direct and influence it.

41. England’s centralist culture inhibits further devolution. We do not, however, believe this challenge to be insurmountable. There is certainly evidence that when local authorities engage more deeply with their public, they can shift attitudes. The Lyons inquiry found that, once the concept of successful public consultation was introduced, two-thirds agreed that it did not matter if local councils provided a different level of service as long as people were consulted and were happy with the service they receive. This survey evidence is backed up by the practical experience of Maidstone District Council, whose Chief Executive, David Petford, informed us of the tremendous feedback they have received as a

³¹ Q 45

³² Q 436

³³ Q 436

result of their engagement with the public at parish level and on a larger scale when, for instance, “we have taken over the local picture house and called the public, it has been packed out, and the cabinet, and leaders of the opposition within the council, have had a debate with the public.”³⁴ Acknowledging that deepening council engagement with the public “is hard, it takes a long time”, he pointed out that “it is certainly worth it in terms of localism, and that for me is all that localism is about”.³⁵

Key challenge 2: An unequal society

42. The second challenge that makes the tenets of localism harder to introduce in England is the degree of income inequality in England. The combination of the demand for fair treatment and the level of inequality in Britain creates a pressure on local authorities that can result in their being put under significant pressure by central government to deliver outcomes that exceed plausible expectation. This is, of course, a challenge for all providers of local services—including the NHS and police. However, because local authorities are responsible for so many local services, and are linked so clearly in peoples’ minds with local matters, arguably they feel this challenge most acutely. One way of summarising trends in overall income inequality is to look at the Gini coefficient—an internationally-recognised measure of income inequality which condenses the entire income distribution into a single number between zero and one hundred: the higher the number, the greater the degree of income inequality. The chart below shows comparable 2007 Eurostat Gini coefficient data for EU countries. Although data are not available for England, the UK coefficient serves as a helpful comparator. In 2007 the UK Gini coefficient was 33.0. By this measure, only four EU countries had a higher coefficient (i.e. greater income inequality) than the UK.

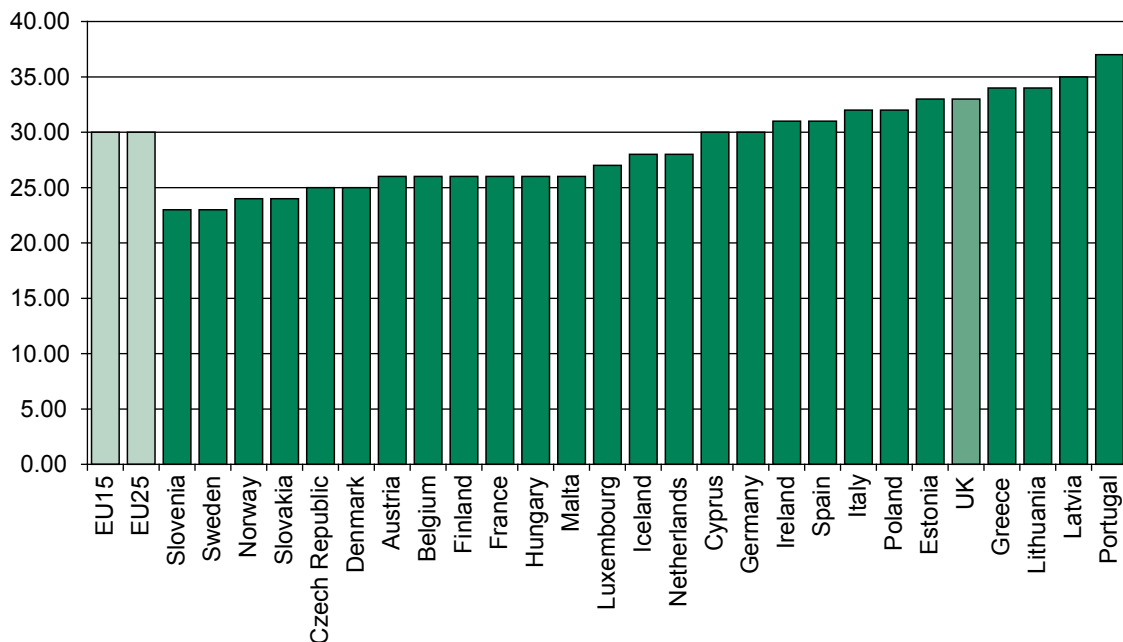


Table 2: Income Inequality: gini coefficient in EU countries (2007)

³⁴ Q 227

³⁵ Q 227

43. Where income inequality is relatively high, this can increase the challenge faced by local authorities, and others, to deliver services of acceptable standards to all. By way of example, families on lower incomes are likely to have very different health and welfare needs and expectations than families on higher incomes. Under these circumstances, it can be very challenging for local authorities and others to deliver health and welfare services that those at both ends of the income distribution find acceptable. The harder it is for local councils to convince their local population that they are performing well, the harder it is to make the case for localism, and the more likely it is that central government will be tempted to intervene, as with, for instance, the delivery of healthcare.

44. The extent to which the scale of inequality varies between authority is a further complication. The following table, showing the local authorities in England with the highest and lowest estimates on various deprivation measures, gives a good indication of this.

Table 3: Local authorities in England with highest and lowest estimates on various deprivation measures

Indicator	Highest	Lowest
Income ¹ (% of population earning under £7 per hour, 2007–08)	Berwick upon Tweed 44%	Richmond 5%
Unemployment ² (% of working age population claiming JSA, January 2009)	Kingston upon Hull 7.4%	Isles of Scilly 0.7%
Mortality rate per 100,000 population ³ (2005–2007)	Hartlepool 671.5	Isles of Scilly 259.8
Incidence of cancers per 100,000 population ⁴ (2005–2007)	Liverpool 451.74	Three Rivers 268.22
Homelessness rate per 1,000 population ⁵ (2007–08)	Birmingham 9.1	Guildford, Reigate & Banstead 0.0
Education ⁶ (% of 16 year olds failing to get 5+ GCSEs in 2007–08)	Nottingham 30%	Ribble Valley 4%

Sources:

1. ONS Annual Survey of Hours and Earnings
2. DWP benefits data
3. ONS Mortality statistics
4. ONS Mortality statistics
5. Communities and Local Government
6. DCSF

On the one hand, these statistics strengthen the argument for greater decentralisation of power, as such heterogeneous local authorities will have very different needs and priorities. On the other hand, one consequence of this heterogeneity is that local authorities in England have very different expenditure needs and tax bases. To prevent an iniquitous position whereby the poorest authorities are unable to fund essential welfare services, it is generally accepted that there is a requirement for a redistribution of resources between areas—an equalisation process. Knowsley Borough Council, for instance, informed us that:

For an authority such as Knowsley with a low tax base, the opportunity to raise a greater proportion of its expenditure locally is very restricted. The ability to raise income from fees and charges is minimal and is incomparable with the income generation potential of some boroughs, such as London Boroughs. The ability to generate income needs to be taken into account as part of methodology for distributing formula grant as part of resource equalisation which will not disadvantage those local councils with low tax bases.³⁶

³⁶ Ev 180

45. There is little debate about the need for an equalisation mechanism in the funding system. Where there is more debate is how the equalisation process should be managed. In England, the means of equalisation is by central government grant, which is determined by means of a complex calculation. Our predecessor Committee analysed this process in some detail in an earlier report:

The formula grant system sets spending totals, which, in theory, take account of the costs faced by local authorities in providing local services. If all authorities of the same type were to spend at the level of their Formula Spending Shares (FSS), they would all, in theory, be able to set the same level of council tax [...] If a local authority budgets to spend at a level above its FSS, the whole of the extra spending falls on the local taxpayer. If a local authority budgets to spend below the level of its FSS the whole of the “saving” is passed on to the local taxpayer. Council tax rates vary across the country mainly because of local spending decisions.³⁷

46. Our predecessor Committee also assessed the impact of this process on the balance of power between local and central government. It concluded that “the government grant can be significantly reduced from its present level and still fully meet its functions of equalisation”, and, crucially, that “the only purpose of keeping grant so much higher than necessary is to have a greater control of local authority expenditure, as a tool of macroeconomic policy.”³⁸ In the next section we will consider in more detail the extent to which the balance of funding between central and local government in England inhibits a substantive shift in the overall balance of power between them.

Key challenge 3: Financial reform

47. In England the main means by which local councils raise their own revenue is a property tax—the council tax. However, most authorities are able to fund only a minority of their spending requirements from local revenue streams. In 2006–07, across local government 75% of revenue expenditure (including schools) was funded from government grant, and only 25% from local taxes.³⁹ The government grant includes general revenue support grant and specific (ring-fenced) grant, as well as revenue from the non-domestic rate (business tax), which is levied by central government and redistributed to local government on a per capita basis. As the table below shows, the locally-funded percentage increased slightly after the introduction of the council tax in 1993–94, but has remained broadly stable since 1998–99.

³⁷ Office of the Deputy Prime Minister (ODPM) Committee, Ninth Report of Session 2003–04, *Local Government Revenue*, HC 402-I, paras 20 and 22.

³⁸ ODPM Committee, *Local Government Revenue*, para 50.

³⁹ Communities and Local Government, *Local Government Financial Statistics England*, No 18 2008. Chart K3a

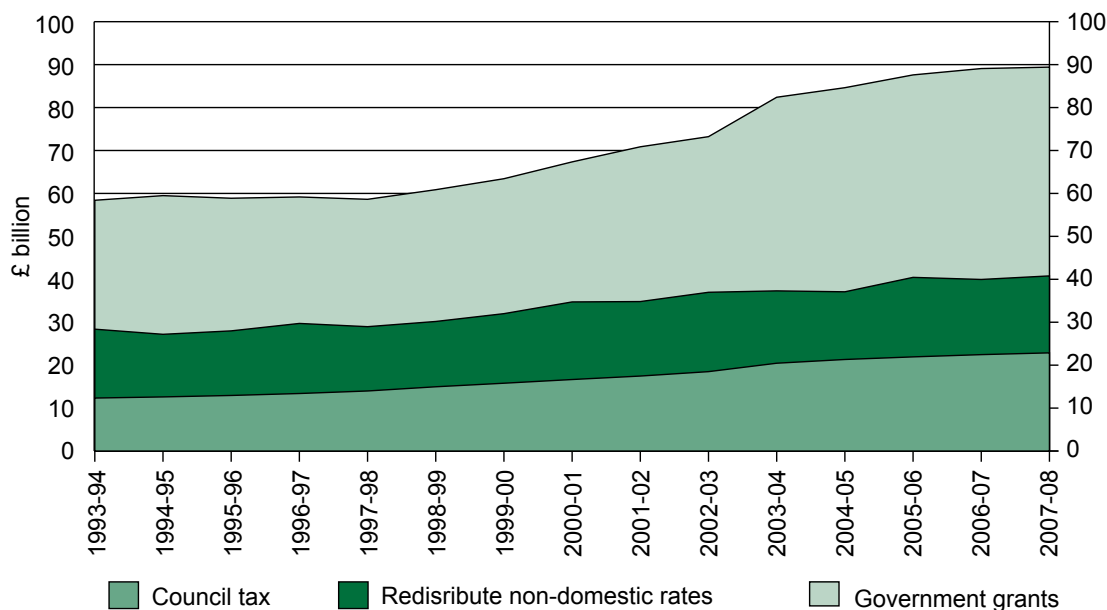


Table 4: Sources of local authority income (at 2006-07 prices)

48. As we have seen above, English local authority areas are very heterogeneous, and although in total only 25% of total local government revenue is raised locally, the proportion of income raised locally by individual councils varies hugely—our predecessors’ report gave a range of between 13% and 69%.⁴⁰ Those councils at the lower end of the spectrum, however, face a real challenge if they wish to raise spending above the level set by central government. For example, a council which finances 25% of its spending from council tax and has a formula spending share calculated at £100 million would need to raise £25m in council tax, and would receive £75m from central government. If it wished to increase its spending by 1% (£1 million), it would have to increase council tax receipts by £1 million—an increase of 4%—so the percentage increase in council tax is four times the percentage increase in spending. Conversely, a council which finances 75% of its spending from council tax and has a formula spending share calculated at £100 million would need to raise £75m in council tax, and would receive £25 million from central government. If it wished to increase its spending by 1% (£1 million), it would still have to increase council tax receipts by £1 million—but in this case the increase would be only 1.3%—so the percentage increase in council tax is much nearer the percentage increase in spending. This is referred to as the gearing effect, a ratio of two different percentages—the percentage change in local authority expenditure, and the percentage change in council tax required as a result. The higher the gearing ratio, the more sensitive council tax levels are to local spending decisions, and the harder it is for the local authority to provide additional funding to support projects which are a specifically local priority. Arguably, the decision to fund schools through a ring-fenced grant has dampened the gearing effect, which is really only applicable to discretionary spending. It has, however, done so only at the expense of local government autonomy and flexibility in this particular policy area.

⁴⁰ ODPM Committee, *Local Government Revenue*, para 21.

49. Unsurprisingly, a number of witnesses were critical of the current local government finance system. Even a former Minister in the current government, Nick Raynsford MP, accepted that there is a problem with accountability:

Unfortunately the financial regime we have is one in which it is so opaque [...] that it is very difficult for the average voter to have an idea as to who is responsible for either an unpopular council tax increase or a failure to deliver a service which they want because in some cases the council will say it is the responsibility of central government and we are not given enough grant [...]⁴¹

A number of witnesses argued strongly that a greater ability to raise a higher proportion of its own revenue, rather than having a grant from central government, is an essential prerequisite for truly independent—and accountable—local government. To independence and accountability may be added the additional benefits of simplicity, equity, and transparency. After all, as Professor Tony Travers pointed out to us:

It is worth remembering that overwhelmingly for local authorities in England most of the money that their tax payers pay in all taxes just goes up to Whitehall and then is handed back in various means to them or to other institutions in the area by the government. So most of the money in Sheffield is paid by Sheffield tax payers and then handed back to Sheffield in a way that could easily be by-passed by Sheffield keeping more of the money.⁴²

50. It is unfortunate, then, that in the English political context reforming local taxation is so politically high risk. The unpopularity of the poll tax casts a long shadow, and successive Prime Ministers since Margaret Thatcher have been, understandably, extremely reluctant to countenance radical change. Even revaluation of the base for the current council tax is seen as highly problematic. The current government was quick to rule out this particular Lyons recommendation, and in evidence to us, the current Secretary of State was very keen “not [...] to set any hares running”,⁴³ and refused all invitations to speculate on future revaluation other than to restate the Government’s position that it has been rejected for the life of this Parliament. In his evidence to us, Sir Michael Lyons showed that he too was acutely aware of the sensitivities when he wrote his report, observing when we asked him whether it was possible to bring about any significant change, certainly without some funding to cushion the effect on losers:

It was very much not only that thinking but that experience through the life of this project that led me to believe that this could only be achieved by a combination of what I would describe as a mosaic, a number of small changes [...] and that would have to extend over the life of more than one government if any progress was going to be made.⁴⁴

⁴¹ Q 468

⁴² Q 438

⁴³ Q 605

⁴⁴ Q 29

The problem is that the alternative of incremental change, as proposed by Sir Michael Lyons, has not so far delivered any substantial financial rebalancing. We will return to this issue in a later chapter.

51. Given the strength of political resistance to radical financial reform, we need to test the Government's contention that radical change of the role of local government can be achieved by developing current frameworks.

3 The role of local government

The scope for local variation

52. Local government can be configured in a number of different ways, depending upon the role it is expected to perform. In Denmark and Sweden local government takes responsibility for virtually all locally delivered services; elsewhere, it has a more circumscribed range of functions, as in Australia where the core local government responsibilities are limited to property-related services, with the states delivering education, most social services, fire services and the more local aspects of policing—though Australia does have a highly devolved structure with six states and 2 territories governing some 21 million people between them. Equally, local government can have a high degree of autonomy as to how it carries out its tasks, again as in Denmark and Sweden or as in France, or delivery can be heavily prescribed, as in the Netherlands.⁴⁵

53. As we have seen, Sir Michael Lyons promoted a strategic role for local government, but assessed that “the weight of central controls” in England “can lead to local choices being crowded out”,⁴⁶ stifling innovation and experiment. He also noted considerable public ambivalence about the scope for local variation of services in England. The delivery of social services—particularly for children and the elderly—and healthcare services are particularly sensitive and most likely to be coupled to the emotive term “postcode lottery”. The harsh reality, though, is that, given currently available levels of funding, rising public expectations across the full range of public services in every locality are unlikely to be met fully by either central or local government.

54. We concur with the view of Anna Turley, Deputy Director of the New Local Government Network (NLGN), that “by allowing local authorities much more ability to tailor and focus their resources and their powers to provide services in a way people need they would be much more likely to have a substantially better outcome than through a top-down restrictive framework.”⁴⁷ As Warwickshire County Council observed in its written evidence, “variation in service delivery is not necessarily a negative but a positive reflection of the differences between communities.”⁴⁸ **The real issue is who is best placed to make tough decisions about priorities and to get the best possible outcomes from the finite resources available. Local authorities clearly know their areas better than does Whitehall. Given the extent to which local communities differ, local authorities should have the flexibility—beyond a reasonably set national minimum standard⁴⁹—to vary their priorities to reflect those of the communities they serve.**

55. In this chapter, leaving aside for the moment the question of the financial reform of local government, which will be covered more deeply in chapter 5, we consider first

⁴⁵ These examples are taken from Roger Gough, *With a Little Help from our Friends: International Lessons for English Local Government*, (London 2009).

⁴⁶ The Lyons Inquiry, *Final Report*, (London 2007) Executive Summary, paragraph 25.

⁴⁷ Q 266

⁴⁸ Ev 158

⁴⁹ We consider the case for minimum standards in the next chapter

whether local government in England has sufficient powers and responsibilities effectively to pursue a commanding local leadership role. The logic of our argument is that local government should have a key role in the decision-making process of virtually all local services. We assess how far the reality departs from this principle, looking particularly at local government’s rather limited role in the delivery of local health and policing services. Second, we consider whether current frameworks give local government sufficient freedom of manoeuvre to tackle local priorities and pioneer local solutions. Finally, we ask whether local government itself could do more to pursue a local leadership agenda—whether cultural change within local government is a key prerequisite if the balance of power is to shift decisively in favour of local government.

56. In this report we advance the principle that decisions which primarily affect one area to a significantly greater extent than others, should be taken within that area and not outside it—the subsidiarity principle. Those local authorities taking such decisions should, of course, be able to demonstrate that where there may be a spill-over impact on other areas they should be able to demonstrate that they have taken reasonable steps to take account of any such impacts. The principle should underpin a new hierarchy of decision making which respects and places on a statutory footing the rights of a local community to determine a great deal more of what should or should not occur within their locality, and how the full range of public services are delivered in their area and integrated with each other.

Does local government need new powers?

57. A number of local authorities have made the case for additional powers of a non-financial nature during the course of our inquiry. Birmingham City Council argued that the current “well-being” powers do not go far enough. It wants local authorities to be granted a “power of general competence”, to enable councils to do anything to advance service delivery and local democracy within their area, so long as it is not explicitly prohibited, describing this as “the reverse of the current ‘*ultra vires*’ approach which prohibits councils from doing things they are not specifically empowered to do through legislation”.⁵⁰ Kent County Council called for funding streams to be devolved from Regional Development Agency responsibility to a sub-regional level such as a county council.⁵¹ It also pushed for additional freedoms to “run other public services such as health, probation, prisons and policing”⁵² in its locality, to take control over incapacity benefit to ensure close co-ordination with welfare-to-work programmes,⁵³ to pool the budgets of local authorities, regional and local public agencies through the Area Based Grant,⁵⁴ and to “be granted Highways Agency powers for non-motorway trunk roads, along with maintenance budgets and transport planning powers residing within their boundaries.”⁵⁵ Warwickshire County Council argued that “a general power of competence

⁵⁰ Ev 124

⁵¹ Ev 164

⁵² Ev 162

⁵³ Ev 164

⁵⁴ Ev 165

⁵⁵ Ev 165

would put local authorities on a firm footing for moving forward in partnership with others, [and] provide confidence in its ability to respond and deal with local issues. It would also remove the need for some of the tortuous legislation that currently exists.”⁵⁶ Other councils—Manchester City Council and Westminster City Council, for example—covered similar ground in their submissions.⁵⁷

58. The message which came through very strongly with big city councils and county councils in particular was their frustration that, even though they were high-performing councils with huge challenges, they were not being given sufficient space by central government and central government agencies fully to develop their leading “place-shaping” role. In oral evidence, Stephen Hughes, Chief Executive of Birmingham City Council, argued that “there is definitely a particular role for cities [...] we have started from the perspective that there is a greater role that we could make, and that we can contribute more if we are able to have more powers at the local level.”⁵⁸ Similarly, Sir Richard Leese CBE, Leader of Manchester City Council, felt that a lack of local authority power was inhibiting its ability to create the requisite partnerships to ‘place-shape’ at the local level. Citing the example of tackling worklessness, where the local council needed to be joined up with other stakeholders such as JobcentrePlus and the Learning and Skills Councils, he told us that

we need more power in order to be able to do that joining up more effectively, but it is a particularly urban issue, a particularly city issue, and there are other parts of the country who would neither have the need to do that, nor would they have the capacity to be able to do that as well [...] So we would argue for a differentiated approach in that the devolution and decentralisation we would see coming to cities is not necessarily the same that would go to other areas.⁵⁹

Paul Carter, leader of Kent County Council, makes a similar case for his county council:

I do generally believe in earned autonomy, and I think we do not necessarily have to apply a one size fits all policy, we have a completely different landscape of local governments, and I am interested to see you have cities, you have two-tier authorities, you have London boroughs that you are talking to today. The landscape in local government is highly complex. But why do we have to have a one size fits all? Government could say to us, there you are, Kent, we like your ideas, we like your innovation, let us try it for five or three years and review whether the outcomes for the residents of Kent are better or worse than they would be from a centrally managed, centrally administered direction.⁶⁰

59. The Government, by contrast, clearly believes that local government should be making better use of its existing powers, rather than asking for more. In its submission, the Department for Communities and Local Government (CLG) stated that:

⁵⁶ Ev 158

⁵⁷ Ev 148 & Ev 237.

⁵⁸ Q 142

⁵⁹ Q 142

⁶⁰ Q 186

Councils generate £1bn a year through their powers to trade, but only a quarter of the minority that use these powers aim to make a surplus.

Nine out of 10 LSPs are aware of the well-being power but fewer than one in twelve are using it.

Only 60% of local authorities have used the significant new freedoms of the prudential borrowing regime introduced in 2004.⁶¹

The Minister for Local Government, Rt Hon John Healey MP castigated local government in a speech at the May 2008 Institute for Public Policy (IPPR) conference for not making full use of the powers it has. “By all means make the case for more power, more freedom, more innovation”, he said. “But also make use of those you already have”.⁶² In oral evidence to us, the Secretary of State emphasised the same point: “my challenge to local government is that where there are powers before asking for more powers let us make sure that we are using all the powers we have got to their fullest extent.”⁶³ The government position received some support from Sir Michael Lyons, who stated in his report that he was “disappointed that there has been such a low take up by local authorities of the powers to trade and charge.”⁶⁴

60. The current government has granted local government some additional powers. The Local Government Act 2000 provides local authorities with a discretionary power to take any action to promote or improve the “social, economic or environmental well-being” of their area. Local authorities have had the freedom to trade and charge for certain services for a long time. The Local Government Act 2003 extended these powers. Councils that are rated as excellent, good and fair are now able to trade for profit (commercially) through a company. The Sustainable Communities Act 2007 contains a provision for local authorities to request greater powers to promote the sustainability of their area, a provision which is now being put into effect through an invitation to local authorities, issued by the Secretary of State in October last year, to bring forward proposals for further freedoms.

61. Some witnesses, however, have argued that the additional powers are not as generous as they seem. Sir Richard Leese noted that regulatory powers were excluded from the power of general well-being, and observed that the Sustainable Communities Act “is a rather clumsy way of us being able to ask to do things that we ought to be able to decide in our own right to do”.⁶⁵ Warwickshire County Council argued similarly in its written evidence that “local authorities would use charging and trading more if the legislation was simplified”⁶⁶, and noted that the Audit Commission had also commented on the constraints and barriers, in its report *Positively Charged*.⁶⁷ The Association of North East Councils pointed out that “the trading power can only be exercised through a company (or

⁶¹ Ev 282

⁶² IPPR conference, *Local Government Futures: the new Central Local Relationship* 15 May 2008.

⁶³ Q 588

⁶⁴ The Lyons Inquiry, *Final Report*, (London 2007) Chapter 7, para 251.

⁶⁵ Q 164

⁶⁶ Ev 159

⁶⁷ *Positively charged: Maximising the benefits of local public service charges* (Portsmouth 2008).

other trading vehicle) and this inevitably presents complex legal, financial and taxation issues to any council that might be thinking of going down this road”,⁶⁸ whilst Lancashire County Council, in its written evidence, bridled at central government’s assumption that it knew best which powers it should be using, pointing out that “central government may want to know why we are not using a specific policy tool but the local context may mean that one power has more relevance than another”.⁶⁹

62. A number of other witnesses were critical from another perspective. They were broadly content with the powers they have in principle, but argued that in practice they are so constrained by central government interference—whether through performance monitoring or departmental directives—that they are unable actually to deploy these powers fully. Councillor Colin Barrow CBE, leader of Westminster City Council, told us “we have the powers to do really quite a lot if we want to. The issue is that we do not have the entire freedom to spend our money the way we might want to”.⁷⁰ Councillor Keith Moffitt, Leader of Camden Borough Council, observed that “our frustration again is not so much about the powers that we have, but the fact that we have been given the top possible score by the Audit Commission, and yet we do not seem to be trusted to run our affairs”.⁷¹

63. Perhaps surprisingly, the Local Government Association (LGA) too told us that it was not asking for more formal powers for local government. Appearing before us in oral evidence, its party spokespeople told us very firmly that “we have not come here today to ask for more legislation. We have not come here to ask for more powers”.⁷² Instead, the LGA made a persuasive case for “cultural change in the way that central government and its organisations relate to the LGA and to our member councils” and greater clarity with regard, for instance, to the well-being duty, “which sounds fine in theory but in fact, if you try to do anything major through it, would be an accountants’ and solicitors’ charter.”⁷³ This issue of the need for a cultural change in central government will be explored in the next chapter.

64. We are clear that local authorities need both sufficient formal powers and more general autonomy to pursue a leading local leadership role. We are encouraged that a number of councils have embraced the potential offered by the well being powers to pursue this agenda aggressively. We note, by way of examples, the decision by Essex County Council to open the first council-run post office to save it from closure; Kent’s decision to launch Kent TV, among other initiatives; the ambitious programmes Westminster and Manchester both have to combat worklessness; the provision by North Yorkshire County Council of a broadband network; and Lancashire County Council’s innovative restorative justice models.

65. We urge more councils to test the strength of the assertion by the Secretary of State that “the power of well being is virtually a power of general competence” and her commitment

⁶⁸ Ev 184

⁶⁹ Ev 141

⁷⁰ Q 228

⁷¹ Q 228

⁷² Q 518

⁷³ Q 518

to “look very closely at the power that exists, how much it is being used, what it is stopping people from doing, and if it is stopping people from doing things which would be beneficial and are proper things for them to do then obviously I want to examine whether any changes would be necessary.”⁷⁴ **We have considerable sympathy with the case for local government to be given a power of general competence, to provide greater recognition of the local leadership role that central government is asking it to play, and which we support. If local government is able to accumulate evidence that the well-being powers are falling short of a power of general competence to the extent that they are impeding its local leadership role, then we recommend that the Government should introduce a power of general competence for local government.**

66. **We have also noted the frustration that, regardless of their track record, local authorities remain subject to invasive central government scrutiny and interference.** The Government has promised that “as councils step forward, central government can further reduce the burden of appraisal and approval regimes, the ring-fencing of funds and prescriptive guidance.”⁷⁵ **We urge the Government to take a more flexible view of decentralisation, and to deliver on its promises of earned autonomy.** We consider this issue in more detail later in this chapter.

The delivery of local police, health and healthcare services: the role of local government

67. During the course of our inquiry, we asked whether local government’s role and influence needed to be strengthened in relation to local policing and health services. The answer from local government, and local government think-tanks, was “yes”. Sir Richard Leese, told us that “we can scrutinise, so we can call in people from the PCT and ask them what they are doing and say ‘that is not very good’, et cetera. What we cannot do is then effectively say, ‘No, you are going to have to change what you are doing because you are not meeting the objectives for, in our case, Manchester.’”⁷⁶ Birmingham, Gateshead and Kent similarly pressed for the ability to direct the local delivery of primary healthcare. With regard to local policing, Westminster was adamant that there was an accountability gap with regard to local policing, “a pretty disconnected picture” even though “they have come a long way in the Met.”⁷⁷ Camden highlighted instances where the council and police were working to competing targets, such as entrance into the youth justice system where “our target is to get it down and the police’s target is to get it up.”⁷⁸

68. Similarly, the think tanks Local Government Information Unit (LGIU) and New Local Government Network (NLGN) argued that both the police and primary care trusts (PCTs) are insufficiently accountable to local people, the LGiU stating in its written evidence that:

⁷⁴ Qq 643-644

⁷⁵ Ev 286

⁷⁶ Q 151

⁷⁷ Q 241

⁷⁸ Q 241

In practice, services such as police and PCTs are primarily accountable to Whitehall; this lack of direct accountability has an immediate impact on the ability of these services to respond to local priorities and meet local concerns.⁷⁹

In oral evidence, Andy Sawford, Chief Executive of the LGiU, further observed that in polls they had commissioned “both the public and councillors feel that there should be stronger accountability at a local level around policing and healthcare. Policing comes out as the number one issue that people want a say over in their community, and one where there is least opportunity for them to do it.”⁸⁰

69. There was a similar amount of consensus as regards how to improve the situation, with a number of different local government and think-tank witnesses advocating a model where local authorities would commission local health and policing services from the local NHS or police authority. For example, in oral evidence Cllr Merrick Cockell, Chair of the local authority representative body London Councils, explained that:

We think the way ahead is for commissioning to be carried out along with the budget for level one policing, particularly neighbourhood policing, in other words to be joined to the budget that local authorities spend, which is often quite substantial these days, pool those together and then for the local authority to commission the borough commander to deliver level one policing in our area.⁸¹

He also confirmed that “the same would apply to health. Certainly the London Councils model is that it would apply to PCTs, that we would be the commissioners for local health services in our area.”⁸² Andy Sawford observed at the same oral evidence session that “we developed a similar model. [...] commissioning is the key and how you use local commissioning, what an opportunity that presents. It is the key to innovating, to getting people involved.”⁸³ In written evidence, the Association of North East Councils felt that a commissioning model “under which the local authority would hold the budget for, and be responsible for the commissioning of, local health and policing services” would “be a bold innovation but it would take us a long way forward in securing democratic accountability”, and suggested that the model be trialled “in the first instance in a few authorities.”⁸⁴

70. Advocates of the commissioning model recognised that its implementation would be challenging, not least because local authority boundaries did not always match local health and policing boundaries. They felt though that, given the potential benefits for local service delivery and local democracy, any obstacles could and should be overcome. With regard to the boundaries issue, it was suggested that local authorities working in partnership, possibly within a Multiple Area Agreement (MAA), would offer a potential solution. Cllr Merrick Cockell observed that:

⁷⁹ Ev 171

⁸⁰ Q 269

⁸¹ Q 270

⁸² Q 271

⁸³ Q 271

⁸⁴ Ev 182

we would from our own free choice agree to form groupings to do it [commissioning]. It may not be necessary or ideal to have 33 of everything in the case of London. There may be very good reasons, again without changing the structure of local government, to ally together with neighbours or others to achieve certain things better.⁸⁵

Anna Turley similarly emphasised the need to “think about the appropriate level for all the kinds of services we deliver”, and felt “really encouraged”⁸⁶ by the multi-area agreement process.

71. Finally, advocates of the commissioning model stressed its advantages over an alternative model whereby commissioners of local health or policing services would be directly elected by the local people. At the time of our inquiry, this model was being floated in a Home Office policing Green Paper, *From the neighbourhood to the national: policing our communities together*. Published in July 2008, it proposed the establishment of local directly elected Crime and Policing representatives (CPRs), who would be responsible for ensuring that the police were tackling the priorities that concerned local people most. Our local government and think-tank witnesses were more or less unanimous in arguing that such a model would actually undermine local democracy. The LGiU, in its written evidence, was clear that the model as articulated in the Green Paper “has the potential to undermine the progress in joined up government that have been made within local strategic partnerships.”⁸⁷ The LGA, in its published response to the Green Paper, argued that directly elected crime and policing representatives would:

undermine partnership working between police and councils

make it more difficult for local people to decide who is responsible for reducing local crime and anti-social behaviour—in effect councils would no longer have a significant role in holding the police to account.

waste scarce resources and create substantial new financial and administrative burdens for police authorities.

have no more flexibility to address local crime priorities than police authorities currently do.

remove a significant amount of local spending from local authority influence.⁸⁸

Similarly, in oral evidence Anna Turley felt that the principle of a local say in local policing was not best served by “the creation of a new elected representative on an authority which most people have very little awareness of, and which perhaps not only duplicates some of the role of the local authority but may start to fragment policing from the wider place-shaping agenda.”⁸⁹ Lancashire County Council observed that “recent suggestions that policing or health should adopt separate democratic mechanisms to ensure public

⁸⁵ Q 271

⁸⁶ Q 274

⁸⁷ Ev 171

⁸⁸ Local Government Association, *Policing Green Paper – LGA Response*, dated 10 October 2008.

⁸⁹ Q 274

accountability are misguided,” adding “In addition to creating wasteful taxpayer expense, directly-elected health or police boards could confuse voters, especially in three-tier areas like Lancashire.”⁹⁰ It is clear from the above that it is not just the specific Green Paper example that the local government family is opposed to; it is opposed in principle to directly elected policing and health representatives because they believe they would undermine local government and hence local democracy.

72. We put the local government case for increasing their powers over local policing and health to the Home Office and the Department of Health, and were struck by the extent to which they were opposed to it. Local councillors do currently serve on Crime and Disorder Reduction Partnerships (CDRPs) and on police authorities (commonly 9 out of 17 members of a police authority are councillors). They do, therefore, have input into local policing priorities. They are not, however, the leading voice, lacking as they do control over local policing resources. As well as the contentious CPRs proposal discussed above, which the Government has since announced it will not proceed with at this time, the Policing Green Paper also advocates more partnership working, bringing together local policing with the broad range of local services—provided by local councils, housing associations and others—that contribute to community safety. Whilst it sees a leading role for local government in crime prevention as part of its wider responsibility to support communities, this is still some distance from the leading role in many aspects of local policing advocated by many of our local government witnesses. It was therefore unsurprising that the Minister of State (Policing, Crime and Security), Mr Vernon Coaker appeared somewhat taken aback when we asked for his response to the proposal that neighbourhood policing should move to local authorities, who would become commissioners for these police services, responding:

I do not know about local councils controlling the police but certainly what we would want to see is the strengthening of the partnerships that already exist.⁹¹

He appeared more comfortable envisaging local authorities in purely supportive crime prevention roles, observing that:

we see the involvement of local authorities in a crime reduction role, a role which includes all the various aspects that lead to communities feeling safer and indeed tackling crime. This is particularly important if you look at local councils in terms of what they do with respect to graffiti, with respect to litter, with respect to lighting, with respect to council housing. All of those matters are fundamental to the importance of delivering safer communities, but on their own are not necessarily connected strictly with policing.⁹²

Later on in the evidence session, he commented that “I think local councillors, local authorities, have a very real role to play through the CDRPs with respect to the broad community safety agenda, of which policing is a part.”⁹³

⁹⁰ Ev 138

⁹¹ Q 293

⁹² Q 293

⁹³ Q 313

73. The implication of his comments, we felt, was that most aspects of local policing needed to remain firmly under the control of the Home Office and the police themselves, that local policing ultimately needed to be left to the professionals—albeit with the proviso that the professionals were willing to negotiate local priorities under the Local Area Agreement process. The difference—subtle, but profound—is that whereas under current arrangements the professionals have the whip hand at the negotiating table, were local government to have commissioning powers, the balance of power would move substantially in their favour.

74. Under current arrangements, local authorities have even less influence over local health priorities than they do over local policing. Whereas councillors are at least guaranteed a place on policing authorities and CDRPs, they have no equivalent automatic right as councillors to sit on the local NHS equivalent structure, the Primary Care Trust (PCT). Under the terms of the Health and Social Care Act 2001, local authorities have the power to scrutinise local health services, and local NHS bodies are required to co-operate with local authorities. However, this still places local authorities at some distance from the decision-making process for the delivery of local health needs and health care services. The Department of Health and CLG published a joint document in December 2007—*Delivering health and well-being in partnership: the crucial role of the new local performance framework*—which did place further emphasis on PCTs working in partnership with local authorities to determine the health and well-being needs of the local community, and reflect them in the LAA. In some areas, local authorities and PCTs have agreed locally to pool budgets and commission some health services jointly. However, PCTs have a range of priorities to meet, and local government witnesses have suggested that in the main the NHS remains likely to prioritise national targets over locally agreed targets.

75. Our oral evidence session with the Under Secretary of State (Health Services), Ann Keen MP certainly provided evidence of the ‘centre over local’ attitude of the Department of Health. We asked whether there were any circumstances where the Department of Health would be willing to drop national targets in favour of other locally-set priorities, and were told very firmly “no”.⁹⁴ Whilst the Under Secretary was quite prepared to encourage greater local consultation by the PCT, and to support scrutiny of the PCT by the local authority, she saw no need for any more fundamental change, arguing that “the NHS does not need further reorganisation. It needs a period of stability [...]”.⁹⁵ When we suggested that replacing the current members of the PCT with elected councillors would not require a change of structure or organisation, she argued that “people want Parliament to be accountable for the health spending of their local area”,⁹⁶ echoing one of the key challenges to changing the balance of power between central and local government (public perceptions) that we identified earlier in this report. This does however lead to a situation where the centre becomes accountable for every local health decision, which is not a comfortable position for a Minister to be in. When put under pressure, such centralism cannot hold. Unsurprisingly, the Minister shied away from the implications of her stance, asserting that “people have to take that responsibility locally as well.”⁹⁷ When pressed on

⁹⁴ Q 307

⁹⁵ Q 317

⁹⁶ Q 327

⁹⁷ Q 333

how an appointed PCT could in practice be held accountable locally, she had to accept that the main line of accountability actually led to the Chief Executive of the NHS.⁹⁸

76. Jo Webber, Deputy Director of the senior managers' representative body the NHS Confederation, provided a further glimpse of the NHS's centralist mentality, which is clearly not limited to Whitehall. We asked whether she would feel comfortable with a model where local councillors had the responsibility to commission health services at local level instead of the current arrangements through PCTs. She replied that "what we would be comfortable with is, to a certain extent, what we have already."⁹⁹ She did see further opportunities for joint commissioning at the preventative end of the health spectrum, but argued that "maybe local authorities might not want to get involved in commissioning very specialist, heavy end, regional or national specialty services",¹⁰⁰ and did not accept the arguments in favour of sole commissioning by local authorities. We were left with the impression that, as with the Home Office and police, the Department of Health and the NHS felt that, ultimately, the professionals knew best and should be left to make the most important local health decisions.

77. We are concerned that neither the Home Office nor the Department of Health, on the evidence put before us, are ready to allow local authorities a real role in local policing and health and healthcare services. Despite recent changes that have brought in greater transparency and more consultation, the balance of power remains very firmly in favour of Ministers and the policing and health professionals over locally elected politicians. Whilst we acknowledge that there is much useful joined-up working going on in some aspects of local policing and health services, involving some joint commissioning, it is by no means sufficient to alter the overall balance of power. The picture is particularly stark with regard to the NHS, where it is not even standard practice for local councillors to sit on PCT Boards. Moreover, hospitals, particularly where they have Foundation Trust status, also remain powerful brokers whose Boards have no requirement to include local authority representation. **Our concern is twofold. First, local policing and health care services remain insufficiently accountable to their local populations. If local councils commissioned these local services, local accountability through the ballot box would be much stronger. Second, at present, local councils are unable fully to assimilate local policing and health and healthcare services into their strategic vision for the locality. So long as two such important local services—arguably the most important for most local people—remain outside its scope, the full benefits of an empowered, autonomous local government cannot be realised.**

78. On balance, we are convinced by the local government case of the potential for local people to benefit if local authorities were able to set local priorities for local policing and health matters. In principle, we can see no reason why most aspects of local health and policing should not become the responsibility of local government. We can see merit in local authorities or sub-regional partnerships taking on sole responsibility for many local health commissioning priorities and, via sub-regional partnerships, for many local policing priorities. **We recommend, therefore, that the Department of Health and Home Office**

⁹⁸ Q 335

⁹⁹ Q 376

¹⁰⁰ Q 376

work with CLG to establish a local authority commissioning model for local policing and health and health care. As a first step, we recommend bringing forward pilot projects in localities where there are matching boundaries and where some joint commissioning already takes place.

Developing current frameworks

79. As well as considering the scope for granting local government additional powers, during the course of this inquiry we have also considered the scope for developing current frameworks in a more devolutionary direction: the potential for further incremental change. From the evidence we have received during this inquiry, local government and other stakeholders have given a cautious welcome to the frameworks introduced by this government. The Local Area Agreement (LAA) between central and local government in a local area is at the heart of this framework, and a number of witnesses felt that it was a positive development. For example, Stephen Hughes, Chief Executive of Birmingham City Council told us that LAAs “are a massive step forward”,¹⁰¹ while Sir Richard Leese, Leader of Manchester City Council, told us that the LAA “is something that we think has real value”.¹⁰² We noted with interest too, given that the NHS is a key stakeholder, that Jo Webber, Deputy Director of the NHS Confederation, was also supportive of LAAs, telling us that “in principle, yes, it is absolutely the right way to go in terms of bringing together targets where everybody has a role to play in delivering good outcomes for the local community.”¹⁰³

80. LAAs are of course still quite new, and we heard concerns expressed that the LAA process remained too ‘top down’ rather than a genuine negotiation between equal partners—effectively hindering the development of more tailored local solutions. Warwickshire County Council wrote that “the fact that LAAs have 16 mandatory education indicators speaks for itself,” asking “How do we encourage people to engage in local democracy and empower communities to believe they can make a difference when there is this level of prescription?”¹⁰⁴ Councillor Jill Shortland, Leader of Somerset County Council, told us, with respect to the LAA, that “the direction that we get from central government is quite clear and harsh.”¹⁰⁵ Councillor Susan Williams, Leader of Trafford Council, observed that “there was no way of being able to choose your own local set of 35 [targets]. It came from the government shopping list.”¹⁰⁶ Jules Pipe, Mayor of Hackney, further felt that some central departments were inclined to turn the screw after the 35 targets had been agreed:

¹⁰¹ Q 145

¹⁰² Q 148

¹⁰³ Q 341

¹⁰⁴ Ev 160

¹⁰⁵ Q 77

¹⁰⁶ Q 83

[...] There were some really hard tussles, particularly on NI25, the one on preventing violent extremism. The pressure that people came under from the Home Office to include that was quite extraordinary.¹⁰⁷

Research undertaken by the NLGN adds further weight to the suggestion that the LAA process remains too “top down”.¹⁰⁸

81. There is nevertheless hope for the future of LAAs as a genuinely devolutionary development. Telford and Wrekin Council expressed a cautious optimism which seems appropriate in this context, writing that “a revised and refreshed LAA model still has the potential to be a bespoke negotiation mechanism through which there can be a balancing act and a focusing of key national and local priorities”.¹⁰⁹ **The challenge now, for local government, central government and other local strategic partners, is to ensure that the LAA process develops as a true partnership with sufficient flexibility to register local priorities as well as minimum central requirements. In particular, we look forward to seeing more pooling of resources under the LAA, and for those resources to come more equally from other partners as well as local government.**

82. A number of witnesses were also taken with the potential for Multi Area Agreements (MAAs) to enable local councils to pioneer local solutions at the sub-regional level. In their written evidence, NLGN argued that “the roll out of MAAs from 2008 onwards promises the prospect of a new functional, viable and organic tier of government that operates at the correct spatial awareness to solve cross-boundary challenges such as skills, transport and employment.”¹¹⁰ Written evidence from London Councils saw the MAA model as a means for devolving commissioning powers to local authorities where boundaries (eg for policing and health) are not coterminous with one local authority,¹¹¹ and pushed for the devolution of budgets to MAAs where they had an agreed policy, for example for sub-regional transport or adult skills projects.

83. We welcome the commitment the Secretary of State gave to us that:

[...] where local authorities and their partners are prepared to put their differences to one side and say, “these are our priorities around planning, housing, transport and skills”, key economic drivers, again they will get more devolution from the centre, not just from CLG but from DIUS and DCSF [...].¹¹²

We agree that MAAs offer some scope for local government leadership at the sub-regional level. We welcome the fact that, following the conclusion of its Sub-National Review (SNR) consultation exercise, the government is currently legislating to put MAAs on a statutory footing, and that groups of council leaders will have joint responsibility with Regional Development Agencies (RDAs) for drafting and implementing regional strategies. We also welcome the Chancellor’s recent

¹⁰⁷ Q 85

¹⁰⁸ New Local Government Network, *Deal or No Deal—delivering LAA Success*, 13 October 2008.

¹⁰⁹ Ev 157

¹¹⁰ Ev 201

¹¹¹ Ev 266

¹¹² Q 583

announcement in his Budget speech that Manchester and Leeds will become city region pilots with enhanced powers.

84. Finally in this section, we also welcome the move to replace the Comprehensive Performance Assessment (CPA) with the lighter touch Comprehensive Area Assessment (CAA) under the general oversight of the Audit Commission. It seems sensible to us to place more emphasis on assessing the success of partnership working in delivering the place-shaping role, rather than focusing on a large list of individual indicators. **Although we accept that there will always be a need for an external review of standards, the challenge will be to ensure that hard targets are not simply replaced by a range of softer audits, reviews and report backs that, in total, serve the same invasive purpose and continue to tie down local government resources and stifle innovation.** We were pleased to hear the Secretary of State confirm that:

I am very conscious and aware, and I am monitoring this very closely, that when we reduce targets sometimes there is a temptation for people to institute softer controls, whether that is reporting, accounting frameworks, whatever. I am keeping an intensely close eye on all of that because what I do not want is for our genuinely devolutionary, lighter touch framework to be thwarted by people wanting to come in at the edges with other forms of control.¹¹³

We are pleased that CLG is “keeping a really close handle on all of this on behalf of the whole of Whitehall”.¹¹⁴ **We look forward to monitoring the success of CLG and the Audit Commission in delivering an effective but genuinely less obtrusive performance framework. Regulation and audit are overhead costs for local government and need to be proportionate to the benefits achieved.**

The case for local government cultural change

85. It is our assessment that, however slowly and imperfectly, the balance of power is tilting back towards local government. We believe that a further push is required in order fully to realise the benefits of these positive developments, and to enable local people, through their local councils, to have a greater say in the development of their locality. However, a number of witnesses highlighted to us their concern that local government itself was not prepared to take full advantage of the opportunities.

86. A number of witnesses suggested to us that there is a lack of ambition in local government. Anna Turley, for example, told us that the fact that some 80% of local government budgets come from central government “has created a bit of a culture of pleading and wanting”.¹¹⁵ Andy Sawford, Chief Executive of the LGiU, similarly observed that “local government I think would accept, and we certainly would acknowledge, that it has not been as ambitious as we would like it to be”, adding “I do not think they can hide in a corner any more and say, ‘we are all being done to. Central government is constraining us and we cannot meet the public’s expectations’ [...]”,¹¹⁶ whilst Sir Michael Lyons told us

¹¹³ Q 585

¹¹⁴ Q 585

¹¹⁵ Q 281

¹¹⁶ Q 282

that, whilst central government needed to change, local government too needed “to put its own house in order”.¹¹⁷ Professors George Jones and John Stewart in their written evidence and Nick Raynsford MP during his oral evidence session all highlighted a culture of “deference” in local government. The Local Government Association (LGA) itself has not been exempt from criticism on this point. Professor John Stewart, for instance, felt that the LGA had “gone too far in accepting the views of central government”, and had let itself be “browbeaten”¹¹⁸ into signing the concordat. Baroness Hamwee told us similarly that the LGA is “too supportive of what is going on and [is] not sufficiently critical either of central government or frankly themselves.”¹¹⁹

87. We have encountered examples of local government already undertaking a very proactive local leadership role. We were, however, disappointed to note that local government has become so used to existing in a culture of central control that the ambition to take on powers and responsibilities from central government is sometimes limited and even timid. Where local government has been cautious, it is perhaps understandable given past history and the untested nature of some of the new frameworks. What local government, including the LGA, needs to do now, in line with its local leadership role, is to keep testing the boundaries. The more local government can demonstrate that it has the drive, determination and vision to improve the lives of its communities, the harder it will be for outside commentators to sustain the argument that the culture in which local government operates has become overly deferential towards central government.

88. Both in their oral evidence and in a recent publication¹²⁰ the LGA made a persuasive case for cultural change also at the national level. Given the extent to which power currently rests with central government, it is on central government that the onus rests to promote cultural change at every tier of government, and hence sow the seeds for a growth in local government ambition. Accordingly, in the next chapter we will consider in more detail the role of central government in the English system.

¹¹⁷ Q 12

¹¹⁸ Q 421

¹¹⁹ Q 481

¹²⁰ Local Government Association, *One country, two systems how national and local democracy can work together to improve Britain's political culture*, 2008.

4 The role of central government

89. In this chapter we switch our perspective to look at the factor of central government in the balance of power equation. The benefits that can be gained from an autonomous, empowered, local government could prove liberating for central government. We consider first what form central government intervention in a more decentralised system should take, making the case for minimum national standards. We then compare this theory with current practice, asking whether CLG is on the right lines and whether other government departments need to change. Finally, we assess the role of the permanent civil service, and the extent to which civil service practice is a further, separate inhibiting factor.

The case for minimum standards

90. Nearly all our witnesses accepted that central government had an important role to play in setting nationally acceptable minimum standards. Only Professors George Jones and John Stewart advocated a more radical approach, arguing in their evidence that “the concept of national standards is inherently centralising” and that it “displays the arrogance of centralists who think they know the answers to complex social problems and are justified in imposing their uniform solutions everywhere”.¹²¹ Professor George Jones elaborated in his oral evidence to us that his “scepticism about the minimum standards approach” stemmed from the fact that “we do not believe that the centre can really guarantee a minimum unified standard.”¹²²

91. Abolishing minimum standards would be unacceptable to both the general public—who want reassurance about local government performance and the standards of service delivery they can expect—and to central government—which requires a means of measuring progress against its national strategic goals. In order to gain and maintain public and government support for local variation, individual authorities must be able to show that they are not falling below a minimum acceptable standard. In this respect we note that even in the more devolutionary Swedish model, central legislation establishes minimum standards for a range of social services. Indeed, Swedish citizens have the option of challenging local authorities in court if they feel that they have not provided them services to the standard specified in the legislation. We heard that the Swedish government has shown itself quite prepared to introduce additional responsibilities—for instance with regard to provision of mental illness—if it decides that local government is failing to address a community need itself. Under such circumstances they are, though, obliged to set aside additional funding commensurate with the additional burden.

92. The importance of minimum standards was acknowledged by a number of witnesses advocating greater localism, including Cllr Richard Kemp, Deputy Chair of the Local Government Association and leader of the Liberal Democratic Group, who argued that “a variation is acceptable providing it is a variation above a minimum which is acceptable. If Liverpool chooses to spend more on this than that, that is a contract between us and our

¹²¹ Ev 135

¹²² Q 419

electors.”¹²³ Councillor Merrick Cockell of Westminster City Council and London Councils made a similar point:

I do think that the Government is absolutely more than entitled, has a responsibility to set appropriate minimum standards, whether that is in the care of vulnerable children or in health or whatever it may be, that are right and proper and local authorities should at the minimum deliver to those standards, but above that they should have the flexibility to decide that some areas (indeed, our services are all different and we are doing that generally anyhow) are of greater importance to their local people than other areas and to focus spending priorities on those.¹²⁴

93. The question then arises as to whether central government should intervene if minimum standards are not met. In her evidence, the Secretary of State for Communities and Local Government was quite clear on the role she sees for central government:

Luckily now local [government] in general is performing at a much higher standard than it used to be but there will always be some outliers on specific issues where they are not as good as they might be and I think national government has a responsibility to keep an eye on it, to monitor it and to intervene if that is necessary.¹²⁵

We strongly concur with the sentiments of Councillor Merrick Cockell, who responded to our question about a failing authority by stating that “I think what increasingly we are doing in local government and that is to sort it out ourselves.”¹²⁶ In particular, Councillor Merrick Cockell referred to the “Capital Ambition” initiative whereby London boroughs work together to assist poorly performing London authorities. He observed that Waltham Forest, “which I think was the fastest mover from zero to four-star”, did this partly “with local commitment but also did it with all the other London boroughs”¹²⁷ His message that London boroughs have the capability collectively to help themselves, and a track-record to show in evidence that they can do that, is an important one, with wider applicability. **Central government should maintain a very high threshold before it intervenes in only the last resort. Too early an intervention blurs local accountability and disincentivises local government from solving its own problems.**

Is CLG on the right lines?

94. We have observed in the previous chapter that there is scope within the existing frameworks put in place by the current government to tip the balance towards local government. However, we take issue with CLG’s portrayal of the rate of progress to date. Where the Secretary of State sees “quite a radical journey for me. It leaves me slightly breathless [...],”¹²⁸ we see to date a very cautious, possibly over-cautious, approach to change. For example, far from being particularly radical, the city-region approach

¹²³ Q 543

¹²⁴ Q 266

¹²⁵ Q 642

¹²⁶ Q 267

¹²⁷ Q 268

¹²⁸ Q 584

contained within the MAA framework has a long pedigree dating at least back to the 1960s and the time of the Radcliffe-Maud Commission. The Government's achievement in bringing performance indicators down to 189 from 1,200 is commendable, but does rather beg the question of who imposed such a high number of performance indicators in the first place. It is also, as suggested by Birmingham City Council, "a mark of how much further there is to go in this direction [reducing central control] that 200 indicators is regarded as a light touch approach".¹²⁹

95. What worries local government in particular is whether the level of central government scrutiny and control is actually going to drop or whether formal targets are simply being replaced by a more informal but no less demanding monitoring system. In evidence to us, Moira Gibb, Chief Executive of Camden Council, asserted that "just since the Audit Commission came to us last December [2007] and reported in May on our score, our top performing children's services has eight different sets of inspectors coming in to do different things."¹³⁰ In the same session, Councillor Colin Barrow, Leader of Westminster City Council, informed us that:

we think we have about 45 people doing the Government's bidding in the sense of measuring what the Government has asked [...] that costs about £2 million a year [...] We would have to measure some of it for our own purposes, but you could imagine that some of it is unimportant to us, it is important only to the Government.¹³¹

Whilst we accept that CLG Ministers are slowly moving in the right direction, and are genuinely committed to a devolutionary programme, we assess that many of the key challenges—concerning delivery of this devolutionary intent—lie ahead. CLG is not as far down the road as some of its rhetoric might suggest.

Do other government departments need to change?

96. A further issue is the extent to which CLG is taking other government departments with it. If a rebalancing of power is to take place, there has to be consistency and commitment across Whitehall. Local authorities will not be able to exert a leading place-shaping role unless they have influence over the full range of public services delivered at the local level. Individual government departments locked into a top-down mentality are a major, if not insurmountable, obstacle to achieving this. Warwickshire County Council was not alone in expressing concern that "whilst the LAA and partnership working is high on the CLG agenda, we are not so sure that a similar level of importance is attached by other government departments."¹³² Similarly, Lancashire County Council, with particular reference to a suggestion from the Department of Children, Schools, and Families that it regularly convene meeting of Lancashire's head teachers ignoring "the logistic and numerical impracticalities involved in such an enterprise", was critical of "the lack of

¹²⁹ Ev 124

¹³⁰ Q 229

¹³¹ Qq 230-231

¹³² Ev 158

contextual awareness by national decision makers that complicates policy development and implementation”.¹³³ Chris Leslie, Director of NGLN, explained to us what was at stake:

I think it is quite important to reassert the virtue of multifunctional local democracy, the fact that if we are, for instance, going down the route of comprehensive area assessment, with the place shaping mentality [...] that did see this concept of locally accountable political leaders shaping all the services in their area, then it is important that there is consistency between them [...] because, as we know, and we can see this certainly at Whitehall level, getting joined-up government is an exceptionally difficult thing to achieve.¹³⁴

97. The seminar we jointly organised with the Institute for Public Policy Research North in November 2008, to which we invited a number of local government stakeholders, also highlighted concerns about the role of other government departments. As we have seen in the previous chapter, contributors felt that both the police and primary care trusts worked primarily to national objectives. They also considered the Department for Work and Pensions and the Department for Transport to be unresponsive to local priorities. It was also felt that central government did not always share enough information with local government: for instance local government needed more information with regard to extremism in their communities if they were properly to address it.

98. We fully recognise the risk of building up a caricature of Whitehall, which has made a number of steps towards a more partnership-based approach in recent years. Equally, though, it is important to acknowledge the criticism coming from out of the local government community, which suggests that there is still work to do done. Nor is it just a matter for central government departments.

99. Particular criticism is also levied at government agencies. Councillor Jill Shortland, leader of Somerset Council, for example, told us that “a second barrier”, after lack of central department co-ordination, stopping her from delivering her place shaping vision was

all the other agencies that work around my area [...] We have lots and lots of different government agencies that we have to work with but they have no duty to cooperate with us. They are only answerable to an individual minister [...] how do I improve things in my area if they have no duty to cooperate with me?¹³⁵

Sir Richard Leese, Leader of Manchester City Council, made a similar point, telling us that “I do not think our ability to hold those agencies to account is strong enough, nor is our ability to effectively change the delivery method strong enough either”.¹³⁶ He explicitly made the point that currently he did “not have sufficient co-ordinating power to deliver”¹³⁷ the place-shaping role defined by Sir Michael Lyons.

¹³³ Ev 140

¹³⁴ Q 60

¹³⁵ Q 72

¹³⁶ Q 150

¹³⁷ Q 150

100. The centralist attitudes of the Department of Health and Home Office in relation to local health and policing are replicated to a greater or lesser extent across many, if not all, other government departments and their agencies. At present, in a number of key local service areas, they are acting to constrain local government influence. The challenge for central government departments and agencies is fully to recognise the legitimacy of local authorities' leadership role in their localities, and better to accommodate local authorities into the decision-making process. They need to embrace a cultural change that allows greater autonomy for local government. In principle, we believe that central government departments and agencies should work with CLG to devolve greater local decision-making powers, with the necessary resources, across a much wider range of public policy than has hitherto been the case, to all local authorities. As a first step, we recommend that they devolve such powers to high-performing local authorities.

Does the civil service need to change?

101. A number of witnesses suggested to us that a centralist civil service mindset was a key obstacle to rebalancing power in favour of local government. Professor George Jones commented that:

Increasingly, I have come to the conclusion that the fault for much of the centralisation [...] lies with the Civil Service [...] it is civil servants who are involved in drawing up this legislation; it is civil servants who put in all the details and the over-prescription [...] they of course feel that they are superior to local government officials; they think they are more competent but in fact I doubt that because the local government officials are there on the ground close to where the problems are happening, close to the people.¹³⁸

Professor John Stewart argued further that “I believe that anybody who has any dealings with local government should have some experience of working in it.”¹³⁹ This observation was supported by other witnesses, such as Baroness Hamwee.¹⁴⁰ Lancashire County Council made a similar point in its written evidence, decrying “London-centric” policy making, and recommending that “civil servants go beyond the south east to experience local policy in action”.¹⁴¹

102. By contrast, former and current government Ministers asserted that much had already changed in this area. Nick Raynsford MP reckoned that:

in the course of the period that I was in government we brought in some very, very senior civil servants. The civil servant who headed the department dealing with local government matters in what is now CLG [...] came from the LGA, where he had been

¹³⁸ Q 405

¹³⁹ Q 406

¹⁴⁰ Q 472

¹⁴¹ Ev 140

working for the previous seven or eight years on secondment. We brought in others directly from local government; it was a deliberate policy.¹⁴²

Similarly, the Secretary of State told us that “I think many of us have now tried to get secondments, exchanges, have tried to get some of our civil servants working in local government and in local delivery organisations, and I think there is a much better understanding of what local government can do.”¹⁴³

103. There are encouraging signs that the Government is prepared to take this process further. The Minister for Local Government, writing on the website Civil Service Network in March 2009, observed that “towards the end of last year, I kicked off a debate about the benefits of getting more civil servants out of their departments and into the frontline”, noted that “my suggestion seems to have tapped into a mood of sorts” and affirmed “I want to push the subject further”. In particular, he proposed that “we need to make a long spell outside Whitehall—at least 18 months—a requirement for anyone who wants to enter the senior civil service” and that “at the same time we would implement a “one in, one out” policy, meaning that every civil servant that CLG sent to a local authority would be replaced with a seconded local government officer.”¹⁴⁴

104. Avowed Ministerial intent is for a more partnership-based approach to relations with local authorities. However, as we noted in the previous chapter with regard to the Local Area Agreement (LAAs) process, during detailed negotiations with local authorities some central departments have continued to seek to impose top-down direction. We assess that further and more thorough cultural change within Whitehall is still required. Ultimately, Ministers set the overall tone of a department, and a cultural change in the civil service is dependent upon a cultural change at the top of the department. We are therefore encouraged by the mood-music from CLG’s senior Ministers, and look forward to seeing progress replicated among senior Ministers in other departments. Meanwhile, we acknowledge the increasing efforts being made to cross-fertilise between local and central government at official level, and recommend that these efforts be expanded. We look forward, in particular, to receiving reports of the progress within CLG of the Minister for Local Government’s ‘back to the coalface’ initiative. Further, we recommend that CLG or the Cabinet Office monitor and publish other government departments’ efforts in this regard, to ensure that they are following CLG’s example. The new partnership working of the LAA process, upon which much of the success of local government’s place-shaping mission depends, will only work if both local government and central government officials appreciate that their roles have changed, and that they are engaging in a dialogue of equals.

¹⁴² Q 472

¹⁴³ Q 624

¹⁴⁴ John Healey, *Back to the Coalface*, Civil Service Network, 6 March 2009, www.civilservicenetwork.com.

5 The finance question

105. As we have previously noted, England is at one extreme of the European spectrum in the high degree (75%) to which local government is dependent upon central government grant for its revenue. In this chapter, we consider whether local government’s dependency on central government funding matters and, if so, what can be done to change the balance of funding.

Local government accountability

106. The balance of funding was one area where Frank Layfield and Sir Michael Lyons parted company, over sequencing if not on the ultimate destination—with Sir Michael Lyons emphasising to us that “the flexibility to use the money that it had” was a more pressing problem for local government, and that “the last thing that local government needed was the ability to raise more money that it did not have the freedom to explain how it was going to spend”.¹⁴⁵ By contrast, Professor George Jones, who sat on the Layfield committee, has stated that

There can be no responsible local government responsive and accountable to its local voters, if a local authority simply spends money given to it by central government. It will always want more: like a drug addict it will always seek its fix of grant.¹⁴⁶

107. There is, it seems to us, force in the argument that local government’s dependency on central government grant forces it to look upwards to central government, and how it is designing its funding formula, rather than outwards towards its own community. By contrast, local authorities in Denmark and Sweden, who raise some 70% of their own revenue, appeared much less fixated with their relationship with central government. Moreover, the extent to which local government revenue is determined by central government also provides local government with an obvious scapegoat. As Chris Leslie, Director of New Local Government Network (NLGN), observed to us, “it can be quite convenient for councils to blame Ministers and Ministers blame councils, and it goes round and round and has done for generations.”¹⁴⁷ Where local government has greater revenue raising powers, it brings greater transparency—and hence accountability—in terms of which body, local or central, is responsible for increasing financial burdens on local people, and whether that increased tax translates into better services.

108. We remain convinced by the conclusion contained in our predecessors’ report on Local Government Revenue that “local authorities should have control over a much greater proportion of their income, at least 50%”, and that “a shift in the balance of funding of the order of our recommendation would make the system significantly more acceptable and transparent.”¹⁴⁸ **The Government should consider options to increase local**

¹⁴⁵ Q 24

¹⁴⁶ University of Birmingham, *Local Government – Past, Present and Future: A celebration of the 25 year writing partnership of George Jones and John Stewart*, (Birmingham 2004) Page 9.

¹⁴⁷ Q 63

¹⁴⁸ ODPM Committee, *Local Government Revenue*, para 50.

government's revenue raising powers, in order to promote local accountability and encourage local government autonomy. This would encourage local government both to be more proactive and to be more proactive quickly—so that local authorities are able to respond immediately to rapid changes on the local scene, for example to high levels of migration. As Sir Richard Leese, leader of Manchester City Council, told us “[...] money means power, power is money, and I think if we were able to have far greater control over the money we raise, then I think that would deal in a very straightforward way with a lot of the devolution issues”.¹⁴⁹ In light of this conclusion, we look in the next section at the scope for financial reform.

The scope for financial reform

109. The current system of council tax was hurriedly introduced to replace the disastrous community charge—the poll tax. It is based on a series of bands, A to H, each with a mathematical relationship to the central band D, ranging from two thirds for band A, to double for the highest valued properties of band H. It is therefore a regressive tax, in particular for some relatively poor households who do not receive council tax benefit, and does not bear significantly enough on the most affluent for whom council tax will be a low share of their income. This unfairness has become more and more manifest as council tax has risen, and led to a growing realisation amongst the public that it is not an acceptable way of financing local government. This strengthens the case for change.

110. However, we recognise the political reality that financial reform is particularly problematic in the English context. Lord Heseltine, who speaks with particular authority given his long practical experience, advised us that “personally I would not touch the financial arrangements because it would take too long and it will not actually improve the situation significantly.”¹⁵⁰ Nick Raynsford MP, another former local government Minister, observed in recommending only incremental change that “I think the evidence of the poll tax gives a very clear warning against trying to do big bang changes in local government finances.”¹⁵¹ Nonetheless, the potential for radical financial reform to deliver substantial benefits in terms of greater local accountability and innovation should not be underestimated.

111. The first step is to identify the guiding principles for a new system of local government finance that better supports an autonomous, empowered local government. Our earlier report identified five guiding principles from the evidence that it received, which remain valid:

equity: it must be fair and be seen to be fair: as between different authorities, within individual authorities, and in its impact on individuals;

simplicity: it must be relatively easy to collect, and as easy for a taxpayer to understand as is compatible with equity and accountability;

¹⁴⁹ Q 161

¹⁵⁰ Q 443

¹⁵¹ Q 473

flexibility: it must be adaptable to changing economic and constitutional circumstances [the buoyancy argument];

transparency: it must provide for a visible link to local levels of expenditure.

accountability: it must allow for authorities who raise and spend money to be, and be seen to be, accountable to the people they serve.¹⁵²

Potential reforms to the local government financial system should also be assessed for compliance with the European Charter of Local Self-government. With regard to local government financial arrangements, article 9 of the Charter states that the resources available to local authorities should be of a “sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of carrying out their tasks.” The next step is to consider potential options against these principles.

The business rate

112. One option several witnesses proposed, and which has been constantly proposed ever since it was nationalised, was the re-localisation of the National Non-Domestic Rate (NNDR)—the business rate. The business rate is a national tax that is used to pay for local government services. It is chargeable on all non-domestic properties, except land or buildings used in agriculture. A uniform national rate is determined by central government, but the business rate is collected by local authorities. It is the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services. Since 1990–91 business rate receipts have been paid into a national ‘pool’ and then redistributed to local authorities according to the number of people living in the area. It makes up around 30% of the total government grant to local government.

113. There appears to be a general consensus within the local government community that re-localising business rates would greatly increase their flexibility—it would, for instance, increase the percentage of locally raised revenue from 25% to nearer 45% in total. Gateshead Council wrote that the re-localisation would “help in restoring the balance of funding, reducing the effects of gearing and taking some pressures off local authorities”,¹⁵³ and Oxfordshire County and District Councils jointly submitted that, although “it is not an easy process to change the balance of funding between local and national, [...] business rates are the obvious power to devolve to local government.”¹⁵⁴ Paul Carter, Leader of Kent Council explained to us what he would do with re-localised business rates:

it would be lovely to be able to have your own way of supporting small and medium-sized enterprises by having a different differential between what large businesses are paying and what smaller businesses are paying.¹⁵⁵

¹⁵² ODPM Committee, *Local Government Revenue*, para 12.

¹⁵³ Ev 154

¹⁵⁴ Ev 176

¹⁵⁵ Q 202

And Buckinghamshire County Council observed that “giving local authorities the power to reinvest such revenue into the local area could result in tangible benefits by enhancing economic sustainability.”¹⁵⁶

114. Other witnesses were more sceptical of the impact of re-localised business rates. Sir Michael Lyons was sceptical because the need to reallocate some of the business rate to local authorities with a smaller business base would lead to complexity and diminish local accountability. He also, in what might perhaps be regarded as a somewhat self-negating argument, saw a risk of alienating business—who would fear “an inexorable increase in taxation” without empowering local government who would, in practice, have “no appetite, frankly, to consider anything other than a reduction in the business rate”.¹⁵⁷ Lord Heseltine acknowledged the potential for re-localisation of the business rate to increase flexibility, but questioned whether, given current economic circumstances, there would be much potential “in the next couple of years.”¹⁵⁸ The Secretary of State felt that it was “difficult to make decisions in this area”, given the risk of “destabilising the system”, and suggested that equalisation would be a big issue.¹⁵⁹

115. During the recession, re-localisation would give local government an additional tool to pursue local recession-proofing policies. In the longer term, it would give local government an additional tool to promote economic growth and regeneration. Clearly, the concern about equalisation would have to be transparently addressed, in order to reassure local authorities with a smaller business tax base that re-localisation would not result in them losing out. Nevertheless, on balance, the arguments in favour of relocating the business rate made in our predecessors’ report remain valid, and we repeat, therefore, the recommendation made in our predecessors’ report that the Government return business rates to local authority control as soon as possible.

Capping

116. One existing mechanism that local authorities can use to increase the proportion of revenue raised locally is to raise council tax above the limit set by central government. However, successive governments, both Conservative and Labour, have used capping—the power they have to restrict the revenue raising capacity of local government—to prevent councils from raising council tax above certain levels. Local government evidence to this inquiry echoed that to our predecessors’ inquiry into Local Government Revenue opposing capping because it denies local accountability. Knowsley Borough Council’s observation that “the cap on council tax is a draconian measure which undermines local accountability and reduces the flexibility that local authorities require to respond to the needs of local residents”¹⁶⁰ was typical of the submissions we received. By contrast, again as before, the Secretary of State for Communities and Local Government felt compelled to defend capping, on the grounds that “the national government has a responsibility to protect

¹⁵⁶ Ev 211

¹⁵⁷ Q 28

¹⁵⁸ Q 449

¹⁵⁹ Q 658

¹⁶⁰ Ev 180

taxpayers”.¹⁶¹ The Government is clearly acutely aware of the extent to which the public and media in England blame it as well as, or even instead of, local government when local taxes increase.

117. We see no reason to demur from our predecessors’ conclusion that “it is much more appropriate for local authorities to be held to account for local decisions, including the level of local taxation, through the ballot box.”¹⁶² **Local councils should have the opportunity to make the case for council tax increases to their electorate, and the electorate, rather than central government by decree, should have the final verdict on whether the tax increases proposed are excessive. The continued use, and threat, of capping are emblematic of the Government’s ultra-cautious approach to devolution.**

Alternative forms of grant allocation

118. In evidence to this inquiry, the Government has used the need for equalisation as a defence of current financial arrangements, and to justify a cautious approach to any reform. In an earlier chapter, however, we have quoted evidence to the effect that the current level of government grant is significantly higher than required for equalisation purposes. Furthermore, during our inquiry, a number of witnesses expressed concern at the lack of transparency in the grant allocation process currently undertaken by central government. One main concern was that the lack of transparency allowed both local and central government to blame the other for increased taxation and delivery failures. The Lyons report concluded that:

[...] an independent and authoritative voice is needed to provide better information on funding to inform the public and Parliament about the impact of new burdens on local government and the evidence of future pressures. This could build on the Audit Commission’s existing role but other options considered should include an independent commission.¹⁶³

119. The idea that an independent commission should take on responsibility for grant distribution, the equalisation mechanism and possibly other areas too, such as assessing the impact of new burdens and how they should be funded, certainly has its supporters within the local government community. Councillor Sharon Taylor, Deputy Leader of the Labour Group, Local Government Association (LGA), giving evidence as part of the LGA delegation, explained to us that

I think there is a good case for the issue around having, as Lyons reported, some kind of independent commission into the equalisation in the grant distribution because there are some real anomalies. Anybody who has been anywhere near local government knows about the anomalies which come out of the grant formula and so on, and it has got so complicated now. In all honesty, I cannot explain to my residents how we end up

¹⁶¹ Q 654

¹⁶² ODPM Committee, *Local Government Revenue*, para 70.

¹⁶³ The Lyons Inquiry, *Final Report*, (London 2007) Executive Summary para 60.

with the amount of grant formula we end up with. It really needs to be much more transparent [...]¹⁶⁴

120. We, however, are not completely convinced of the case for a commission. The concept of equalisation is at its heart a political one, requiring a political judgement. As Lord Heseltine pointed out during his oral evidence,

It [the proposal for an independent commission] is not politics. I spent hours looking at the printouts of grant mechanism distribution. Every government has its own idea of what makes sense by way of a distribution pattern, but none of us ever found a way of getting a uniform consistency into the distribution pattern. You thought you had got it; you damped here and you levered there and you put in this and that and then up popped one of your safest, most loyal constituencies that was hammered to hell by this new process whereupon the official said, “I’m very sorry, Secretary of State, we have done 45 different printouts and it has to go the printers tomorrow”. That ends your political career in ignominy.¹⁶⁵

Creating an unelected body to play such a crucial role in local government finance runs counter to the increase in local responsibility and local accountability that we are seeking to foster. Equally, however, we accept that the current system is too opaque, and leaves central government in control of too high a proportion of local government funding. **The advice and evidence given to the Department to inform changes to the grant formula—and exemplifications of the effects of different options considered—should be available on the CLG website. This would ensure that changes based on extraneous considerations would be minimised, and a formula based on real needs and true resources arrived at.**

121. Initially we were attracted to a variant of the system used in Denmark which would work to increase transparency and loosen central government’s grip on the equalisation and grant allocation processes. Broadly, in Denmark, first the Danish local government association and central government negotiate a total figure for local government spending during the year consistent with the national government’s macro economic policies. Then the Danish local government association works with local authorities to determine each local authority budget within this overall total, including appropriate equalisation arrangements. Whilst we have concluded that our more adversarial political system—at both national and local level—militates against a ‘Danish’ consensual solution of this sort, we still see scope for greater transparency and dialogue between Central Government and the Local Government Association (LGA). **Accordingly, we recommend that the Government increase the transparency of the existing grant allocation process, and that the LGA take on more responsibility for engaging with the Government on grant allocation decisions.**

¹⁶⁴ Q 555

¹⁶⁵ Q 462

Changing the local government tax

122. Were central government to implement our financial recommendations above, then the balance of funding would shift significantly in favour of local government, underpinning a wider shift in the balance of power between them. One further radical measure would be to change the form of the local tax to facilitate an increase in the proportion of its own revenue raised by local government. There would also have to be a corresponding adjustment of central government taxation if the overall burden on tax payers was not to increase. As our predecessor committee noted, there are advantages and disadvantages to retaining council tax as the main local tax. The main advantages are that the tax is simple to calculate and easy to collect. The main disadvantages are that it is not sufficiently progressive, not buoyant (i.e. revenues do not automatically increase with economic growth) and an inadequate income provider on its own. In a previous report we have called on the Government to “take action as a matter of urgency to address the restrictive nature of the rules governing council tax benefit as well as to increase take-up among all eligible low-income households.”¹⁶⁶

123. A number of witnesses to both inquiries have argued that it would be possible to make council tax fairer and increase its revenue-raising properties by expanding the banding at either side of the scale. A further solution would be to either replace or supplement council tax with a different local tax, such as a local income tax. This proposal has a long pedigree: it was recommended by the Layfield committee as the best means of changing the balance of funding from central to local government. As our predecessors noted in their report, a local income tax could not be introduced without detailed research assessing the practical implications.¹⁶⁷ There are also disadvantages to a local income tax, for example revenue would go down during a recession. Pragmatically, it would also be necessary to ensure that the first year of implementation had a net zero impact on tax payers to avoid a backlash against central government. **In principle, though, a supplementary local income tax, introduced alongside council tax but with a corresponding reduction in central taxation so that the overall tax burden remained the same, is a potential longer-term solution to the balance of funding problem, and one that Government should seriously consider. It would be possible to replace central funding with such an income tax without any change to the total collected in taxation overall. Councils would then decide at what level to set their local tax.**

¹⁶⁶ Communities and Local Government Committee, Eighth Report of Session 2006-07, *Local Government Finance: Council Tax Benefit*, HC 718-1, Summary page 3.

¹⁶⁷ ODPM Committee, *Local Government Revenue*, para 143.

6 A constitutional solution?

Local government and constitutional renewal

124. During our visit to Denmark and Sweden, local and central government politicians emphasised the importance to local government of having its position protected in a constitution. The position in England is of course different in that we do not have a written constitution. It is, though, possible to identify certain legislation which is regarded as ‘constitutional’, such as that which created the devolved Scottish Parliament and Welsh Assembly. Fundamental change to either the Scotland Act or the Government of Wales Act would require the consent of the people—in Scotland and Wales—directly affected. Currently, legislation affecting local government is not treated as constitutional legislation.

125. A number of our witnesses have argued in favour of a constitutional settlement for local government utilising ‘constitutional’ legislation. They see benefits in terms of a stable framework in which to operate, and greater clarity about local government’s local place-shaping role. Above all, the legislation would be something for local government to deploy if it felt that central government was encroaching too heavily on its turf. As Lancashire County Council put it, “the ebb and flow of the local government debate over time points to a need finally to formalise the role of councils in the national political settlement.”¹⁶⁸ It might also help the media and public better understand the distinction between local and central government responsibilities. There are two current documents which could conceivably form the basis of constitutional legislation for local government: the Central-Local Concordat and the European Charter of Local Self Government, both of which we have already mentioned in an earlier chapter.

The Central-Local concordat

126. The Central-Local Concordat was signed by the then Chairman of the Local Government Association (LGA), Sir Simon Milton, and the Secretary of State for Communities and Local Government on 12 December 2007. In its evidence to the Committee, CLG states that the Concordat has “helped clarify respective roles and responsibilities of central and local government”, and claims that the Concordat is “a powerful statement of principles for how central and local government should work together to serve the public.”¹⁶⁹ An LGA press announcement at the time of the signing termed the Concordat “ground breaking”.¹⁷⁰

127. In principle, the Concordat appears to go a long way towards redressing the balance of power between central and local government. For example, it recognises that central and local government are “partners”, that councils “have the right to address the priorities of their communities [...] and to lead the delivery of public services in their area and shape its future without unnecessary direction or control” and that the success of Local Area Agreements depends upon “major changes in behaviour and practice from central

¹⁶⁸ Ev 140

¹⁶⁹ Ev 283

¹⁷⁰ Local Government Association press release dated 12 December 2007

government departments, their agencies, government offices, councils and local partners.”¹⁷¹ It even commits local and central government to “work towards giving councils greater flexibility in their funding” and “to increase local democratic accountability of key public services, in particular the police and health services.”¹⁷²

128. The problem is that nothing much appears to have changed as a result of the Concordat. None of our local council witnesses felt that the Concordat had made any difference to central-local relations. Professors George Jones and John Stewart felt that the Concordat had “disappeared without trace.”¹⁷³ Even one of the signatories, the LGA, appeared rather disillusioned. Councillor David Shakespeare OBE, Vice Chair of the LGA and Leader of the Conservative Group, told us that “the concordat was signed with a flourish, but if I got out my microscope and looked at the outcomes, they would be very tiny indeed.”¹⁷⁴ Buckinghamshire County Council, echoing the concerns we highlighted earlier in the report that CLG did not always take other government departments with it, commented that “in reality it appears that the concordat is really between local government and CLG. Other government departments appear to have little regard to its provisions.”¹⁷⁵ Certainly, during oral evidence, we were not completely convinced that the Health Minister was aware of the Concordat. When we asked her for specific ways in which the central-local concordat had affected the work of her Department, she had to clarify, “so that I properly understand the question”, that we were asking “for specific examples of the relationship between health and local authorities.”¹⁷⁶

129. A number of witnesses, including Birmingham City Council,¹⁷⁷ the Local Government information Unit (LGIU),¹⁷⁸ Professors George Jones and John Stewart¹⁷⁹ and Martin Willis, Director of the Institute of Local Government Studies at the University of Birmingham,¹⁸⁰ have called for the Concordat to be put on a statutory basis, to turn its good intentions into statutory facts.

The European Charter of Local Self-government

130. The European Charter of Local Self-government introduces the principle of “proportionality”. Fundamental to both the Council of Europe and the European Union—as with the related principle of “subsidiarity”—is the idea that due consideration needs to be given to the appropriate tier of government at which a decision should be taken, and that upper tiers of government should not interfere in matters that are best decided at a lower level. Article 4 (2) of the Charter asserts that “local authorities shall, within the limits

¹⁷¹ Central-local Concordat 12 December 2007

¹⁷² Central-Local Concordat 12 December 2007

¹⁷³ Ev 133

¹⁷⁴ Q 568

¹⁷⁵ Ev 211

¹⁷⁶ Q 294

¹⁷⁷ Ev 125

¹⁷⁸ Ev 174

¹⁷⁹ Ev 133

¹⁸⁰ Q 512

of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority". Article 8 (2) asserts that "an administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles", whilst article 8 (3) asserts that "administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect".

131. Such provisions could work to protect the autonomy of local government, allowing it space to undertake a local leadership "place-shaping" role. Certainly, some local authorities recognise its potential. Telford and Wrekin Council, for example, observed in its written evidence that "the Inquiry has a major opportunity to 'mainstream' the Charter and use it as a driver of change and a means to clarify and define the way forward in central/local relations [...]", highlighting in particular "the concept of subsidiarity" that "should be at the heart of any debate about the nature of central/local relationships and the promotion of a new local democracy."¹⁸¹

132. It is not, however, entirely clear how the prescriptive nature of the English system of local government complies with the Charter. Jeremy Smith, Secretary-General of the Council of European Municipalities and Regions (CEMR), was of the view that the Charter "has hardly been in the thinking of government since they ratified it. It was put on the shelf."¹⁸² As with the Concordat, the suggestion is that in the absence of any statutory obligation—the Charter does not have any of the enforcement mechanisms of the European Convention on Human Rights, or its statutory entrenchment through the Human Rights Act—such documents are a constitutional dead letter. The Government appears to have created a constitutional settlement, but in practice can ignore its strictures with impunity.

Is a constitutional settlement important?

133. Does the lack of constitutional protection for local government in England really matter? Witness opinion was divided on this point. Whilst a number of witnesses saw a strong case for putting the Concordat on a more formal, statutory basis, for others it was not a priority. Local council witnesses from Birmingham City Council and Manchester City Council, for example, wanted additional powers to enable them to make an immediate difference "rather than going through a period of constitutional change."¹⁸³ Sir Michael Lyons made clear in his report that he was "not seeking to enshrine the constitutional position of local government in law. Laws and agreements do not necessarily create relationships, and the initial steps towards the developmental approach need to be given time to bed in."¹⁸⁴ Similarly, constitutional expert Professor Vernon Bogdanor argued in his evidence to us that "the main barriers to a new localism are not constitutional, but political and cultural. The achievement of a new localism depends not upon a new

¹⁸¹ Ev 156

¹⁸² Q 510

¹⁸³ Sir Richard Leese, Leader Manchester City Council Q182.

¹⁸⁴ The Lyons Inquiry, *Final Report*, (London 2007)Chapter 10 para 41.

constitutional settlement, whatever that may mean, but primarily upon a sea-change in public attitudes.”¹⁸⁵

134. We recognise the difficulty of achieving a lasting constitutional settlement for local government within the context of a Westminster model. However, we believe that the Concordat and Charter are potentially useful documents that ought to be guiding Government departments’ relationships with local government far more obviously than has been the case thus far. Potentially, as Sir Michael Lyons also suggested in his report, a constitutional settlement involving local government could provide impetus and help sustain a substantial shift in the balance of power between central and local government. We recommend, therefore, that the Government introduce ‘constitutional’ legislation that places the European Charter of Local Self-government on a statutory basis. We consider in the next chapter how this constitutional settlement might be further supported by greater Parliamentary scrutiny.

¹⁸⁵ Ev 294

7 The role of Parliament

Parliament's role

135. Parliament is a significant player in the balance of power debate. The manner in which Parliament considers and debates local government activity helps to define the parameters of media and public debate about the role of local government in England. We consider, therefore, in this chapter whether cultural change in Parliament could help to change attitudes to localism both in Whitehall and the country at large. Parliament also has the ability to influence the balance of power through its formal legislative and scrutiny roles. We also consider, therefore, whether there is a case for greater Parliamentary scrutiny of the balance of power between central and local government.

The case for cultural change in Parliament

136. We acknowledge that there is scope for tension between a powerful place-shaping local authority and a constituency MP in Parliament, particularly, but not exclusively, if they are from different political parties. Lord Heseltine asserted that MPs do not want to create “Mr Bigs more important than the local MP [...] MPs do not like that; they want to be the number one character. I want to see the leader of the council the number one character.”¹⁸⁶ At another level, though, there is much to be gained for Parliament and MPs from a resurgent local government. As Professor Tony Travers explained to us,

If local democracy were truly vibrant and really galvanised then my hunch is that for all the political parties represented here you would have more activists locally; there would be more people joining political parties, interested in government and politics, taking an active part in conventional political activity. That would not only strengthen local democracy but it would therefore directly strengthen Members of Parliament's capacity to compete and all parties would benefit from that. That would strengthen democracy not only at the local level but at the national level.¹⁸⁷

137. **The manner in which Parliament debates some essentially local issues can work to constrain local government. In England, local government's alleged failings quickly get elevated to the level of national debate on the floor of the House, as recently seen with regard to child protection issues—the Baby P case—and preparation for heavy snowfall. The effect of repeated parliamentary interventions is to encourage the public and media to look to central government to solve local problems, and to prompt central government to act. To help achieve the benefits described by Professor Tony Travers, Parliament may need to curb some of its own interventionist instincts. We were told by local politicians during our trip to Denmark and Sweden that, having agreed the overall framework and guidelines, each country's Parliament kept out of local government affairs. Whilst we fully accept that MPs have an obligation to raise issues that matter in their constituency, it may be that they need to set themselves a higher threshold before raising and debating essentially local matters in the Chamber of the House.**

¹⁸⁶ Q 463

¹⁸⁷ Q 427

Parliamentary scrutiny

138. If there is a case for Parliament to withdraw from some of the more tactical local issues, there may equally be a case for Parliament to engage more fully at the strategic level, to legislate on and then scrutinise the balance of power between central and local government. Sir Michael Lyons stated in his report that he was “attracted to a model which in time provides greater parliamentary oversight” and referred to the suggestion made “by others”¹⁸⁸ that a new parliamentary committee should be established. A number of other witnesses to our inquiry were similarly inclined. The LGiU, London Councils, NLGN and Professor George Jones, for instance, all supported greater parliamentary oversight of the relationship between central and local government, including oversight by a select committee. In oral evidence Professor Vernon Bogdanor suggested a role for “a joint committee of the two Houses, perhaps analogous to the Joint Committee on Human Rights...a joint committee on central and local relations whose function it would be to report each year on the state of relations and the state of local government. I think that would be of great value.”¹⁸⁹ Similarly, in his written evidence, Professor Tony Travers suggested that such a committee could examine and report on issues such as:

- the impact of legislation on local government autonomy
- the use of regulations and other directions to intervene in local decision-making
- the operation and limitation of local taxation
- the impact of central funding mechanisms, and
- the costs and impacts of audit and regulation.¹⁹⁰

NLGN also suggested, as an alternative means of improving Parliamentary scrutiny in this area, designating some seats for council leaders in a reformed House of Lords.¹⁹¹

139. When we put the proposal of a Joint Committee to monitor the balance of power between local and central government to the Secretary of State, she replied “I remain to be convinced”, arguing that “I am never in favour of more committees unless there is a real reason for doing it because I worry that that takes resources and focus that ought to be properly being used to deliver things to people and sometimes I think ordinary citizens get a bit frustrated if everything is about process.”¹⁹²

140. Whilst we share the Secretary of State’s caution with regard to setting up new Committees in principle, we think in this particular instance the idea has merit. We have argued in the previous chapter in favour of putting the Charter on a statutory basis, and requiring government Ministers to declare the compliance of Bills with the Charter in the case of each piece of domestic legislation. We are persuaded that

¹⁸⁸ The Lyons Inquiry, *Final Report*, (London 2007) Chapter 10 para 41.

¹⁸⁹ Q 434

¹⁹⁰ Ev 293

¹⁹¹ Ev 201

¹⁹² Q 664

establishing a Joint Committee to monitor Government compliance with this constitutional settlement would provide further impetus to creating and sustaining a pendulum swing in the balance of power between central and local government.

141. The Joint Committee would be empowered both to scrutinise the general state of the balance of power between central and local government, and to prompt Parliament to consider whether particular legislation was compliant with the Charter. **To assist the Joint Committee in its latter task, similar to the provisions under the Human Rights Act, government departments would need to confirm on the front of domestic bills that they complied with the local government statute. We further recommend that the Government direct its departments, where relevant, to include an analysis of compliance with the local government legislation within the impact assessment that they already undertake for each piece of legislation.**

142. Establishing a joint Committee of both Houses would ensure the widest possible range of expertise and experience was available to it: sitting council leaders and former chief executives from the Lords, for example, and former Ministers and councillors from both Houses, as well as directly elected representatives from the Commons. More importantly, scrutiny of this new constitutional settlement will lie in both parts of the legislature, reinforcing its place in the nation's political life. Establishing the Joint Committee would therefore be a very clear signal of a new status for local government in England, potentially strengthening both local and national democracy. To return to where we started, whilst a constitutional settlement itself appears rather rarefied, we believe it also offers the potential to galvanise the enhanced local innovation and variation that could improve the lives of local people and local communities.

8 Conclusion

143. England has, in recent decades, devoted much time to consideration of its central-local government relationship, with little practical impact. The continuing stream of official reviews, inquiries, consultative documents and white papers implies there is a serious problem. The large amount of evidence that we have taken in the course of our inquiry suggests that a solution remains some way off.

144. All major political parties, when in opposition, promise that when they get to power there will be a shift of power away from the centre. Once in government, they have proved unable or unwilling to deliver the decentralisation they have promised. Within the last 30 years, the non-domestic rate has been nationalised, post-school education transferred to national funding councils (though the Government has introduced legislation to move responsibility for funding 16–18 year old education and training back to local authorities¹⁹³), schools funding ring-fenced and council tax capping made, in effect, permanent. The parties of government have, over time, moved in the same direction with none choosing significantly to reverse decisions to accrue power to the centre. Whilst this Government has taken steps to redress the balance, its record is mixed. There remains a sizeable gap between the newly empowered local government that the Government believes it has established in principle, and the actual impact as witnessed at the local level.

145. The weight of opinion in evidence to this inquiry supports an enhancement of local government power with a corresponding reduction in the power of the centre. It would not be easy to make a significant shift of power from the centre to local government. But the powerful rationale for change is twofold. First, a more powerful and autonomous local government would have the potential to pursue innovative and specifically local policies that could benefit local people and communities. Second, such a move could strengthen local democracy and, through this the democratic process in England as a whole.

146. Having examined all the evidence, we have concluded that there needs to be a substantial change in the balance of power between central and local government. The power to govern in England remains too heavily centralised to be efficient or effective. Put simply, the balance of power between central and local government in England is currently in need of a tilt towards localities.

147. We accept it would not be easy to make a significant shift of power from the centre to local government. History is a powerful guide of contemporary practice and there is no doubt people in Britain have become used to ‘the government’ taking the blame for anything that goes wrong. Herein lies a clue, though, that a successful decentralisation of power might make the business of central government easier and more likely to deliver successful outcomes.

148. The public has complex expectations. While people may opt for ‘more local autonomy’ when asked by an opinion pollster, the same individuals may also want the government to guarantee that ‘postcode lotteries’ are kept to a minimum or, better still,

¹⁹³ Apprenticeships, Skills, Children and Learning Bill.

eradicated. Expectations of equal treatment by public services appear to be particularly strong in Britain, creating demands for central intervention in services more appropriately provided locally. Such pressures cannot be solely the fault of the present Government or Opposition. They have evolved over many years and would take some time to change. Evidence received during our inquiry, however, indicates that greater engagement with the public on the part both of local and national politicians, explaining the advantages of allowing local government greater scope for innovation as long as the local community is consulted and can hold it to account, can change public attitudes.

149. Not only should there be a shift in the balance of power, it should be given a degree of permanency. To achieve this will require changes not only to the balance of funding in England, but also to the constitutional settlement and to Parliamentary scrutiny. Only by so consolidating a new balance of power between local and central government will local government achieve the autonomy it requires to deliver the benefits of local solutions to local people and local communities. In so doing, we believe, the groundwork will also be laid for a reinvigorated local democracy that will, in time, also help to regenerate the national political arena. As our witnesses have noted, the central-local relationship is not a zero-sum game. Central and local can gain from this process. We are under no illusions: as we have seen, the history of reports such as these is not encouraging. But perhaps now is the time for the moment to be seized. Building on the small shifts of recent years, central government should now be more radical, and local government more ambitious for itself and the people of its locality. The benefits both to local public services and to democracy itself could be immeasurable.

Conclusions and recommendations

The situation today

1. There is clearly a wide division of opinion between the Government's view of recent developments and the views of the majority of our witnesses, many of whom believe that central direction and control remain unchanged or even that they have increased. The Government's record appears to us to be mixed. There remains a sizeable gap between the newly empowered local government that the Government believes it has established in principle, and the actual impact as witnessed at the local level. (Paragraph 28)

The European context

2. The relationship between central and local government in England deviates from the European norm in at least three areas—the level of constitutional protection, the level of financial autonomy, and the level of central government intervention. All serve to tilt the balance of power towards the centre. (Paragraph 38)

The scope for local variation

3. The real issue is who is best placed to make tough decisions about priorities and to get the best possible outcomes from the finite resources available. Local authorities clearly know their areas better than does Whitehall. Given the extent to which local communities differ, local authorities should have the flexibility—beyond a reasonably set national minimum standard—to vary their priorities to reflect those of the communities they serve. (Paragraph 53)
4. In this report we advance the principle that decisions which primarily affect one area to a significantly greater extent than others, should be taken within that area and not outside it – the subsidiarity principle. Those local authorities taking such decisions should, of course, be able to demonstrate that where there may be a spill-over impact on other areas they should be able to demonstrate that they have taken reasonable steps to take account of any such impacts. The principle should underpin a new hierarchy of decision making which respects and places on a statutory footing the rights of a local community to determine a great deal more of what should or should not occur within their locality, and how the full range of public services are delivered in their area and integrated with each other. (Paragraph 56)

Does local government need new powers?

5. We are clear that local authorities need both sufficient formal powers and more general autonomy to pursue a leading local leadership role. (Paragraph 64)
6. We have considerable sympathy with the case for local government to be given a power of general competence, to provide greater recognition of the local leadership role that central government is asking it to play, and which we support. If local government is able to accumulate evidence that the well-being powers are falling

short of a power of general competence to the extent that they are impeding its local leadership role, then we recommend that the Government should introduce a power of general competence for local government. (Paragraph 65)

7. We have also noted the frustration that, regardless of their track record, local authorities remain subject to invasive central government scrutiny and interference. (Paragraph 66)
8. We urge the Government to take a more flexible view of decentralisation, and to deliver on its promises of earned autonomy. (Paragraph 66)

The delivery of local police, health and healthcare services: the role of local government

9. Our concern is twofold. First, local policing and health care services remain insufficiently accountable to their local populations. If local councils commissioned these local services, local accountability through the ballot box would be much stronger. Second, at present, local councils are unable fully to assimilate local policing and health and healthcare services into their strategic vision for the locality. So long as two such important local services—arguably the most important for most local people—remain outside its scope, the full benefits of an empowered, autonomous local government cannot be realised. (Paragraph 77)
10. We recommend that the Department of Health and Home Office work with CLG to establish a local authority commissioning model for local policing and health and health care. As a first step, we recommend bringing forward pilot projects in localities where there are matching boundaries and where some joint commissioning already takes place. (Paragraph 78)

Developing current frameworks

11. The challenge now, for local government, central government and other local strategic partners, is to ensure that the LAA process develops as a true partnership with sufficient flexibility to register local priorities as well as minimum central requirements. In particular, we look forward to seeing more pooling of resources under the LAA, and for those resources to come more equally from other partners as well as local government. (Paragraph 81)
12. We agree that MAAs offer some scope for local government leadership at the sub-regional level. We welcome the fact that, following the conclusion of its Sub-National Review (SNR) consultation exercise, the government is currently legislating to put MAAs on a statutory footing, and that groups of council leaders will have joint responsibility with Regional Development Agencies (RDAs) for drafting and implementing regional strategies. We also welcome the Chancellor's recent announcement in his Budget speech that Manchester and Leeds will become city region pilots with enhanced powers. (Paragraph 83)
13. Although we accept that there will always be a need for an external review of standards, the challenge will be to ensure that hard targets are not simply replaced by

a range of softer audits, reviews and report backs that, in total, serve the same invasive purpose and continue to tie down local government resources and stifle innovation. (Paragraph 84)

14. We look forward to monitoring the success of CLG and the Audit Commission in delivering an effective but genuinely less obtrusive performance framework. Regulation and audit are overhead costs for local government and need to be proportionate to the benefits achieved. (Paragraph 84)

The case for local government cultural change

15. We have encountered examples of local government already undertaking a very proactive local leadership role. We were, however, disappointed to note that local government has become so used to existing in a culture of central control that the ambition to take on powers and responsibilities from central government is sometimes limited and even timid. Where local government has been cautious, it is perhaps understandable given past history and the untested nature of some of the new frameworks. What local government, including the LGA, needs to do now, in line with its local leadership role, is to keep testing the boundaries. The more local government can demonstrate that it has the drive, determination and vision to improve the lives of its communities, the harder it will be for outside commentators to sustain the argument that the culture in which local government operates has become overly deferential towards central government. (Paragraph 87)

The role of central government

16. Central government should maintain a very high threshold before it intervenes in only the last resort. Too early an intervention blurs local accountability and disincentivises local government from solving its own problems. (Paragraph 93)

Is CLG on the right lines

17. Whilst we accept that CLG Ministers are slowly moving in the right direction, and are genuinely committed to a devolutionary programme, we assess that many of the key challenges—concerning delivery of this devolutionary intent—lie ahead. CLG is not as far down the road as some of its rhetoric might suggest. (Paragraph 95)

Do other government departments need to change?

18. The centralist attitudes of the Department of Health and Home Office in relation to local health and policing are replicated to a greater or lesser extent across many, if not all, other government departments and their agencies. At present, in a number of key local service areas, they are acting to constrain local government influence. The challenge for central government departments and agencies is fully to recognise the legitimacy of local authorities' leadership role in their localities, and better to accommodate local authorities into the decision-making process. They need to embrace a cultural change that allows greater autonomy for local government. In principle, we believe that central government departments and agencies should work

with CLG to devolve greater local decision-making powers, with the necessary resources, across a much wider range of public policy than has hitherto been the case, to all local authorities. As a first step, we recommend that they devolve such powers to high-performing local authorities. (Paragraph 100)

Does the civil service need to change?

19. Avowed Ministerial intent is for a more partnership-based approach to relations with local authorities. However, as we noted in the previous chapter with regard to the Local Area Agreement (LAAs) process, during detailed negotiations with local authorities some central departments have continued to seek to impose top-down direction. We assess that further and more thorough cultural change within Whitehall is still required. Ultimately, Ministers set the overall tone of a department, and a cultural change in the civil service is dependent upon a cultural change at the top of the department. We are therefore encouraged by the mood-music from CLG's senior Ministers, and look forward to seeing progress replicated among senior Ministers in other departments. Meanwhile, we acknowledge the increasing efforts being made to cross-fertilise between local and central government at official level, and recommend that these efforts be expanded. We look forward, in particular, to receiving reports of the progress within CLG of the Minister for Local Government's "back to the coalface" initiative. Further, we recommend that CLG or the Cabinet Office monitor and publish other government departments' efforts in this regard, to ensure that they are following CLG's example. The new partnership working of the LAA process, upon which much of the success of local government's place-shaping mission depends, will only work if both local government and central government officials appreciate that their roles have changed, and that they are engaging in a dialogue of equals. (Paragraph 104)

Local government accountability

20. The Government should consider options to increase local government's revenue raising powers, in order to promote local accountability and encourage local government autonomy. This would encourage local government both to be more proactive and to be more proactive quickly—so that local authorities are able to respond immediately to rapid changes on the local scene. (Paragraph 108)

The business rate

21. During the recession, re-localisation would give local government an additional tool to pursue local recession-proofing policies. In the longer term, it would give local government an additional tool to promote economic growth and regeneration. Clearly, the concern about equalisation would have to be transparently addressed, in order to reassure local authorities with a smaller business tax base that re-localisation would not result in them losing out. Nevertheless, on balance, the arguments in favour of relocalising the business rate made in our predecessors' report remain valid, and we repeat, therefore, the recommendation made in our predecessors' report that the Government return business rates to local authority control as soon as possible. (Paragraph 115)

Capping

22. Local councils should have the opportunity to make the case for council tax increases to their electorate, and the electorate, rather than central government by decree, should have the final verdict on whether the tax increases proposed are excessive. The continued use, and threat, of capping are emblematic of the Government's ultra-cautious approach to devolution. (Paragraph 117)

Alternative forms of grant allocation

23. The advice and evidence given to the Department to inform changes to the grant formula—and exemplifications of the effects of different options considered—should be available on the CLG website. This would ensure that changes based on extraneous considerations would be minimised, and a formula based on real needs and true resources arrived at. (Paragraph 120)
24. We recommend that the Government increase the transparency of the existing grant allocation process, and that the Local Government Association take on more responsibility for engaging with the Government on grant allocation decisions. (Paragraph 121)

Changing local government tax

25. In principle, a supplementary local income tax introduced alongside council tax but with a corresponding reduction in central taxation so that the overall tax burden remained the same, is a potential longer-term solution to the balance of funding problem, and one that Government should seriously consider. It would be possible to replace central funding with such an income tax without any change to the total collected in taxation overall. Councils would then decide at what level to set their local tax. (Paragraph 123)

Is a constitutional settlement important

26. We recognise the difficulty of achieving a lasting constitutional settlement for local government within the context of a Westminster model. However, we believe that the Concordat and Charter are potentially useful documents that ought to be guiding Government departments' relationships with local government far more obviously than has been the case thus far. Potentially, as Sir Michael Lyons also suggested in his report, a constitutional settlement involving local government could provide impetus and help sustain a substantial shift in the balance of power between central and local government. We recommend, therefore, that the Government introduce 'constitutional' legislation that places the European Charter of Local Self-government on a statutory basis. (Paragraph 134)

The case for cultural change in Parliament

27. The manner in which Parliament debates some essentially local issues can work to constrain local government. In England, local government's alleged failings quickly get elevated to the level of national debate on the floor of the House, as recently seen

with regard to child protection issues—the Baby P case—and preparation for heavy snowfall. The effect of repeated parliamentary interventions is to encourage the public and media to look to central government to solve local problems, and to prompt central government to act. To help achieve the benefits described by Professor Tony Travers, Parliament may need to curb some of its own interventionist instincts. We were told by local politicians during our trip to Denmark and Sweden that, having agreed the overall framework and guidelines, each country’s Parliament kept out of local government affairs. Whilst we fully accept that MPs have an obligation to raise issues that matter in their constituency, it may be that they need to set themselves a higher threshold before raising and debating essentially local matters in the chamber of the House. (Paragraph 137)

Parliamentary scrutiny

28. Whilst we share the Secretary of State’s caution with regard to setting up new Committees in principle, we think in this particular instance the idea has merit. We have argued in the previous chapter in favour of putting the Charter on a statutory basis, and requiring government Ministers to declare the compliance of Bills with the Charter in the case of each piece of domestic legislation. We are persuaded that establishing a Joint Committee to monitor Government compliance with this constitutional settlement would provide further impetus to creating and sustaining a pendulum swing in the balance of power between central and local government. (Paragraph 140)
29. To assist the Joint Committee in its latter task, similar to the provisions under the Human Rights Act, government departments would need to confirm on the front of domestic bills that they complied with the local government statute. (Paragraph 141)
30. We further recommend that the Government direct its departments, where relevant, to include an analysis of compliance with the local government legislation within the impact assessment that they already undertake for each piece of legislation. (Paragraph 141)

Annex: Committee and IPPR North joint seminar: Balance of Power

Seminar Record

This event, organised jointly by the Committee and the Institute for Public Policy Research North (IPPR North), gave an invited audience the opportunity to debate, under Chatham House rule, the balance of power between central and local government, and to make a contribution to the Committee's inquiry.

Opening remarks

Panellists, chosen to provide a range of "localist" and "centralist" views, initiated proceedings by providing short opening remarks. The following points were made from a more centralist perspective:

- The key question is how services can best be provided at moderate cost to the greatest satisfaction of the public. Localists need to demonstrate that efficiency, effectiveness and accountability are better locally—where is the evidence? What problems can be solved by localism? Until local government can clearly answer the question of what benefit greater localism would bring, the opportunities for redistribution of power will be limited.
- Given the extent of the current economic crisis, there also needs to be an economic reality check. Local councils simply lack the clout to make a big difference under these circumstances—measures to enable substantial economic improvement can only be made at the national level, leaving little space for local government to build up their own powers.
- Furthermore, there is little public appetite for a redistribution of power from central to local government. Contrast with Scotland, where devolution occurred because of the pressure exerted by a popular movement.
- The public is not satisfied with the current performance of local public sector service providers, and tends to look to the national government to intervene to improve things, rather than local government.
- The national media, which carries more weight with the public than local publications, encourages this emphasis on national intervention. In the recent Baby P case, for example, the tabloids put pressure on national politicians to act to ensure that councils were delivering acceptable standards of childcare across England.
- Both the public and media are sceptical that local councils have the capacity to run professional local services, and are unwilling to accept much diversity in service delivery.

Other panellists countered these arguments from a more decentralising perspective:

- In the nineteenth century powerful, autonomous local governments led the way in poverty relief, urban regeneration and education. Whilst it is not possible to return to this model, it is still possible for local government to exert a stronger leadership role within partnerships.
- The question is the extent to which local authorities are allowed to lead local partnerships, as opposed to being subject to central regulation and oversight. Over time, central governments have eroded the ability of local governments to lead at the local level—local government has been over-directed and over-regulated in the last 30 years. There needs to be a shift in the balance of power to allow local government greater opportunity to lead.
- Local government should be government locally, rather than solely an agency for the delivery of local services. Only by harnessing local capacity is it possible to address local problems appropriately. In particular, public engagement is crucial if local problems are to be resolved satisfactorily. Local government is better placed than national government or quangos to increase public engagement. In opinion polls, around 2 in 10 citizens believe they can influence the national government, whilst 4 in 10 (still low, but significantly better) believe they can influence local government.
- Local government can make a difference. The local government role is, for example, actually very important in a recession because detailed local knowledge is essential in order to address areas of greatest hardship. It is also possible to increase its capacity to make a difference, for instance by giving local authorities the power to vary the business rate.
- A successful rebalancing of power would require changes both in how national government behaves, and in how local government behaves. It would also require a shift in public perceptions which is possibly the biggest obstacle—currently the public demands that national politicians intervene on problematic local issues. The buck is seen to stop with Ministers, who seek to control what they might be blamed for. A directly-elected Mayoral system might assist here—giving a clear focal point of local accountability.
- Some progress has already been made—through Local Area Agreements (LAAs), Multi Area Agreements (MAAs) and Local Strategic Partnerships (LSPs). The challenge is to build on this, and address the weaknesses in the current system—such as continued government reluctance to trust local government (e.g. the Policing Green Paper which opts to by-pass local government) divisions between Whitehall departments, the number of national targets, and public concerns about a “post code lottery”.
- The issue of equity or “post code lottery”, where different outcomes are perceived to increase inequality, is a particularly difficult issue for Labour administrations placing an emphasis on equity, even though the central state has also proved unable to deliver identical outcomes. But this matters more where a policy is perceived to be national, meaning consistent outcomes and ways of working are expected. It is less of an issue where people are clear that the policy is owned

locally. There needs therefore to be greater transparency over who is responsible for what and, crucially, with regard to funding flows.

- Also important to stress that tax and benefit rather than public services are the best levers for a national government wishing to reduce inequalities.

Debate from the Floor

Discussion was then opened up to the floor. Unsurprisingly perhaps, given that most attendees were drawn from local government or from organisations sympathetic to the “localist” case, the majority of interventions were in favour of greater local autonomy.

A number of attendees commented on the political culture in England:

- England has a very nationalised political culture where problematic local issues move swiftly to the national arena. The relative weakness of local democracy could become a problem nationally as well, as a lack of engagement at the local level could spread.
- Pressure groups also help to promote a nationalised political culture, because they prefer to have one set of people to lobby.
- There is a gap between central government’s “localist” language and actual practice. For example much of the power to influence the local area currently lies with unaccountable quangos. At the very least the quango decision making process should be made more transparent—by having meetings in public. This might also enable local rather than national issues to come to the fore.
- There is a need for a constitutional settlement to prevent central government from taking back or removing further powers from local government.

There was also a lively debate on the attitude of citizens to local government:

- Some speakers took issue with the suggestion that there was little public appetite for devolution, arguing that people did want a transfer of power, although they may not put it in the language of devolution and localism. Many were informed about particular local issues, but were frustrated because local government was not able to deliver what they wanted. For example, they were aware that the power to run bus services had been taken away from councils. The challenge for localists is to show how a shift in the balance of power would increase the ability of the local council to address the specific issues of concern to the public.
- It was suggested that there was an unhelpful gap between MPs and local councillors, with the former not knowing much about local government. This was challenged, on the basis that local MPs were made very aware of local issues by their constituents, and indeed were frequently asked to intervene in areas—notably housing and education—where poor local council delivery was undermining the community. Where the local council was dominated by one party, the local MP could at times take on the role of local opposition.

- There was agreement that it was not always possible for the public to judge who had responsibility for what.

There was equally lively debate on the extent to which current government policies were along the right lines:

- One speaker noted that there was much greater scope for local initiative elsewhere—for instance in the Nordic countries it is local authorities who set the political agenda.
- Another observed that some remaining centralisation was important. Central inspections had helped to improve the performance of local government, and there remained a need for basic checking.
- By contrast, another expressed concern at the extent to which central government regulation was stifling local innovation in services. Social workers for instance were very constrained by central directive—a new information system imposed by the centre had proved particularly time-consuming and unmanageable. There is a need to link social workers more closely with education and health, and this could best be done by giving local councils greater flexibility to join up the budgets of different services.
- Others questioned whether the forthcoming Comprehensive Area Agreement (CAA) inspection regime would deliver a ‘lighter touch’. There were concerns about whether the different inspectorates would align as intended, and whether the approach would in practice continue to stifle local initiative.
- Others felt that if local government was to take on a ‘place-shaping’ role, it would need greater influence over neighbourhood policing and PCTs. It was felt that both the police and PCTs worked primarily to national objectives, and DWP and DfT were also criticised for being unresponsive to local issues. Notwithstanding the government’s empowerment agenda, there were a number of areas where local authorities—a key empowerment enabler given their representative role—were not involved or not sufficiently involved in local delivery.
- It was also felt that central government needed to share more information with local government. Local government needed more information—for example with regard to extremism in their communities—if they were properly to direct and fund local services.
- With regard to central policy making, the observation was made that central government needed to consult more with local government at an early stage. The proposal was made that civil servants should have more experience of local government—possibly through the introduction of one recruitment scheme for local and central officials.

Priorities for the Committee

Before wrapping up the meeting, the Chair asked participants to advise the Committee on what they felt the Committee's priorities should be when it came to writing its final report. From a centrist viewpoint:

- the Committee was urged to focus on the current recession. The key question was the capacity of local government to produce efficiency savings.
- The Committee was also advised to consider what would resonate with the public. For change to occur, the public would have to embrace the opportunity to register their aspirations with local government. The tools for greater local involvement were already there, but it was possible to be sceptical as to whether the public would use them.

Most interventions, though, urged the Committee to put forward the case for increased local autonomy, albeit with differing emphases:

- The Committee was urged to take a holistic, systemic approach—focusing on all levels of government. Politics is a seamless web and if local democracy is undermined, this will eventually impact upon Parliament. The bottom line was that everyone's attitudes needed to change.
- The Committee was advised to focus on why some local authorities felt sufficiently powerful to be innovative, whilst others did not. The challenge was to make more councils feel powerful.
- It was also suggested that the Committee should consider the funding system for local government. One observation was that local governments could hide behind the current funding system. They would be less able to do this if they were able to raise a greater proportion of their budget and if there was less ring fencing.
- It was also proposed that the Committee focus on increasing accountability at the local level. It was suggested that directly elected Mayors were the key to greater local accountability, and to re-focusing attention on local issues. There was a need for more boldness in local government, and Mayors could drive this. Mayors could also reassure Ministers that there was someone in charge, enabling them to back off and to empower further local government.
- A counter argument though was that clear leadership and accountability at the local level was quite achievable without the introduction of Mayors. Local government had produced strong recognisable local leaders in the early 80s (e.g. Ken Livingstone whilst leader of the Greater London Council).
- The Committee was also urged to look critically at regional quangos. How effective are they at understanding and resolving local issues? It was suggested that any powers and functions being devolved by central government should go to local government unless a clear case could be made for why not.

- At the national level, the Committee was urged to recommend increased collaboration—local government should be invited to help shape consultation papers.

At the end of the seminar Dr Phyllis Starkey, Chair of the Committee, thanked attendees for a stimulating debate which had provided much for the Committee—a number of whom had been present and had contributed to the debate—to consider. She thanked IPPR North for helping to organise the seminar, and for chairing it.

Formal minutes

Tuesday 12 May 2009

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts
John Cummings
Andrew George

Emily Thornberry
Mr Neil Turner
David Wright

Balance of Power: central and local government

Draft Report (*Balance of Power: central and local government*), proposed by the Chairman, brought up and read.

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

Summary read and postponed.

Paragraphs 1 to 26 read and agreed to.

Paragraph 27 read, amended and agreed to.

Paragraphs 28 to 30 read and agreed to.

Paragraph 30 read, amended and agreed to.

Paragraphs 31 to 38 read and agreed to.

Paragraph 39 read, amended and agreed to.

Paragraphs 40 to 53 read and agreed to.

Paragraph 54 read, amended and agreed to.

Paragraph 55 read and agreed to.

A paragraph—(*Andrew George*)—brought up, read the first and second time, amended and inserted (now paragraph 56).

Paragraphs 56 to 59 (now paragraphs 57 to 60) read and agreed to.

Paragraph 60 (now paragraph 61) read, amended and agreed to.

Paragraphs 61 to 82 (now paragraphs 62 to 83) read and agreed to.

Paragraphs 83 to 94 (now paragraphs 84 to 95) read and postponed.

Another paragraph—(*Andrew George*)—brought up and read, as follows:

‘We recommend that the Government place its proposals for the devolution of decision-making powers to local authorities on a statutory footing by giving local authorities the power to acquire an annual audit and performance assessment report for each of the relevant Government departments for which a full range of pre-negotiated targets have been set.’

Question put, That the paragraph be read a second time.

Ayes, 1

Noes, 5

Andrew George

Mr Clive Betts
John Cummings
Emily Thornberry
Mr Neil Turner
David Wright

Question accordingly negatived.

Postponed paragraph 83 (now paragraph 84) again read.

Amendment proposed, in line 9, after “innovation.”, to insert

‘Equally, we believe that the power relationship should be more ‘balanced’ between central and local government. There should be an opportunity for local government to require Government departments to produce the material necessary for a statutory review in respect of their success in delivering a genuinely devolved settlement for local authorities. We explain this further in paragraph X below.’—(*Andrew George.*)

Question proposed, That the Amendment be made:—Amendment, by leave, withdrawn.

Postponed paragraphs 84 to 94 (now paragraphs 85 to 95) again read.

Paragraphs agreed to.

Paragraphs 95 to 107 (now paragraphs 96 to 108) read and agreed to.

A paragraph—(*Mr Neil Turner*)—brought up, read the first and second time, amended and inserted (now paragraph 109).

Paragraph 108 (now paragraph 110) read, amended and agreed to.

Paragraphs 109 to 117 (now paragraphs 111 to 119) read and agreed to.

Paragraph 118 (now paragraph 120) read, amended and agreed to.

Paragraph 119 (now paragraph 121) read, amended and agreed to.

Paragraphs 120 to 137 (now paragraphs 122 to 139) read and agreed to.

Paragraph 138 (now paragraph 140) read.

Amendment proposed, at the end of the paragraph, to insert

‘However, this Committee should provide a supportive Parliamentary oversight of a process which should primarily be led by local authorities through the statutory audit and performance assessments we have proposed in paragraph X above.’—(*Andrew George.*)

Question proposed, That the Amendment be made:—Amendment, by leave, withdrawn.

Paragraph agreed to.

Paragraphs 139 to 147 (now paragraphs 141 to 149) read and agreed to.

Annex agreed to.

Summary agreed to.

Resolved, That the Report, as amended, be the Sixth Report of the Committee to the House.

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

Written evidence reported to the House and ordered to be published on 21 October, 3 November and 9 February was ordered to be reported for printing with the Report.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 18 May 2009 at 4.20 p.m.]

Witnesses

Monday 23 June 2008

Sir Michael Lyons

Page

Ev 1

Mr Chris Leslie, Director, New Local Government Network, **Ms Janet Grauberg**, Development Director, Public Management and Policy Association, and **Mr James Morris**, Chief Executive, Localis

Ev 8

Monday 7 July 2008

Councillor Jill Shortland, Leader, Somerset County Council, **Councillor Susan Williams**, Leader, Trafford Council, and **Mr Jules Pipe**, Mayor of Hackney

Ev 13

Monday 10 November 2008

Mr Stephen Hughes, Chief Executive, Birmingham City Council, **Sir Richard Leese CBE**, Leader, Manchester City Council, and **Mr Eamonn Boylan**, Deputy Chief Executive (Regeneration), Manchester City Council

Ev 24

Mr Peter Gilroy OBE, Chief Executive, Kent County Council, **Mr Paul Carter**, Leader, Kent County Council, **Mr David Petford**, Chief Executive, Maidstone Borough Council, and **Councillor Mike FitzGerald**, Chairman of the Balance of Power working group, Maidstone Borough Council

Ev 31

Mr Mike More, Chief Executive, Westminster City Council, **Councillor Colin Barrow CBE**, Leader, Westminster City Council, **Ms Moira Gibb CBE**, Chief Executive, London Borough of Camden, and **Councillor Keith Moffitt**, Leader, London Borough of Camden

Ev 38

Monday 17 November 2008

Mr Andy Sawford, Chief Executive, Local Government Information Unit, **Councillor Merrick Cockell**, Chair of London Councils, and **Ms Anna Turley**, Deputy Director, New Local Government Network

Ev 45

Ann Keen MP, Under Secretary of State (Health Services), Department of Health, and **Mr Vernon Coaker MP**, Minister of State (Policing, Crime and Security), Home Office

Ev 52

Mr Ken Jones, QPM, President, Association of Chief Police Officers, and **Ms Jo Webber**, Deputy Director, NHS Confederation

Ev 60

Monday 8 December 2008

Professor George Jones OBE, Emeritus Professor of Government, London School of Economics and **Professor John Stewart**, Emeritus Professor of Local Government and Administration, The Institute of Local Government Studies, University of Birmingham

Ev 66

Professor Vernon Bogdanor CBE, Professor of Government, Oxford University and **Professor Tony Travers**, Director of the Greater London Group, London School of Economics Ev 72

Rt Hon Lord Heseltine, a Member of the House of Lords Ev 77

Rt Hon Nick Raynsford MP and **Baroness Hamwee**, a Member of the House of Lords Ev 80

Monday 15 December 2008

Mr Jeremy Smith, Secretary General of the Council of European Municipalities and Regions, (CEMR), appearing in a personal capacity, and **Mr Martin Willis**, Director of the Institute of Local Government Studies, (INLOGOV), University of Birmingham Ev 86

Councillor David Shakespeare, OBE, Vice-Chair, Local Government Association and Leader of the Conservative Group (Buckinghamshire CC), **Councillor Richard Kemp**, Deputy Chair, Local Government Association and Leader of the Liberal Democratic Group (Liverpool City Council), **Councillor Keith Ross**, Deputy Chair, Local Government Association and Leader of the Independent Group (West Somerset DC), and **Councillor Sharon Taylor**, Deputy Leader of the Labour Group, Local Government Association (Stevenage BC) Ev 92

Monday 12 January 2009

Rt Hon Hazel Blears MP, Secretary of State for Communities and Local Government Ev 102

List of written evidence

1	West Midlands Business Council	Ev 119
2	Birmingham City Council	Ev 122
3	Emeritus Professor Jones and Emeritus Professor Stewart	Ev 126
4	Lancashire County Council	Ev 137
5	London Borough of Camden	Ev 142
6	Somerset County Council	Ev 144
7	The Federation of Small Businesses	Ev 145
8	West Sussex County Council	Ev 147
9	Manchester City Council	Ev 148
10	Mansfield District Council	Ev 151
11	Gateshead Council	Ev 152
12	Telford and Wrekin Council	Ev 155
13	Warwickshire County Council	Ev 158
14	CSS (formerly the County Surveyors' Society)	Ev 160
15	Kent County Council	Ev 162
16	Local Government Information Unit (LGIU)	Ev 169
17	Oxfordshire County Council and Oxfordshire District Councils excluding Oxford City Council	Ev 175
18	Knowsley Borough Council	Ev 177
19	Association of North East Councils	Ev 181
20	County Councils Network	Ev 184
21	Institute of Local Government Studies (INLOGOV)	Ev 186
22	The Institute of Revenues Rating and Valuation	Ev 194
23	New Local Government Network	Ev 198
24	Chartered Institute of Public Finance and Accountancy	Ev 202
25	Essex County Council	Ev 204
26	Buckinghamshire County Council	Ev 209
27	North Yorkshire County Council	Ev 212
28	Jeremy Smith	Ev 213
29	The Core Cities Group	Ev 218
30	Professor Gerry Stoker	Ev 232
31	Localis	Ev 224
32	West Midlands Local Government Association	Ev 226
33	Sunderland City Council	Ev 230
34	Audit Commission	Ev 233
35	Westminster City Council	Ev 237
36	Maidstone Borough Council	Ev 245
37	Lifting the Burdens Task Force	Ev 262
38	London Councils	Ev 263
39	London Borough of Hackney	Ev 268
40	Trafford Council	Ev 271
41	NORA (National Organisation of Residents Associations)	Ev 272

42	Institute for Public Policy Research (IPPR) North and the Institute for Public Policy Research (IPPR)	Ev 274
43	The Department for Communities and Local Government	Ev 279
44	The Department for Communities and Local Government (supplementary)	Ev 286
45	Local Government Association	Ev 291
46	Professor Tony Travers, London School of Economics	Ev 293
47	Professor Vernon Bogdanor (Professor of Government, Oxford University)	Ev 294
48	Ann Keen MP Parliamentary Under Secretary of State for Health	Ev 304
49	Adrian Beresford-Wyllie, Chief Executive of the Australian Local Government Association in response to questions posed by the Second Clerk of CLG Select Committee	Ev 305

List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Councillor Paul H Dakers
 Lancaster City Council
 Taplow Parish Council
 Carolyn Ryan
 Barford St John and St Michael Parish Council
 The National Association of Local Councils
 Stroud District Council
 Cllr Mike Jordan
 Frampton on Severn Parish Council
 Harpenden Town Council
 Henry Wilson
 City of London (Office of the Remembrancer)

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2008–09

First Report	Work of the Committee in 2007–08	HC 120
Second Report	Communities and Local Government's Departmental Annual Report 2008	HC 238
Third Report	Housing and the Credit Crunch	HC 101
Fourth Report	Appointment of the Chair of the Infrastructure Planning Commission	HC 354
Fifth Report	New Towns Follow-Up—Government Response to the Ninth Report of the Committee, Session 2007–08	HC 253
Sixth Report	Balance of Power: Central and Local Government	HC 33-I & II

Session 2007–08

First Report	Coastal Towns: the Government's Second Response	HC 69
Second Report	DCLG Annual Report 2007	HC 170 (<i>Cm 7335</i>)
Third Report	Local Government Finance—Supplementary Business Rate: the Government's Response	HC 210
Fourth Report	Work of the Committee in 2007	HC 211
Fifth Report	Ordnance Survey	HC 268
Sixth Report	Refuse Collection: Waste Reduction Pilots	HC 195
Seventh Report	Existing Housing and Climate Change	HC 432 (<i>Cm 7428</i>)
Eighth Report	The Supply of Rented Housing	HC 457-I & II (<i>Cm 7326</i>)
Ninth Report	New Towns Follow-Up	HC 889
Tenth Report	Community Cohesion and Migration	HC 369-I & II (<i>Cm 7489</i>)
Eleventh Report	Planning Matters—labour shortages and skills gaps	HC 517-I & II (<i>Cm 7495</i>)
Twelfth Report	The Provision of Public Toilets	HC 636 (<i>Cm 7530</i>)
First Special Report	Ordnance Survey: Government's Response to the Committee's Fifth Report of Session 2007–08	HC 516
Second Special Report	Refuse Collection: Waste Reduction Pilots—Government Response to the Committee's Sixth Report of Session 2007–08	HC 541
Third Special Report	Local Government Finance—Supplementary Business Rate: the Government Response: Government Response to the Committee's Third Report of Session 2007–08	HC 1200

Session 2006–07

First Report	The Work of the Committee in 2005–06	HC 198
Second Report	Coastal Towns	HC 351 (<i>Cm 7126</i>)

Third Report	DCLG Annual Report 2006	HC 106 (<i>Cm 7125</i>)
Fourth Report	Is there a Future for Regional Government?	HC 352-I (<i>Cm 7119</i>)
Fifth Report	Refuse Collection	HC 536-I
Sixth Report	Equality	HC 468 (<i>Cm 7246</i>)
Seventh Report	Local Government Finance—Supplementary Business Rate	HC 719
Eighth Report	Local Government Finance—Council Tax Benefit	HC 718
First Special Report	Local Government Finance—Council Tax Benefit: Government’s Response to the Committee’s Eighth Report of Session 2006–07	HC 1037
Second Special Report	Refuse Collection: Government’s Response to the Committee’s Fifth Report of Session 2006–07	HC 1095

Session 2005–06

First Report	ODPM Annual Report and Accounts	HC 559 (<i>HC 1072</i>)
Second Report	Re-licensing	HC 606 (<i>Cm 6788</i>)
Third Report	Affordability and the Supply of Housing	HC 703-I (<i>Cm 6912</i>)
Fourth Report	The Fire and Rescue Service	HC 872-I (<i>Cm 6919</i>)
Fifth Report	Planning Gain Supplement	HC 1024-I (<i>Cm 7005</i>)
First Special Report	Government Response to the Committee’s Fourth Report of Session 2004–05, on the ODPM Annual Reports and Accounts 2004	HC 407
Second Special Report	Government Response to the Committee’s Eleventh Report of Session 2004–05, on the Role and Effectiveness of The Local Government Ombudsmen for England	HC 605
Third Special Report	Government Response to the Committee’s Seventh Report of Session 2004–05, on the Role and Effectiveness of the Standards Board for England	HC 988
Fourth Special Report	Government Response to the Committee’s First Report of Session 2005–06, on the ODPM Annual Report and Accounts 2005	HC 1072