

real localism

Edited by David Walker



THE SMITH INSTITUTE

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Preface

Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

As David Walker comments in his introduction to this monograph, "we are all localists now". Indeed, it is quite remarkable how broad the political consensus for local devolution and decentralisation has become. You hear few politicians or policy makers today arguing that "Whitehall knows best" or that the nation would be better served by taking powers away from local councils. The debate is now focused on what follows the dispersal of power to Scotland, Wales and London, and how we can strengthen local democracy, empower local councils and improve local services.

How can we, in this ever more complex society, best transform the way councils work with their communities and central government; how do we democratise local services and give people more control and more choice; how much discretion and autonomy should be given to local councils, and in what new policy areas; and what are the short- and long-term costs and benefits of "letting go"?

According to Hazel Blears, the Secretary of State for Communities and Local Government, "it is the responsibility of everyone who believes that devolving power is the answer – to prove it". The authors in this monograph take up this challenge, and in different ways demonstrate what "new localism" and "double devolution" can realistically offer. Collectively they not only explore what could be achieved in terms of democratic renewal, active citizenry and local services, but also suggest how local devolution contributes towards local economic development and so-called "place shaping".

This is a positive and challenging time for local councils. The political momentum is for further change and a new partnership between central and local government (and between councils and the private and voluntary sectors). But this new era of devolution must be firmly rooted in best practice and common sense, and with the capacity and capability to deliver. As some of the essays that follow point out, the task now for local government is not to talk up the case for localism, but to prove to central government and their local community that they deserve more powers and the resources that go with it.

The Smith Institute thanks David Walker (editor of The Guardian's *Public* magazine) for agreeing to edit this collection of essays, and gratefully acknowledges the support of Yorkshire Forward, Deloitte and the Department of Health towards this publication and the associated seminar.

Introduction

David Walker, Editor of The Guardian's *Public* magazine

These essays radiate the excitement many feel about the prospects and possibilities of elected local government (in England – a different dynamic applies in the devolved administrations). Intellectually the weather has changed. Local leaders, represented here by Sir Robin Wales of Newham, are self-confident; their advisers (exemplified here by Paul Coen and Paul Raynes and by Lucy de Groot) throw off the old deference and, carrying the argument back to central government, put pointed questions to ministers and civil servants.

But the Smith Institute has perhaps termed this collection "real" localism to capture a sense of "realistic". This entails being level-headed in assessing the public's appetite for the strenuous democracy demanded by some of localism's advocates, and in recognising that local political and fiscal capacity has limits. It also implies using common sense about the culture and proclivities of the UK in the 21st century.

In his contribution Sir Simon Jenkins checks off various obstacles to local self-determination but, curiously, misses one with which he is intimately familiar – national newspapers and broadcasting. The internet and Web 2.0 applications are aspatial; they might conceivably be used inside "place" but equally might diminish a sense of local belonging.

A realistic approach would need to recognise, in addition, the centralising thrust of some third-sector activities. Advocacy for, say, patients with long-term conditions or dependent elderly people is often loudly antagonistic to variations in social services, yet the potential for variation is what localism is all about.

Gordon Brown's tenure as Prime Minister – so far – may also prime this "realistic" approach to central-local government relationships. He has proposed constitutional renewal and sharper parliamentary oversight over the central executive. Among other measures, councils in England have been given new leverage on health provision in their areas. Localists will welcome that. But the government also wants more housing built and faster resolution of planning applications for big projects; here "realism" means recognising that local interests may conflict with national or regional strategy. Some tensions – over land use, say – may be permanent, and we must not pretend devolution is a universal recipe for reconciling all claims.

The new consensus

We are all, to coin a phrase, localists now. Let's set out where agreement is widespread. Start with Whitehall: civil servants recognise their own inadequacies in managing the delivery chain; the capability reviews of successive departments instigated by Sir Gus O'Donnell, the Cabinet secretary, give chapter and verse. The centre, administratively speaking, is less self-confident and more willing to recognise the shared nature of service delivery, as Heather Hancock recounts in her essay.

The ground looks fertile for some replanting of the respective responsibilities (and accountability) of, on one side, ministers and central officials and, on the other, elected local authorities and the variety of semi-autonomous public bodies providing services. How that rearrangement is to happen is addressed by the essayists and forms a challenge and opportunity for the Brown government.

Ideas abound. Some of our essayists hint at incorporating into elected local government services that have escaped (schools, the police) or that have never been part of it (health). Alternatively we need to revise definitions of "the local", to encompass conurbations and "sub regions". In the sub national review published in July 2007, the Treasury and the Department for Communities & Local Government proposed innovating in what ministers do, giving some of them regional portfolios, together with new parliamentary accountability for development agencies through regional committees of MPs. Might the democratic regeneration of parliament (a prime ministerial ambition) go hand in hand with democratic renewal locally?

Even the staunch advocates of localism represented in this collection would admit that things are far from perfect in the town and county halls, whether measured by electoral participation or public understanding of and interest in civic affairs. David Miliband's "double devolution" may have dropped out of favour as a phrase, but its import remains – it will always be a huge challenge to connect bureaucratic service delivery structures to local community activity. How many subscribe to Graham Allen's casual assumption that empowered local authorities, able to tax and spend with freedom, would automatically reinvigorate local democracy?

Many would agree that councils in England have proven themselves agile – in making efficiency savings, under the "transformational government" rubric, and in effecting partnerships with other players in local services. They deserve un-corseting, and October's spending announcement threw umpteen of the whalebones away, in the shape of central

targets. More latitude is needed, some argue, if councils are to respond to shifting movements of capital and people; councils need fiscal flexibility to attempt to shape places. The Brown government has expanded councils' room for manoeuvre and opened the way to supplementary local taxation. Dermot Finch, applauds and thinks an incremental suck-it-and-see approach could add finance and policy discretion as councils go on proving themselves.

Not far enough?

But some localists demand a "big bang". The government has gone nothing like far enough. Has Secretary of State for Communities and Local Government Hazel Blears' enthusiasm for devolution been matched by her Cabinet colleagues? Missing from Alan Johnson's appraisal of the commissioning capabilities of primary care trusts is a determined role for councillors in health. Why not extend the principle of direct elections from foundation trusts to primary care trusts? Far better to incorporate them in councils or put councillors on their boards: in their essay Paul Coen and Paul Raynes argue against service-specific solutions, emphasising instead the multifunctionality of councils, giving their elected members an area-wide authority.

Peter Hain's renewed drive to expand employability gave no space to local authorities to provide or commission job-seeking services. Yet, unlike contractors or Jobcentre Plus, councils are thinking imaginatively about places and about people in places, and have joined up ideas about the relationship of human and social capital with economic opportunity.

So localists remain unsatisfied. But maybe that is their fate, and centralists' too, though they are a rare breed these days. What if the demarcation lines demanded by some of our contributors can never be cleanly drawn? What if, inside the political and administrative envelope of England, central and local are ordained to a permanently scratchy relationship, a marriage more *Who's Afraid of Virginia Woolf?* than Anglican prayer book?

Examined more closely than is possible in these confines, the relationship between local elected bodies and government at large in other countries turns out to be more complicated and the English condition becomes less of a special case. All states operate as "systems", in which the pieces more or less hang together. As the Tory years drew to a close, a strong case was made for the dysfunctionality of the system, and the Blair-Brown governments attended. But change has taken the form of a pendulum swing, rather than the root-and-branch revision demanded by Graham Allen and Simon Jenkins.

Co-operation and mutuality

The merit of that approach can be tested against the salient events of the Brown premiership so far. Summer 2007 saw emergencies from terrorist attacks to foot-and-mouth; flooding focused public attention on climate change; debate has swirled around migration. These issues all speak to the need for collaboration, not competition, between tiers of government. Responses to threatening events demonstrated that local authorities do and must have their own arena for discretionary action.

To have to consult Whitehall prior to providing overnight shelter when storms threaten would be a nonsense. But adequate response to emergencies also requires government to work at a scale larger than the local, in deploying troops or specialists, in intelligence gathering and detection. Central co-ordination depends on the empiricism of local delivery, and vice versa. Of course there are on-going arguments in emergency planning, as elsewhere about balance, spheres of autonomy and respective jurisdictions, but these events prized co-operation and mutuality.

A similar point applies to the phenomenon of international mass migration. The capacity of a single local authority to shape place is truncated by wider economic and demographic trends. When people migrate they rarely observe local jurisdictions. They move to Slough or Peterborough not because of their councils, but because of jobs or kin or fellow citizens. Only central government can secure a match between aggregate benefits from migration and its local costs.

Some local authorities feel short-changed by the population data and grants distribution. The resulting counter-claims and responses are normal: local government, however robust, cannot be left to fend for itself when the gales of globalisation are blowing people and capital from place to place.

Coen and Raynes note that many people work within a local space and labour markets are spatially delimited, but to say of the retail or construction industries that "economic reality is local" is to exaggerate for effect. Retailing is dominated by four big companies, two of them multinationals. Hire-and-fire and investment may be dictated from a shed in Bentonville, Arkansas (the headquarters of Wal-Mart¹) and the best protection against misuse of power by such economic giants remains (national) trade unions and (national) regulators of competition and health and safety.

1 See Friedman, TL *The World is Flat* (Penguin, 2006)

But even if council leaders find fighting Tesco difficult, evidence from home and abroad suggests that they form a vital ingredient in urban regeneration. Cities that prosper usually have a good deal of discretion in their capital investment programmes and borrowing powers. Even within constraints bemoaned by Dermot Finch, council chiefs such as Sir Richard Leese in Manchester, working in tandem with a go-ahead chief executive (Sir Howard Bernstein), can accomplish much. Manchester's physical blossoming proves that. But the Tory leader David Cameron was entitled to point to enduring underachievement in Manchester schools, persistent poverty and deprivation on its estates. Manchester remains a needy city. Its capacity to heal itself is limited. There must be, so progressives argue, strong (national) schemes to channel resources to Wythenshawe and Hulme; Manchester cannot, nor should it be, left to its own fiscal devices.

Dermot Finch deplores taking a uniform approach to England's cities. That must be right, in the sense that the historical and economic trajectories of Manchester and Leeds, Liverpool and Newcastle upon Tyne are different, along with their political cultures and resources. Central government has too often imposed single strategies on diverse places, a tendency that continues with the regions, as Don Stewart argues.

Needs go national

But the needs of children in Tyneside schools are not noticeably less than their peers' in Merseyside, nor should training grants or social security payments be given or withheld on the back of geography. In other European countries national welfare schemes are as place-blind as in England. The support the state gives to victims of misfortune or economic dislocation should not be place-specific.

Simon Jenkins claims that local decision making would endear services to the public and they would be willing to pay for more; for this reason, progressives ought all to be localists. Jenkins also says "they should vote for it and they should pay for it", meaning that the local fiscal base should be the first port of call for public services, though he subsequently accepts the need for a (national) grants distribution mechanism because of disparities in tax-paying capacity.

This is a trickier issue than he acknowledges. Labour ministers, says Jenkins, "have clearly not heard of Poplarism and the glory days of discretionary local tax-and-spend". But they probably have, and so know that the revolt of the Poplar Labour councillors in 1921 was over the refusal of the rich London boroughs to assent to redistribution of their tax take

to benefit Poplar and the East End.² George Lansbury and colleagues withheld payment of a precept to fund London hospitals to focus attention on the lack of an equalisation mechanism.

Equalisation means accepting that council areas can never be sovereign, and that some higher power must adjudge their needs and deservingness. Iain McLean and his colleagues³ have come up with ingenious mechanisms for sanitising the distribution of grants to councils, freeing them from central apron strings. But distribution is always going to be political, because it rests on values that are the very stuff of political debate. Many of Surrey's residents have strong views about how much should be spent on single mothers in Stockport or smoking cessation programmes in Peterlee, and they are entitled to them. The resolution of difference is a matter for (national) political representatives, not for a quango staffed by experts or for horse-trading among councils.

Perhaps that is simply to repeat an earlier point: government services are always going to be a rich mixture of central and local decisions and delivery, and it is hard to see, as a matter of principle, where dividing lines should be etched. They may be in the wrong place, and the centre has some way to go, as Lucy de Groot argues, in opening its eyes to the human resources and capacity of councils. But few of our contributors assert a read-across between local legitimacy (awarded by elections to councils) and a right to tax or spend a given proportion of the local budget. Sir Michael Lyons⁴ said councils might have access to additional tax revenues and floated proposals for tourist taxes, a council share of the proceeds of vehicle excise and so on. These are practical suggestions that deserve a tryout.

Social need versus local sovereignty

But they don't involve a fundamental rewriting of central-local relationships. They would probably not satisfy Graham Allen, who takes what might be called an ultra-localist line. He believes in local sovereignty, limited only by human rights conventions and what he intriguingly calls "a legitimate inspection regime". Allen wants to enshrine local autonomy not just in statute but in a sort of time-defying constitutional law. It would, presumably, freeze local government boundaries and, in his neck of the woods, permit Broxtowe or Rushcliffe to reject plans for transport or housing proposed by Nottingham city.

2 Branson, N *Poplarism 1919-25: George Lansbury & the Councillors' Revolt* (Lawrence & Wishart, 1979)

3 McLean, I and McMillan, A *New Localism, New Finance* (New Local Government Network, 2003)

4 Lyons, M *Placeshaping: A Shared Ambition for the Future of Local Government* (Department for Communities & Local Government/HM Treasury, March 2007)

That would worry Yvette Cooper, who, like activist housing ministers before her (Tory as well as Labour), says social need trumps local sovereignty. Nottingham residents must be assisted into affordable rental dwellings or private developments even if it means forcing Rushcliffe to let go. A parallel issue is providing for groups of people who may form a minority of any local area: say a shire county dominated by older residents refuses to spend on Sure Start or other early years initiatives; intervention by the Children's Secretary, Ed Balls, would contravene the principle of local autonomy, but potentially lift the life chances of poor children.

Is that to say central-local relationships in England will always be a set of messy compromises from which clean principles are hard, if not impossible to derive? Several of the essayists to follow would dispute that, arguing for a break, and the clear articulation of an elected local authority's right to say no to central projects and penalties. Others would say we must retain an England-wide framework for public services while leaving the local details open. All would have to agree, however, that practical relationships between central and local government are in better nick than they have been for a generation and further amelioration lies ahead – give or take a battle or two over annual financial settlements and resulting council tax levies.

As several contributors note, the devolution settlement for Wales and Scotland and, haltingly, Northern Ireland was a dramatic break with the past, and exonerates the Blair-Brown governments from the bland charge of "centralism". The present administration does, however, have a long way to go – in its practice and public finance, if not its rhetoric – if it is to satisfy the localist opinion expressed in these pages.

Chapter 1

The equity trap

Sir Simon Jenkins, Author of *Thatcher & Sons: A Revolution in Three Acts*

The equity trap

British television viewers in January 2007 were treated to the sight of a captain of industry, Gerry Robinson, spending six months working in an NHS hospital in Rotherham. He had been asked by its chief executive to consider how to shorten waiting times. Experiencing the NHS at ground level after two decades of continual upheaval, Robinson seemed perpetually close to despair. The service was in siege mode, all but unmanaged. He set about trying to bring some order to the chaos by confronting the chief blockage, consultant resistance, and achieved a remarkable improvement in service.

The natural response would be to conclude that all NHS hospitals need a Robinson. But since all cannot be so blessed, why should any one be? Is it fair that waiting lists in one part of Britain should be different from any other? Is that not inequitable? The essence of a nationalised service is that all should be treated equally, not least the sick. Hence the NHS structure of reporting lines, league tables, penalties and incentives, all directed at achieving that goal of state socialism since the Webbs, equality of outcomes.

The equity trap

Governments elected to improve public services cannot ignore a responsibility to deliver them fairly to all electors. Ministers are obliged to strive after standard waiting lists, standard school attainment, equalised crime clear-up rates, 999 response times and waste recycling. Yet while such equity is the prime mission of the welfare state, it still seems a will-o'-the-wisp, no sooner approached than disappearing over the horizon.

Recent proselytising for the "new localism" has run slap bang into this equity trap. The normal managerial response to the defects of large organisations is to delegate, but delegation risks widening rather than narrowing performance. So government attempts to allow "earned autonomy" to hospital trusts, school governors and local councils have fallen foul of central accountability and Treasury control of pay and investment. What if one trust poaches staff from another? What if one institution joins with private partners and steals a march on a neighbour? Does the centre reward it by allowing its users to enjoy a better service, or penalise it by redistributing its surplus elsewhere to backsliders? Does Webbsian equity apply to welfare institutions, or to individuals whatever the institutions?

The enemies of localism have seized on these conundrums. The public will not stand for wide divergences in service delivery, they claim. Ministers are harangued by the media whenever performance varies geographically. League tables may demonstrate diversity

but they speak the language of equality. The political culture treats Britain as inherently a centralised country, with devolution and diversity of services a cost it is not prepared to pay. This opposition becomes the more vociferous if devolution extends to local taxation.

The control over local resources through "policy silos" – Gordon Brown's contribution to British centralism – leaves no room for fiscal discretion, no scope for local priorities. Central targets must be tied to central funds. Anything else, wrote the minister Yvette Cooper in 2004,¹ would open the door to "the worst kind of nimbyism, divisive inequalities and deep conservatism". (Blairite ministers have clearly not heard of Poplarism and the glory days of discretionary local tax-and-spend.)

Any student of modern democracy must be baffled by this. Certainly, executive delegation tends to vary performance. But if Leninism and capitalism taught one lesson in common it was that very large organisations collapse under the weight of their own command and control. Britain's public administration, now the most centralised in Europe, offers abundant evidence of this. The Home Office, the NHS, agencies responsible for school examinations, farm payments, criminal records, child protection, identity cards, legal aid, invalidity benefit, defence supplies and computer procurement are regularly declared "unfit for purpose". Detached from their users and answerable only to short-term, media-fixated ministers, their reform defies the best minds (and consultants) in the land.

On grounds of efficiency alone it would make sense to delegate most central services to the smaller units represented by local government. Local councils are not allowed to budget for deficits. They outperform central departments on almost all audit measures (see reports of the local Audit Commission versus the catalogue of woe from National Audit Office). They have left Whitehall standing in meeting the Gershon targets for staff cuts. Had recent failures in Home Office record keeping or farm payments occurred in local government, the nation would have exploded in rage. Yet in central government such fiascos are regarded as exceptional, not systemic.

Delegation is a commonplace solution to bureaucratic overload. But in government it offers another advantage. It not only galvanises local management, without which all big organisations decay, but it also legitimises any resulting variation in performance through local democracy. Where devolved power leads to unequal outcomes, the local franchise validates that diversity. If people in Durham want a particular waiting list shortened or a

1 In: *Making Sense of Localism* (Smith Institute, 2004)

new Asbo regime or an art gallery sponsored, that is their decision. They should vote for it and they should pay for it. That, after all, is what happens in every other democracy in the world.

Such "subsidiary option" is strongly defended by the denizens of Westminster in resisting interference from Brussels. Inequity of states within the boundaries of Europe is validated by national democracy. Yet Westminster will not tolerate it at subordinate tiers of government, whether or not validated by local democracy. A paradox of today's neo-Thatcherism is that it awards "earned autonomy" to local councils and school and hospital trusts, yet penalises them when the resulting priorities are different from those of ministers – as in housing or drug prescribing. Ministerial dirigisme reflects Pope's warning that:

*With the same cement, ever sure to bind,
We bring to one dead level ev'ry mind.²*

If London, why not Leeds?

In 2000 a gesture of self-denial went into devolution to Scotland, Wales and London. Yet if such devolution was acceptable for Scotland and London, why not for English counties and cities such as Cornwall, Yorkshire, Leeds or Manchester? In this age of outsourcing and subcontracting, size is not an issue. Smaller states tend to be more efficient at welfare than big ones – witness Denmark, Switzerland and the various German Länder. At any rate, none is bigger than England: the unit of administration considered viable for the discretionary administration of most public services is 400,000 in Luxembourg, 500,000 in Denmark, 4 million in Germany and, today, 50 million in England. The US state of New Hampshire has only half the population of the county of Hampshire, yet decides almost all its internal services.

Democratic lore holds that government should operate as close as possible to those electing the governors. Power should be delegated upwards, not downwards. Every poll indicates that trust diminishes the further government strays from the consumer. People have faith in their doctor and local hospital rather than in "the NHS", in a teacher and policeman rather than in the relevant Whitehall department, in a councillor rather than in an MP.

In most democracies, the central legislature lays down national minimum standards for

² Pope, A *The New Dunciad* (1743)

public services but leaves it to localities to interpret such standards according to their own priorities. Only in Britain does central government consider itself omniscient and omnipotent in imposing its priorities across the entire spectrum of public services – currently to the tune of between 600 and 1,000 targets, depending on definition. A bus company is subject to 29 performance targets, a hospital to over 100.

This degree of central interference is unheard of elsewhere. Yet only in Britain is there such overwhelming public dissatisfaction with the resulting delivery. One reason must be that, to sustain “stakeholder input”, central government now appoints some 60,000 quango and other agency members, against 22,000 elected councillors. They spend four hours with the public against 11 hours with each other, while councillors spend twice as much time with the public as in their offices. Nothing better illustrates the state of modern British government or the reason for public dissatisfaction with it.

Each European state has a different pattern of devolution to subnational democracy, but none is so paltry as Britain. In the government's own balance of funding review, conducted prior to the aborted 2004 reform of local finance, research was conducted across Europe. How much local inequality, it asked, could a nation stand before central government intervened to impose uniformity? Since most of the countries studied had decentralised their government since the 1980s, it was a pertinent question.

Localism is working across Europe

In each case the equity trap was resolved through the vigour of local participation. In Scandinavia, closest to Britain in political culture, decentralisation of tax-raising powers had led to variations in service delivery. In other words the trend to localism had led to some inequality, the “postcode lottery” feared and ridiculed by British centralists. Yet such local choice had not proved unpopular. National minimum standards remained in place and there had been a marked increase in local innovation – such as the celebrated “free communes”.

The balance of funding review found “at least five different policy models from traditional social democracy to Thatcherite neo-liberalism” flourishing somewhere in Sweden. A national parliamentary commission in 2004 recommended no change in local taxation, “since it has clearly encouraged a high degree of interest and participation in local politics by the Swedish electorate”.³

³ See: Balance of funding review papers (ODPM/Cardiff, 2004)

Similar diversity in France, Germany and Spain is entrenched in formal devolution. Yet there is no evidence from any of these once-centralised countries that electorates do not tolerate the resulting geographical differences in service provision, or wish for a return to centralisation. The one proviso is that localities vote for it. Given that such voting can influence local priorities, European election turnouts are on average double those in the UK. When democracy is allowed to exercise the courage of its convictions, it works. In some places, such as France, Scandinavia and the Low Countries, diversity tends to be only at the margin. In Spain, Italy and Germany, it is far wider. Only in welfare entitlements does central uniformity tend to rule the day.

Two principles underpin this conclusion. One is that local taxation should be plural and in some degree progressive. In Britain it is not, being based on a crude property valuation, a de facto tax on wealth as represented by living space. In the South East this council tax has become virtually a poll tax as ever more houses fall within the top H band. This has made council tax ever more regressive and ever more unpopular.

Most countries make use of a variety of local taxes, with some reference to ability to pay. Most of them tax businesses or business transactions locally, if only to energise links between local government and the chief engine of employment and local prosperity. In Britain those links were snapped when the business rate was nationalised in 1990 (the biggest nationalisation by value in British history). New York City has seven local taxes, including a local income tax, with no undue damage to the urban economy. While American democracy is everywhere idiosyncratic, a rough equivalence exists between tiers of government, taxation and perceived accountability. Local taxation is usually far higher than in Britain, yet is not widely seen as unfair.

The Cooper fallacy

What might be called the Cooper fallacy states that local discretion leads to "nimbysism and conservatism". The evidence is the opposite. Foreign experience suggests that local autonomy closely allied to the quality of service delivery tends to increase faith in public services and thus a willingness to pay more for them. The boost to satisfaction establishes a virtuous circle: which may indeed be why European public sectors tend to be larger than Britain's. The council tax is nowadays treated as a national impost for which central, not local, government is responsible each year, and is intensely disliked.

The second principle of subsidiarity stipulates that equity in a democracy must be seen to exist not just among individuals within a community but also among communities within a state. Hence the need to redistribute resources as between rich and poor cities, provinces and counties, whatever tax discretion they may enjoy. Resource redistribution through central grant is practised in every democracy and is hardly rocket science, yet it is persistently used by centralists to protest against any revival of local fiscal discretion in Britain.

Two-thirds of total public revenue in Denmark is local. In Sweden the figure is 50%, in Germany 18% and in France 13%. In Britain it is a meagre 4%. Yet all these countries contrive to use central grants to reallocate local funds from rich to poor areas. Indeed, financial discrimination in favour of poor schools in Sweden is greater than in Britain. The difference is that the money is transferred with fewer strings attached, usually under the "fund and forget" principle of block grant abandoned by Gordon Brown soon after coming to office because it gave him insufficient control over local council priorities.

There is no shortage of models for grant redistribution. The balance of funding review presented a number of them, including schemes presented by the Local Government Association and by those gurus of resource equalisation, Iain McLean and Alistair McMillan.⁴ The latter's plea was for simplicity, with an impartial commission (not ministers) allocating grant on published criteria of needs and resources. Britain's existing equalisation formulas are so complex that no sense can be made of them except by mathematicians, with the result that they are easily corrupted by politics.

Critics will reply that the more savage the redistribution, the less the "bite of the franchise". This is clearly true, but it does not negate the case for fiscal discretion with central tax redistribution. Nor does it require the redistribution to be ring-fenced and curbed, as in Britain. This is a nation compact enough for wide disparities in services to be unlikely and unacceptable. Legislated minimum standards will always be close to maximum ones. What is different is the freedom of subordinate councils to do better, to choose their own priorities and, to that extent, "own their government" rather than feel it is imposed from on high. This was the case in Britain before Thatcher's centralisation in the 1980s.

Just as local government pioneered utilities and public health in the early 20th century,

⁴ McLean, I and McMillan, A *New Localism, New Finance* (New Local Government Network, 2003)

so after the Second World War it pioneered education and housing. Even under Thatcher local councils moved faster than Whitehall as pioneers of tendering and outsourcing. With the exception of London and Liverpool in the 1970s, councils were never as financially spendthrift as the Treasury. As Tony Travers has shown,⁵ local councils throughout the 1980s and 1990s increased their spending nothing like as fast as central government.

It might appear that the worm is turning. Localism has become the buzzword, though it is impossible to name a single localist measure taken by the present government since the initial devolution to Scotland, Wales and London. While the framework of central control is periodically simplified – for instance, some targets are combined – it is no more than a rearrangement of furniture. Such concepts as David Miliband's "double devolution" or Ruth Kelly's revival of our old friend, the "city region", do not progress beyond a speech reference. Localism is still a Westminster conversation, far from the seismic shift of the rest of Europe.

Had Britain's hyperactive, media-accountable centralism achieved both equity and improvement in welfare delivery, it might have a case to defend. It has not. Abroad, localism is now the ruling ideology of public-sector reform. It is rarely stable, often contested and controversial. Centre and periphery have always argued over power and money. But the message of the past quarter-century is clear. Wise government renders to the centre only the things that must be central. For the rest let locality rule. It is more efficient, more accountable and more popular that way. It is true that strict equity is compromised by geography, as it is compromised by all features of democracy, but such compromise has always been the stuff of politics.

5 In: Butler, D, Adonis, A and Travers, T *Failure in British Government* (Oxford University Press, 1994)

Chapter 2

Involving citizens in local governance – experience from Newham

Sir Robin Wales, Mayor of Newham Council

Involving citizens in local governance – experience from Newham

As one of the first mayoral authorities, Newham has been at the forefront of radical democratic reforms. Well in advance of the recent legislation, we have been taking the next steps towards revitalising local governance and pushing decision making closer to people. Yet compared with the step that gave us a directly elected mayor, it will be a longer and slower process to inspire and build democratic and civic renewal in our communities.

There is a danger as local government moves towards involving communities more in decision making and service delivery. We must avoid focusing too much on new forms and structures, but must concentrate on what devolution should deliver for people. The outcomes must be paramount. Otherwise, we risk simply creating new tiers of "empty governance", on a smaller scale but with no more legitimacy or popular engagement than at present. It is foolish to assume that simply reducing the scale of a new body or forum engenders more effective local governance. Critically, new structures must foster and build the social capital in an area and deliver, in unambiguous terms, things people want.

We have been struck by the similarity of the risks and problems local authorities face when trying to push decision-making structures closer to people. I would describe this as "empty governance", and I'm sure it will strike a chord with many in local government. These similarities are as follows:

- **Narrow representation:** only an interested few engage with new structures of governance. Forums become talking shops for those with an axe to grind, and wider opinion is subjugated to the loudest and most articulate voices.
- **Divorce of power from responsibility:** neighbourhood groups and a variety of other sectional interests can exert a strong influence and force change at a local level. But rarely can their constituencies call them to account for the decisions they make on their behalf, and not all groups have the same ability to promote and articulate their interests.
- **Failure of delivery:** the critical question to be asked of any new structure is whether it will deliver what people want. Nothing drives disillusionment faster than a feeling that it doesn't make a difference if you engage or not. And too often residents say that they cannot see the effect when they engage with new neighbourhood processes. Furthermore, we cannot let the hard-won improvements in local government over recent years lose momentum as we try to make our services more reactive. Some

espouse a path where we devolve services to neighbourhoods and just let them get on with it. If it goes wrong, it's their problem. This disregard for the outcomes of policies fails to realise that good outcomes inspire participation and belief in local democracy.

- We cannot consider new governance structures in isolation: the failures of democratic engagement are the result of social and cultural change as much as of the size and distance of local institutions. Consequently you cannot just tackle engagement in an institutional fashion. The wealth and social capital of different communities are critical to the level of democratic engagement. This too has to be tackled by any democrat serious about having connected and engaged communities.
- Finally, local authorities must avoid the temptation of dreaming up structures and processes in the town hall and then imposing them wholesale on their citizens. Devolution cannot be done in one step, but must grow as organically as possible so that it is shaped by what people really want.

Local government should not consider new structures and processes as the end goal of "devolution", whether that's community forums, neighbourhood governance or new parish councils. Structures and new processes will be important, but if we perceive this as the goal of our policies we will miss what is important to people. We in Newham will judge our success by how well people believe they can get involved and influence. Do they feel listened to? Do they believe they can make a difference to the things they want to affect? Do they feel in control of things that happen in their neighbourhood? Are there real debates about the issues in an area or do people just make demands on the local authority for their personal needs?

Newham's efforts

Our neighbourhood policies are designed to deliver these outcomes without falling into the traps outlined above. We put elected politicians at the heart of our arrangements and do this unashamedly. There are those that think local government is blighted by "too much politics" endangering smooth administration. But local government is as much about competing choices and conflicting demands as is government anywhere. That means decisions need to be made and policies influenced in a way that is accountable to everyone in a community. And the most visible and direct accountability happens at the ballot box.

We divide the borough into community forum areas corresponding as closely as possible to areas with which people identify. For each community forum area there is a community lead councillor – a councillor with particular responsibilities and powers. These members take a strategic role, deciding with people in an area what needs to be done, improved

or changed, regardless of whether it falls under the local authority's direct remit. It is obligatory for officers to consult and involve lead members in any decisions affecting the community forum area. The lead member, in turn, is obliged to work with the other councillors in an area and the local communities to ensure that their views influence what is being decided. Lead members can also trigger action from officers on issues that come to them from councillors and the local community.

The role of the lead member ensures that the representative is at least accountable at the ballot box. Yet we are expanding the ways councillors will be accountable. We are going to measure directly the outcomes stated above and we are going to simply ask people questions like "Can you influence what happens in your area?" or "Do you know who your councillors are?" or "Does the council react to what you want?" In this way, rather than assessing irrelevant proxies for engagement, such as meeting attendance figures, we just ask people straight about the outcomes devolution must deliver. Using a survey methodology ensures that everyone's voice is given equal weight and those with most to shout about do not distort the picture. These figures will be public. We will be able to trace the progress of our policies by the outcomes that matter, and we will see where lead members and councillors are most effective – and where they are least effective.

The lead member structure also channels and prioritises multiple and conflicting demands. In a diverse area such as Newham we have a multitude of groups making different demands on the council for the benefit of their own constituencies. No organisation, regardless of its size, can deliver in this way. Mature and effective local democracy needs the balancing of demands, an understanding of the need to prioritise and the capacity to build something collective and shared. So the role of the lead member is to stimulate debate in the community and gain the widest coalition of support for the actions that people want or the decisions they want changed.

The lead member's role in building consensus and stimulating debates about priorities and capacities helps push a cultural change that is a step beyond the council simply reacting to individual complaints and grievances. Genuine governance requires genuine debate and a recognition of the constraints and capacities of different actors in an area – the council and the local community alike. We encourage and use council resources to expand more localised media where debate and discussion can reach the widest audience.

When higher efforts are needed

Clearly, there will be issues and problems that are beyond the influence of the lead

members and councillors, and for our policies to be credible we must deliver on these too. Issues that affect strategic plans or major corporate priorities, or are the responsibility of partner agencies, will need to be dealt with at a higher level. Telling people that the thing they want isn't a priority or isn't in the budget cannot be good enough. If we are serious about devolution, we have to make local concerns count at the highest level and ensure that budgets can be changed and priorities altered.

This is a problem with devolving to structures that are too small and too local. Often the things people want to see in their neighbourhood mean significant organisational change or changing the actions of other large organisations. We cannot patronise people by only giving them the levers to install a park bench or have the grass cut more often. People soon get fed up of structures that cannot deliver because they cannot influence other agencies like the NHS or because they carry no clout with businesses.

That is one of the advantages of the mayoral system in local government. Community lead councillors can approach me directly on issues where their influence ends, and I can direct the local authority or work with partner agencies at the highest level to see if we can make changes. In Newham elected members, the mayor or councillors, are "of the community" rather than "of the council", and so we take responsibility for anything that affects local people, not just the things that come under the local authority's service provision.

Indeed, in Newham more and more agencies, public and private, are accepting the political lead they get from me and from the community's elected members, even if they statutorily do not have to. For example, the chair of the primary care trust sits on my cabinet now with other local authority portfolio holders. People do not understand public service boundaries and do not care about them. Devolved arrangements must have the vision and capacity to work beyond them in order to effect significant change.

The above describes the things that are in our direct control: the structures and processes. The bigger and harder question is: what will make individuals engage with their councillors, lead members and community forums? How do we inspire a cultural change in Newham to address what in large measure is a social and cultural problem? We must focus with an equal vigour on the revival of the civic sphere. By that I mean an expansion of the occasions whereby people do things together, for their benefit or the benefit of others. That means setting up sports clubs, getting involved in community events, volunteering – the things that expand people's stake in their neighbourhoods and increase their interest

in their neighbours. Expanding these types of activity will give more people the experience of doing things through community structures and thus build their confidence to engage with the council about what they want.

The importance of this type of activity to effective democracy has been given too little attention in discussions of local government. We would do well to look back at the early theorists of modern democracy. When Alexis de Tocqueville visited the new democracy of America in the 1830s, he noted that:

[the] American people ... is the one whose practical political education is the most advanced ... [because] Americans of all ages, stations in life and all types of disposition are for ever forming associations. There are not only commercial and industrial associations ... but others of a thousand different types – religious, moral, serious, futile, very general, very limited, immensely large and very minute.¹

Getting people involved

Local government leaders should strive towards this picture, where active civic society blends organically into structures of government and decision making. When we describe getting people "involved", we mean this in the widest sense. Involvement in clubs, societies and groups empowers people to engage with their elected representatives and local council. We want to be part of a revived civic sphere, not above it or outside it. We don't want people to need, or feel they need special skills to communicate with us, or go through difficult processes to influence. We want them to feel that through their elected members the authority is simply part of their community, in which all sorts of civic action and activity takes place.

We cannot of course create civic renewal overnight, but local authorities can do plenty to promote it. We have already raised the number of sports clubs in the borough from a pitifully low number to equal the national average, by setting up hubs where people can use facilities cheaply and get support and advice to run their enterprises. We will allow our community centres to be used cheaply or free by anyone who wants to set up something new.

We are putting real funding into this agenda. We aim to give out £1 million worth of "go for it" grants over two years. These are small grants, up to £5,000, for people to set up their

¹ De Tocqueville, *A Democracy in America* (1835–40)

own clubs, associations or for any type of communal endeavour. We are reorienting our community forums away from the “talking shop” model, to being action hubs where people get together and, with the support of the council, do things that improve their area – like finding funding for new facilities or starting volunteering programmes. They will still serve their function as places where people can express their opinions about their neighbourhoods, but we hope that by doing things and running events more people will engage.

This aspect of our democratic agenda is crucial, and we do not think any local authority can ignore it. We know that new processes and structures on their own will not be effective and will not achieve our vision of civic and democratic renewal in Newham. We must do more to inspire people to get involved and learn to do things for themselves. How that vision will develop we don't know, nor are we going to prescribe how things will run in each area.

Community forum areas already display, as you would expect, varying ideas about what they want to do and the things they want to focus on. As long as people are engaged, active and involved, we are happy as an authority to see where the path leads. Some areas will need more support than others, and some will gather their own momentum quickly. We, like any local authority, must be both prepared for and relaxed about this, as long as what happens delivers what people want and they can tell us that it delivers.

Chapter 3

Modernising accountability – reform to secure new localism

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Modernising accountability – reform to secure new localism

Despite media assertions to the contrary, in the last 10 years the government has made concerted efforts to accelerate the devolution of power away from Whitehall. Underlying this shift has been the government's desire, pursued with constancy, to achieve its objectives more effectively, more quickly, and with more tangible impact on the people whom it is meant to aid. The government wants a meaningful, two-way relationship with the citizens it is meant to serve: it has recognised that bringing delivery structures closer to the individual and community level will enhance the credibility of that relationship.

New localism was conceived to enhance citizen/government relationships through the generation of more local connections and specifically local decision making. The power this generates is intended to achieve better-targeted delivery, responsive to the needs of citizens, supporting the reinvigoration of local democracy and reinforcing the quality of local public services.

More recently, the debate has moved on to what is described as “double devolution”: the transfer of powers first from central to local government, then from local government to the very local, neighbourhood level. The political philosophy is to return power from state to people, to reinvent the way in which government happens so that citizens become more active, and communities more engaged and empowered, in an open debate about policy, priority, and delivery.

However, to realise the ambition of new localism, and fully exploit the potential of double devolution, we need to be confident that there is a fit-for-purpose accountability framework for the emerging structure of government. Others in this publication explore the implications of new localism in the local authority context. This contribution looks back to the centre. What does new localism mean for the Whitehall tier of government? Specifically, does it demand a radical modernisation of the accountability regime to enable localism to deliver on its promise? And what are the consequences for how Whitehall defines its own role: is reform at the centre essential to create the bedrock for successful localism?

The core themes explored here are as follows:

- In recent years, the policy and delivery landscape has got messier, more confused and more difficult to navigate.

- These complicated structures, and frustrations about effective delivery, have obscured a fundamental conflict in the centre's roles, specifically in the exercise of accountability.
- For localism to work, we need an integrated accountability framework that resolves this conflict and allows the policy/delivery landscape to be judged as a piece, while recognising specific responsibilities within it.
- This brings a need to reposition and clarify the role of Whitehall. Its responsibility for execution of policy needs a higher priority, alongside its excellent traditional role for policy formulation.

It's all very confusing

The established paradigm for policy initiatives is for ministers to identify what change in service or delivery they want, and the outputs they wish to obtain, and for Whitehall civil servants to review the evidence base and then in isolation to design a so-called policy lever to deliver the outcomes they believe the minister wants. One of the visible frustrations of Cabinet members over recent years has been the lack of impact when they pull on these levers for change. Senior ministers, despite political command, (relatively) deep pockets and extensive departments, cannot make these levers work to their satisfaction. This is due in some measure to the complicated – often unintelligible – design of public service delivery, which has client, delivery and oversight roles played out at multiple levels with no clear separation of function.

The extended enterprise that is UK public service today has no consistent principle of subsidiarity underpinning the way it looks. The political emphasis on tangible delivery improvements has spawned a bewildering variety of new organisations to create the capacity to achieve change on the scale, and at the pace, sought by ministers. There has been an explosion of intermediaries. Alongside central, regional, local tiers of government, we have added agencies, non-departmental public bodies, commissions, regulators; and then partnerships, delivery vehicles, area forums, stakeholder communities and so on. Many of these structures were created on perfectly sensible analyses of how policy needed to be delivered. It is just that the implicit assumption that a policy/delivery vacuum preceded each of them was mistaken.

So, we have in the past 10 years – and there are plenty of other examples from early years – created a complex interwoven structure for public service delivery. There is no rational argument for why it looks as it does, except perhaps that it is easier, and more exciting, and more “announceable”, to start new things than to dismantle old ones. Ministers since time immemorial have tended to be better at creating more/new government than they

are at removing obsolete government. Every new policy initiative really ought to tidy up before it begins, but usually the centre averts its eyes from the discarded, half-consumed delivery structures that preceded the latest initiative.

In the private sector, merger and acquisition activity would soon mop up the inefficient structures and the poorly performing agencies and bodies. Government has not yet proved robust enough to tidy up this landscape. In 2003, the Haskins report on the delivery of rural services identified multiple public bodies occupying niche positions, with overlapping or non-aligned responsibilities. Haskins nailed the problem as the failure to separate powers for policy design and delivery responsibility, recommending that a clearer division between the policy process and delivery functions would raise the quality of both and increase accountability.

Widespread devolution of rural delivery arrangements, according to Haskins, would improve the focus on need and make the system much more user-friendly, overcoming the uncertainty of the customers of the Department for Environment, Food & Rural Affairs about their entitlements, the regulations applying to them, and knowing who to hold accountable for performance.

The Leitch report into future skills provision is only the latest example of comparable problems. Predictably, Leitch identified that the structure of skills delivery was focused more on the supply side than on the demand side, was causing competition for roles and finance, and distracted the focus away from long-term goals because of the energy that goes into managing the stakeholder environment. The very multiplicity of bodies frustrates the co-ordination of delivery. Roles and responsibilities become confused, organisations lose their clarity of purpose, and it becomes almost impossible to explain to the service user just where accountability rests.

Furthermore, the central Whitehall culture inhibits change. Government departments are accountable to ministers for their departmental responsibilities, but very loosely held to account for their contribution to pan-government responsibilities, because of the weakness of the Cabinet Office. Accounting officer behaviour suggests they think they are only responsible for things they control directly. That is unsurprising: they are mostly only measured on the things they control directly. When the public service agreement system tries to measure the extended influence or enterprise of a department, it quickly dissolves into a fog of stakeholder-speak or drowns in targets. At the central level, government deals with people's need differentiated by department. It would do better if it specified an

overall need around which government coalesced to find and deliver solutions, and then ensured that the agencies were empowered to deliver them.

We have to remember that the machinery of government is deeply uninteresting to the citizen. Citizens are not concerned whether they are dealing with local, regional or central government, or how hard it is to align all these interests. They simply want to be confident that they can access services that are shaped to meet their needs, delivered effectively, and to know where and how they can influence improved performance. That is what localism is driving towards.

An accountability regime that reflects delivery realities

It is against this background that localism is trying to achieve change. Devolution has seen functions transferred from centre to local level. It has transferred some responsibility for the management of money and resources from the centre. It has opened up *some* greater influence over the allocation of resources, though not (yet) radically changed local influence over the amount or source of money available for local delivery according to local demand.

But accountability structures have not been reformed or even relinquished to keep pace with these changes; at best accountability has been duplicated, in that the centre has clung to the concept of its overriding accountability for policy, delivery and resources, even when its own functions and responsibilities are no longer so all-encompassing. This applies to the position of ministers, who, reluctantly or enthusiastically, are still drawn to answer for decisions that are about delivery priorities at local level; to inevitable overlaps between the National Audit Office and the Audit Commission; to an ambiguity in the accountability role played by the regulators in their role to secure and assure compliance; and to central departments, with a self-perception that they are integral to the oversight framework.

We have an accountability regime developed by the centre and applied outwards from the centre. Furthermore, it is an accountability regime that, in its fundamentals, is virtually unchanged over the century or more that Whitehall has been operating the model of "public administration" – with the professional cadre of the generalist civil servant administering nearly all our public services.

It is true that in recent decades we have moved to the notion that public service delivery is about management of public services, and most recently – in a change forced on the centre by the new localism – we are looking towards leadership being the critical govern-

mental component in the extended enterprise of public service delivery. But despite these welcome, if somewhat ponderous, changes, the accountability regime has not caught up.

Furthermore, where delivery responsibility has transferred from the centre, departments have often retained a sponsor or oversight role, reinforcing those complex delivery and responsibility patterns referred to earlier. So we find Whitehall departments acting as policy maker, acting as "sponsor" or "commissioner" for policy outcomes to be delivered by third parties, *and* acting as a filter for judgments about policy success.

Departments not only require those public bodies to which they channel resources to implement policy, but they also have to submit complex corporate planning documents for approval about how in detail they intend to apply those resources. The negotiation and compromise that goes into approving these plans makes the department an interested party when it then comes to judging delivery performance. There is no policing of the boundary between policy making and delivery. Yet no questions are raised by the fact that these very same departments are subsequently positioned as part of the oversight and accountability regime for implementation!

This is a fundamental flaw. A system of intra-executive checks and balances cannot be appropriate as part of an adequate accountability regime. Departments are conflicted in judging delivery success as the flaws could well have been in their own performance. Apparent failures in delivery can be the result of poor policy design; of failure to create the right environment for successful implementation; of telling the delivery agent what to do and imposing constraints, rather than setting parameters within which there is the flexibility to deliver, and the incentive to deliver well.

Departments cannot behave as if, having formulated the policy, they can hand it over to the chosen delivery agent with no more active responsibility for its success save to oversee implementation performance. Departments have a mutual responsibility for the successful delivery of policy for as long as that policy exists. The mistake is to think that their responsibility in some way is an aggregation of the delivery function, or invites micro-management of that function.

The on-going departmental responsibilities are:

- to avoid introducing new policy that has an unintended consequence of making current delivery more problematic;

- to nurture a broader policy and stakeholder environment that creates the conditions for successful delivery;
- to pursue a consistent delivery strategy; and
- to promote transparency through its administration of financial and performance incentives, which recognise innovation in meeting citizen needs.

These on-going responsibilities mean that departments should have a defined contribution towards accounting for policy success, but ought not to be a channel for delivery bodies to be held accountable.

The government is committed to carrying on separating policy development from policy implementation and, to reinforce that separation and increase public credibility, to pursue localism, devolving the delivery of policy to regional and local networks. We may yet see the ultimate separation of policy and delivery – perhaps even the establishment of the NHS as an arm’s-length agency from the Department of Health. And the more that power is devolved, the more accountability must be strengthened to capture the complexities of the devolution model.

The roles of the audit bodies

To be pragmatic: we are decades from having implemented a simple codification of principles on which devolution of powers and function takes place. In these circumstances, the accountability regime cannot follow the same route up from the citizen’s receipt of a service as the policy/delivery route followed in providing the service to the citizen. We need an accountability solution that can accommodate and work through the complications of policy making and delivery implementation. Outside the departmental context, we must therefore examine whether the roles of the National Audit Office and the Audit Commission are consistent with localism.

The National Audit Office’s remit focuses on assurance about resource management by central departments, their agencies and quangos, in the context of the responsibilities and obligations that parliament has conferred or approved. In addition, the National Audit Office supports a scrutiny process driven by value-for-money reviews. The Audit Commission performs a comparable assurance role for local government (although without the equivalent parliamentary scrutiny) to consider its conclusions; it also delivers performance assessment and value-for-money analyses of local government. Both organisations add value to the delivery of public services, but their contribution is diminished by being almost exclusively retrospective.

More significant is that localism – with its complex layers of policy and delivery, discussed earlier – means that holding the public sector to account for the achievement of policy objectives crosses the boundary between the National Audit Office and the Audit Commission. Take the case of housing market renewal, a major component of the government's policy on sustainable communities. The Department for Communities & Local Government established the housing market renewal programme to revive under-performing housing markets. It focuses on areas where oversupply of inappropriate or poor-quality housing and the undersupply of attractive owner-occupied housing are compounded by low affordability and absence of value uplift, to support private investment in rebalancing the market.

The department selected the initial pathfinder areas where there were severe structural failures in the housing market. Local authorities took responsibility for developing strategies for tackling these structural failures, often working across administrative boundaries. Housing market renewal pathfinders are supported by a specific funding allocation approved by the department on the basis of area strategies submitted to the department.

In many cases, bespoke delivery or co-ordination structures have been established, under the direction of the local authority partners. The private sector is a critical part of physically restoring the housing quality, changing the housing mix and, ideally, providing financial solutions. Regional bodies are involved in decisions that affect spatial planning, infrastructure investment, alignment with broader regeneration schemes and finance. In some cases, there is a regulatory dimension provided by the Housing Corporation, which is a non-departmental public body. The department reviews and approves the strategies being pursued by the pathfinders, and monitors progress and performance.

But as must be clear from this description, there is not a single accountability framework that connects the policy-delivery continuum for housing market renewal. The National Audit Office can examine the departmental role in formulating the policy, allocating resources, and arranging for implementation. The Audit Commission can examine the local authority remit for developing and delivering their implementation strategies. Other regional and national participants tend to fall under the remit of the National Audit Office for review. The role of the private sector, and the network of partnerships and joint delivery structures set up by the local authorities, are more remote from either oversight regime.

For such an important and expensive element of the sustainable communities theme,

there is no cohesive way to hold to account all the participants in realising the government's objectives. The recent National Audit Office criticism of the plans for the Thames Gateway bears this out.

A reformed approach

So, have the mechanisms for exercising accountability in the UK governmental system kept pace with the devolution model? The evidence – democratic participation, engagement in policy making, willingness to serve – suggests that people are imperfectly connected to decision makers at local level and feel dissatisfied with their ability to identify whom they should hold to account.

Accountability ought to be a golden thread that guides one through the fabric of public services. But if ever it is clearly printed on the policy canvas, it is quickly obscured by the delivery tapestry woven over it. To fully realise the political intent behind localism requires that this golden thread is visible, coherent and unbroken. And reforming the accountability regime creates an opportunity to enhance its independence, timeliness and robustness, and clearly separate it from the departmental/ministerial role.

The scrutiny role supported by a modernised accountability regime should be as proactive as it traditionally is reactive – as powerful at the point of making policy and agreeing the execution plan as it is in forming conclusions when the delivery dust has settled. It would review the evidence on which policy is being formulated, and challenge the principles on which intervention is being designed. It would provide a point of reflection on the fit between policy intent and delivery impact, on the risks and the capacity challenges that could compromise the optimum policy outcome.

It certainly should consider the evaluation of impact, the success of delivery approaches, and whether the delivery roles were appropriately identified and implemented. There is real value in the accountability and scrutiny structure holding an institutional memory, and itself having the power to commission research and evidence to inform its own effectiveness. This is an accountability and scrutiny function relentlessly focused on improvement in service delivery to meet well-specified needs. The accountability regime envisaged here is independent, transparent, risk-based – and itself would be accountable.

For this to work, it needs to be clearly articulated in a simple framework of responsibilities that avoids overlapping layers. Every part of government and its extended enterprise should be capable of accommodation in the same scrutiny process, so that joined-up

oversight is a reality and no one can toss the accountability card over the hedge. A combined, or at least more closely aligned, accountability approach would look at outturn performance, compliance, policy formulation and execution, and implementation as components of the assurance and accountability expected by the citizen.

The new model almost certainly means bringing under one roof the National Audit Office and the Audit Commission, strengthening their roles and ability to reach into the uncertain area of public-private delivery (an area where both bodies are already testing the water). It demands a careful consideration of the role of the regulators in a standards system. For certain, it calls for a fundamental examination of whether the differences between each present participant are sufficient to keep them apart, or whether their roles in assuring and scrutinising a complex delivery environment should drive them together.

Major constitutional issues are involved, particularly in the on-going debate on the role and focus of the House of Lords. Its contribution as a revising chamber could be better informed by the outcomes of more proactive and timely scrutiny of delivery to the citizen. Their findings could feed into House of Commons scrutiny and strengthen parliament's ability to hold policy makers and deliverers to account as well as embedding the lessons learned into future legislative and implementation approaches.

One of the most useful roles that parliamentary scrutiny can perform, with the support of a reformed accountability regime, is to identify where delivery clutter needs to be tidied up before a new policy approach is introduced. Linking local democratic accountability, the potential contribution of the regional level, and national government's role in determining national priorities and goals is a further constitutional dimension to be refined, but would substantially repay the effort involved. There are long-standing challenges to be resolved – dealing with transition from ministerial accountability for policy through to the executive responsibility in the commissioned providers of specific services.

Changing the role of the centre

Alongside the debate about modernising accountability to meet the demands of localism, to optimise delivery success and build the confidence of and connection with the citizen, there needs also to be a shift in the balance of activity in central departments. While it would be naive to expect the complicated pattern of delivery to be simplified overnight, a fit-for-purpose accountability regime for localism does need some change in current arrangements – reducing the ability for the centre to persistently intervene in front-line delivery questions, for example, not least because this blurs the lines of accountability.

Clear performance regimes are assisted by clear accountability, and in turn drive efficient and innovative front-line services.

We can get closer to the ideal if we push Whitehall to greater clarity about three areas of responsibility: policy formulation, policy execution, and implementation to the point of service delivery. Policy formulation can be characterised as determining the desired outcomes, setting out the core principles underlying those outcomes, and identifying and clarifying the specific role of government. Policy execution is about clearing the way for the optimum delivery model to have the best chance of success. And policy implementation is about the responsibility for determining and creating the operating model, within an agreed resource framework, which achieves the required outcomes and impacts at the front line.

Policy formulation is something that central departments generally do well. It is treated as a "gift wrapped" service to ministers. But gift wrapping policy execution – the environment in which the policy can flourish and be optimised – is a more useful contribution to a government that prioritises delivery. More departmental time and resources should be devoted to policy execution.

Developing policy without informed consideration of realistic implementation strategies, as well as separating accountability for policy formulation from that of policy execution, are root causes of many public-sector delivery shortcomings. Policy execution examines what needs to be done to create the environment in which a policy can best succeed – where there may be unintended consequences, potential conflicts (in current versus planned delivery, or in un-joined-up government), a need to harmonise direction or to tidy the delivery landscape up first. Policy execution gives visibility and clarity of thinking and offers a framework for resolution. It offers a robust and realistic basis against which properly to judge subsequent progress, not just towards milestones on a project plan, but about the proper exercise of governance and accountability.

This is more than the long-standing complaint that policy formulation is disconnected from implementation – it is about creating a missing link in a rigorous policy execution process. It adds value for ministers because they are better sighted on the structural risks and challenges, the unintended consequences, the ground that needs to be prepared, the responsibilities that must be shouldered, and the hard commitment – not tacit approval – needed from stakeholders, for policy implementation to have the best chance of success. It gives ministers a first line of defence, at least, for explaining progress on new policy that

inevitably takes some while to change the citizen experience.

It still requires a mature and resilient conversation between ministers and the electorate and the media about how long it will take to embed a new accountability regime, and that means ministers have to stick to their position even when the heat is on to take personal responsibility for local delivery decisions. Ministers and the public need to be confident that while the framework adjusts there are remedies for short-term imperfections, and to recognise that this will not be a "purist" solution, given electoral timeframes.

And the new accountability regime described above has clear points of connection throughout this process. Oversight ceases to become an "all or nothing" exercise once policy has been implemented. Instead, it becomes that golden thread that is visible and connected at the milestone stages.

Localism can transfer power to the citizen, and in doing so transform the delivery of public services. It is time for the debate about what this means at the centre – for an independent and fully external accountability regime and for the role of Whitehall – to fully realise that potential.

Chapter 4

The further devolution of power in England

Don Stewart, Executive Director for Strategy at Yorkshire Forward

The further devolution of power in England

An objective observer could not help but conclude that the amount of progress made on the agenda originally outlined in Bruce Millan's *Renewing the Regions* report in 1996 has been astonishing. From a starting position of one of the most centrally governed states in the EU, the UK has established devolved parliaments for Wales and Scotland, and again in Northern Ireland, and has placed the idea of the devolution of democratic governance in England as an accepted ideal. All this in less than 10 years is an astonishing rate of change, and yet has been accomplished with minimal difficulty and to a point where any suggestion of reversal is already largely unthinkable without major constitutional crises.

In England, which by default has now been specifically defined, the issue of regional governance remains unresolved. Economic direction has been clearly established at regional level with the creation of nine regional development agencies, which are now eight years old. This early new Labour policy response to a long-standing problem allowed the development of far-reaching and consensually owned strategic blueprints for public investment in regional economic growth.

That investment is not simply confined to the RDAs' own budgets but provides a focus for all public investment. The policy also provides government itself with a ready-made instrument to respond both proactively and reactively to the impact, opportunities and threats of economic globalisation. Events such as the MG Rover collapse, the closure of the Selby coalfield, foot-and-mouth and serious flooding are examples of that enhanced ability to respond strategically at a regional level that did not previously exist.

RDAs are performing well

Proactive developments on the innovation agenda regionally, as well as regional initiatives on the climate change agenda, reinforce the effectiveness of the RDA tool. Recent detailed inspections of them by the National Audit Office have shown that they are, without exception, performing acceptably, with some performing at a very high level. Much more recent forays into wider multi-RDA collaborative working such as the "Northern Way" have shown early success at influencing other national policies on major issues like transport.

There is also recent and convincing evidence to show that the productivity gap between English regions and the regions of the wider EU, the cause of the original thinking behind Millan, shows a clear improvement. Stability of employment, increased levels of employment

and steady growth are all reflected in this improvement. This is important not only in terms of the positive success of a government initiative, but also because it suggests the right regional policy solution to correct many years of national policy that consistently failed the North.

The one "failure" in this remarkable record of success for government policy has been the experiment with the devolution of democratic governance in England beyond the monolithic control of Whitehall. It could be argued that the November 2004 referendum in the North East to see whether the people wanted to vote for regional governance was a bridge too far. But with any programme of change there must come a point where the rate of progress exceeds the preparedness and capacity of the people to accommodate it. In the North East, and in Northern Ireland at different times, the rate of change exceeded the capacity available to achieve it. The difference was the amount of resource put in to move the agenda forward. Whereas massive effort was expended on many fronts and by many people to resolve the issues in Northern Ireland, no resource at all has been committed to the consideration of the English question.

In one sense the collective sigh of relief from Whitehall at the North East result was almost palpable. At last this headlong rush towards the devolution, alias loss, of power from London had stopped. The express train driven so successfully by John Prescott had finally run into the buffers and it was not of interest to any of the permanent executive to find a way of putting it back on track. Where argument and obfuscation had failed, vox populi had succeeded, and who were Whitehall to gainsay the will of the people when it suited them?

Except that the will of the democratically elected representatives of the people remains. Many MPs, MEPs and indeed local councillors have seen the beneficial effects of devolution and continue to question whether it is sensible for Cornwall, Consett or Cumbria to be governed in minute detail from SW1A. While regional assemblies might not have had any directly elected democratic mandate, many had realised the advantages to be had from collective discussion and resolution of matters that transcended narrow parochial boundaries.

Many too had seen that throughout Europe, and indeed further abroad in other English-speaking countries with developed democratic models, central monolithic control did not have to be the order of the day. Australia and Canada, to name only two, have models of state governance that are both accepted and effective. The debate, therefore, will not go

away and needs to be much more than a theoretical discussion about the relative merits of regional versus city.

For many in central government, devolution is either all or nothing. This is reminiscent of early aviation. The crude petrol engines of the times were controlled by the simple expedient of switching them off or on by means of what was called a "blip switch"; as they developed, so the throttle was developed. This, the mechanical equivalent of a rheostat, simply allows a flexible amount of power to be used. A rheostatic approach to devolution is now the order of the day. The question is not whether to devolve, but which bits, how much, and to what level?

To add to the mix, the experiments in England with elected mayors had shown plenty of promise. In London the mayoral model has achieved a degree of acceptance probably unexpected in such a short space of time, and while many would argue that London is a unique case (at least in England), there are equally good but much less high-profile examples in towns like Mansfield and Doncaster. While it is inevitable that questions will be raised about individual personalities, there is a strong argument that the sense of purpose and focus is appreciated by many, and not least by the business community, which is showing through in remarkable economic progress.

A quiet revolution in councils

Alongside this era of experimentation, a quiet revolution was taking place and receiving little attention or credit. Conventionally run local authorities had also started to emerge from a long period of suspicion about their ability to perform, or in many cases fundamental doubts about their ability to manage basic issues such as finance. Councils of all shapes and sizes and of all political persuasions had started to show that not only could they deliver good-quality basic services day in, day out; week in, week out; month in, month out; but they could also demonstrate levels of service excellence that put the private sector to shame. Beacon councils started to flicker across the country as ordinary hard-working people were properly recognised for the quality of the services they delivered. Equally, others like Woking dispelled long-held myths about the ability of the public sector to deliver on complex issues such as global warming through innovative and effective environmental good practice.

What all these different examples had shown was that there was no need for a single rigid model that had to be applied everywhere in exactly the same way. The experienced and sophisticated congregation of people, electors, elected and executive was perfectly

capable of keeping afloat and on course regardless of the design of the vessel. Some, particularly the big cities of the North West and the West Midlands, started to question why a model that worked in London should not be applied to them. This debate about city regions, of which the most obvious is London, caught the imagination of many and appeared to reflect a local political mood.

The city region debate is encouraging because it focuses on the practicalities of who can do what best. Cities, recognised in some of the earliest regional economic strategies as the economic drivers of regional economies, have started to show the political leadership to match their economic status. Manchester and Birmingham in particular have argued strong cases for the right to lead large parts of their respective regions, gathering around them groupings of smaller authorities that have recognised their economic dependence on their larger neighbours.

Once again, though, the initial central assumption was that one size must be designed and made to fit all. The reality has to be different. That the North West is dominated by a Manchester-centric metropolis is not in doubt; similarly the West Midlands and Birmingham – and that is not to dismiss those parts of both regions that lie economically and geographically beyond the halo of influence of these economic drivers. But no one in the East of England would recognise such a large city dominance of that region, any more than anyone other than the most ardent supporters of Bristol would argue that its power and influence extend to Truro.

The East Midlands' recent demonstration of the political sensitivities of naming an airport points to divergent opinions about its seat of power, and Teeside, Wearside and Tyneside have a long history of internecine tribal warfare. In Yorkshire there are six major cities (leaving aside Ripon), any one of which would be a regional capital in another region. So the reality, recognised by the 2006 local government white paper *Strong & Prosperous Communities*, is that what is sauce for the fatted goose of the West (North and Midlands) becomes curdled when poured on an Eastern gander.

It is clear, though, that there is, in some places at least, a clear will among the locally elected political representatives for a new set of alliances. In Yorkshire, for example, 18 out of the 22 local authority leaders have formally appended their signatures to city region development plans, committing their councils to working with others to develop a broad plan of action. This early development of what is now being called a multi-area agreement is but one of a growing number of signs of the increasing maturity of high-level

strategic partnerships at subnational level. As an RDA we have also taken this on board and will be changing our investment planning processes from a subregional to a city regional basis in 2009/10.

The outcome of the government's sub national review of economic development and regeneration earlier this year¹ signals the end of the experiment with voluntary regional assemblies (chambers). In some cases the re-emergence of strong local authority groupings signalled discontent with wider assemblies. Concerns arose that the non-elected partners at the table had too much power in relation to their non-elected status. Locally elected members – who have done well to look beyond the narrow parochialism of their wards, to think not only at district or county level, but to consider regional issues – rightly wondered what the democratic mandate was of a third- or private-sector player at the table. When that involved taking collective decisions about the direction of public funding, the concerns become more acute.

Resurgent local authority groupings reflect not only a concern to restate and re-establish the rightful dominance of the elected representative but also demonstrate the resurgence of confidence within local government; a confidence based not only on performance as mentioned earlier, but a confidence that also comes from the arrival of a new breed of elected member, from a variety of non-traditional governing groups, with new ideas, new beliefs and a new zeal.

Regional assemblies, like RDAs, do not have a popular mandate in the sense of being regionally directly elected bodies. It is unlikely now that regional assemblies will have one for the foreseeable future. Their creation was originally designed to ensure the basis for the democratic oversight of those big and unelected quangos, RDAs. They were to be the putative locally elected governments for the English regions and would, like the Scottish, Welsh and Northern Ireland parliaments, have taken control of their economic development agencies. With that now off the agenda, questions are inevitably being raised again about what are loosely referred to as the democratic deficits of RDAs.

Keeping RDAs in check

How should RDAs be held to account? Well, in practical terms, the RDAs are already heavily scrutinised. They statutorily report to regional assemblies in the preparation of

¹ *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

their regional economic strategies and corporate plans. They are subject to scrutiny by the same bodies on their performance. In addition, the chairs and boards of RDAs report directly to the very same government ministers that appoint them. Their chief executives, accounting officers in their own right, are accountable to the public accounts committee of parliament, the highest elected body in the land. They are subject to audit from the National Audit Office for their financial and systemic management.

They are also subject to independent performance assessment, a process modelled on the comprehensive performance assessment process familiar to local government, led again by the National Audit Office with peer assessment support. Most now publish their board papers and many meet in public. All of course are subject, like any other public body, to the strictures of the Freedom of Information Act.

What is still probably lacking, however, is that public belief that they are open to account. The construction of a regional select committee, which invites not only MPs but also MEPs and locally elected councillors to sit and scrutinise them, looks like the latest attempt to solve this problem. Here, government policy can be held to account in the same area as individual RDA performance. Indeed the remit could, in theory, be expanded to include other regionally aligned bodies such as the Learning & Skills Council, or even more direct arms of government such as government offices for the regions or Jobcentre Plus.

The demise of the regional assemblies sees their spatial planning, transport, housing and sustainable development roles passed to the RDAs. Some early worries about this are emerging. Does it blur the focus of the RDAs as drivers of regional economic performance? Is it, as one commentator has suggested in relation to the sustainability agenda, tantamount to putting the fox in charge of the hen house? I think not. In reality, RDAs have increasingly taken on a leadership role in relation to sustainable economic development, not forgetting that it is in any case specifically written into the RDA Act.

It is true that 10 years ago, when RDA shadow bodies were forming, sustainability was not the priority it is now. Early regional economic strategies perhaps gave less of a nod in the direction of things green than is the case now. The government's decision in the sub national review of economic development and regeneration to call for an integrated regional strategy, pulling together regional economic strategy with regional spatial strategy, continues along a path increasingly trodden in the 10 years from 1998. The success of RDAs has proven to government that a further stage of regional strategic integration is now possible, and the tidying up of the oversight is welcome.

One final thought. The recent round of National Audit Office-led independent performance assessments of RDAs have concluded that planned investment of public funds at sub national level is a model worth pursuing. Still in its infancy, this bold attempt to bring together an alignment of the available public funds behind a set of agreed economic priorities has had its teething troubles. But the consensus is clearly that a return to the bad old days of divide-and-conquer is undesirable.

The model accepts that while strategic alignment and priority setting need to be aggregated upwards, delivery should always be aggregated down as far as possible. Again, the sub national review of economic development and regeneration supports this direction of travel. As public expenditure begins to tighten, a model that seeks to maximise synergies between funding streams – local, regional, national and European – in order to achieve a greater number of sustainable outcomes is a good trophy for a post-Millan legacy.

Chapter 5

The democratic front line – why councillors have the skills and local legitimacy to engage their communities

Lucy de Groot, Executive Director of the Improvement & Development Agency

The democratic front line – why councillors have the skills and local legitimacy to engage their communities

Councillors are on the front line of local democracy. In an era of partnership working with local and neighbourhood partners across all sectors, councillors have the local democratic legitimacy to play a strong community leadership role. Councillors are by definition local representatives, but increasingly the role involves a wider repertoire of political skills, including information sharing, brokering and coalition building – championing issues wider than the traditional committee decisions.

The term “front-line councillor” is increasingly used to describe this expanded community engagement role. All councillors are front-line councillors in the sense that they represent wards and have – or at least should have – strong links with the communities they serve. However, the development of the front-line role is applied particularly to non-executive members, who can take on formal scrutiny roles or less formalised approaches to community engagement where political skills and legitimacy are valuable commodities.

This chapter will draw on recently gathered case studies of front-line councillors who were inspired to become elected members so they could make a difference in their communities. It will also refer to new data on the demography of councillors in England from the 2006 Improvement & Development Agency/Local Government Association councillor census, and a survey on their attitudes to the front-line role. There are two key conclusions.

First, with greater devolution of powers and freedoms, councillors can become the partners of choice to convene action to reform local services, under the banner of local area agreements. One of the tensions in the role of front-line councillors is managing the tension between their roles as community advocate, elected member and party member. All three interests do not necessarily coincide, and in reality will sometimes conflict. But as elected politicians, front-line councillors have special local legitimacy that can help them manage those tensions. They can both lead communities and services and hold to account the actions of some public services, such as health.

Secondly, there is plenty of anecdotal evidence of people standing for election because they see becoming a councillor as an important way to make a difference in their communities. But the 2006 census shows that councillors are disproportionately white, male and older, and are therefore not representative of the communities they serve. If councils are to continue to develop their community leadership role, it is important that

we find ways to enable councillors to reflect more closely the communities they serve. The political parties have a responsibility for increasing the diversity of candidates they put up for election.

What is a front-line councillor?

The Local Government Act 2000 led to the creation of cabinet government in most councils. Executive power was concentrated in the hands of a few members, and at a stroke did away with the traditional committee structure, which involved members across a myriad of committees and subcommittees.

So what to do with this newly created army of backbench councillors? Some backbenchers have started to embrace the term "front-line councillor" to describe this rediscovered role as community advocates who work specifically to see their locality through the eyes of their ward residents.

The front-line role empowers non-executive members to act on behalf of their community, by rooting their responsibilities firmly in that community. Councillors have a unique role in balancing different local needs. And because they cover the most localised electorates at any level of government, no one is more visibly accountable to local people than they are. This is why front-line (or ward) councillors are the real key to reconnecting a council to its citizens and to the renewal of local democracy. The Improvement & Development Agency conducted a series of interviews with front-line councillors, which reveal some of the motivations for taking on the role.

I did want to be part of the decision-making process. I had been on the outside but I really passionately wanted to make things work.

Claire Denman, Crawley Borough Council

Whether leader of the district council or a backbencher, I see myself as a community champion for South Petherton.

Paull Robathan, South Somerset District Council

The councillors' commitment echoes the vision of the Local Government Association's devolutionary manifesto *Closer to People & Places*,¹ which calls for greater devolution from government to localities and from there to local people. The interviews show

¹ *Closer to People & Places* (Local Government Association, May 2006)

councillors embracing their role as local advocates, which requires pragmatism, persistence, passion and the ability to challenge. Above all, their stories demonstrate a sense of urgency and the ability to make things happen.

Councillors seem positive about their role, even if the public is not. Mori research suggests that trust in local politicians is low – only 35% say they think that councillors generally tell the truth, which is slightly more than for local government officers but rather less than for the police and teachers. Despite this, the councillor census suggests morale is high among councillors themselves. The best evidence of this is that over three-quarters of councillors (76.4%) said they would recommend becoming a councillor to a friend.

Representing whom?

Data from the 2006 councillor census shows that councillors are not representative of the communities they serve. In England, 4% of councillors are non-white, compared with 9.5% of the general population. Less than 30% are women, compared with just over half of the general population, and the average age is increasing and currently stands at 58. Some 40% of councillors are retired.

Local government has recognised under-representativeness as a key issue reducing the legitimacy of councillors. One hundred years ago Englishwomen finally won the right to stand in council elections. The Local Government Association marked the first centenary of the election of the first women councillors in 1907 with a campaign to encourage more women to stand as candidates. And its local democracy campaign is aimed at involving younger people in local government, including standing for election.

The Improvement & Development Agency has an initiative to develop councillors from black and minority ethnic communities in order to help them reach cabinet and leadership positions. Many black and minority ethnic councillors find they have additional pressures compared with their white colleagues, such as being pressured to speak on behalf of their own section of the community, rather than the community as a whole. The political parties have a major responsibility to ensure that the candidates they put up for election are drawn from more diverse backgrounds if councillors are to become representative of the communities they represent.

Recently the government announced a commission to look at the barriers to and incentives for becoming a councillor. The commission is chaired by former Camden Council leader Dame Jane Roberts and is looking for ways to encourage a wider range of

people to stand for election. Ruth Kelly, when Secretary of State for Communities and Local Government, acknowledged that lack of real powers for councillors could be one of the reasons for parties often struggling to field candidates at local elections, and indicated support for the idea of devolved budgets controlled by front-line councillors:

If someone has a persistent problem in their local neighbourhood that could be sorted out very locally, the ward councillor can just pick up the phone and has the resources to get it sorted out quickly.²

Councils are already experimenting with devolved neighbourhood budgets. Brent established pilot schemes in six wards to strengthen the ward role of councillors, with each ward allocated £30,000 to pump-prime local initiatives. The government is clearly very excited by the idea of neighbourhood working, but there is a danger here of the wheel being reinvented by a policy-making community with a relative lack of attention to history and experience.

As we argued in a pamphlet on learning from the experience of community activists since the 1970s:

Yesterday's regeneration becomes today's neighbourhood working, and community action becomes capacity building and empowerment.³

But some of the practical barriers to a wider cross-section of people becoming councillors are obvious. The councillor census showed that councillors spend an average of 21.9 hours a week on council and political business, with 10 of those hours spent in council meetings. Perhaps unsurprisingly, councillors tend to be active in their communities in other ways, with over half also acting as school governors and 64% doing some other form of voluntary work.

The census paints a picture of a committed group of people who devote a great deal of time to their elected and voluntary community activities, but many (40%) are only able to do this because they are retired. The time demands of the job will almost certainly be one of the issues addressed by the commission.

2 In: *The Guardian*, 9 February 2007

3 Grace, C and de Groot, L *Lest We Forget: The Power of Community Spirit* (Solace Foundation, November 2006)

Public engagement

In the councillor census, over half of all councillors (51.2%) described themselves as “community engagers”, with 40% identifying themselves as community advocates. We see front-line councillors playing a strong role in democratic renewal, but councils must invest in improving the skills and support to enable front-line councillors to take on this community leadership role, and parties need to invest in the recruitment of a wider diversity of people who have that local legitimacy.

The independent Power inquiry,⁴ chaired by Baroness Helena Kennedy, drew attention to how voters feel they have little influence over decisions affecting their lives. The Power to the People report calls for a shift in control from ministers to parliament, and from central to local government. Addressing similar issues about how to increase active participation, a Joseph Rowntree Foundation report develops the notion of the 1% solution – mobilising 1% of citizens to participate actively in governance, but in a way that is more legitimate and effective, and a more promising basis on which to build for the future than the one we have now.⁵ When it comes to engagement, it is important to start from where people are rather than where we think they should be.

Our research⁶ suggests that over half of councillors are also actively engaged in other unpaid voluntary and charity work. Nearly 40% are members of another council body, for example a fire or police authority or a parish council. We need to encourage more people to stand as councillors. Our collection of interviews illustrates some of the different routes through which people become councillors – some inherit a political motivation from their families, others are less interested in party politics or meetings and just want to make change in the community.

I've been a community activist since 1995 when I helped set up Rotherham Civil Rights in the wake of some disturbances. Racist gangs attacked Asian youths and when the police came to sort out the trouble they arrested all the Asians. We organised a group to meet with the police and have built up a good relationship with them ever since. Then we set up South Yorkshire Patients' Organisation, which acts as an advocate for patients using hospitals in Sheffield, Rotherham, Barnsley and Doncaster. But I felt that we needed a

4 *Power to the People*, report of the Power inquiry (Joseph Rowntree Charitable Trust/Joseph Rowntree Reform Trust, February 2006)

5 Skidmore, S, Bound, K and Lownsborough, H *Community Participation: Who Benefits?* (Joseph Rowntree Foundation/Demos, 2006)

6 Provisional findings from: *National Census of Local Authority Councillors 2006* (Local Government Analysis & Research Improvement & Development Agency/Local Government Association, 2007)

more structured way to represent people so in 2002 I stood as a councillor.

Mahroof Hussain, Rotherham Borough Council

I was chair of my local residents' association for five years. That was after I read a letter in the local paper in the mid 1990s that was running down the area. I was incensed and wanted to do something about it. First I became events organiser of the Hope Committee, which started a hugely successful craft fair in Stanford-le-Hope. The Hope Committee was asked to send a representative to Thurrock residents' association. I volunteered myself and was elected chair. Becoming a councillor felt like a natural progression, so when a vacancy came up in 2004 I put my head above the parapet. It is difficult to learn the protocols and the rules and regulations but I have the opportunity to make a difference now.

Gordon Gambier, Thurrock Borough Council

Once councillors are elected, training and support should be designed to support the key tasks of the ward councillor active in the neighbourhood. The Improvement & Development Agency commissioned Jane Foot and Ines Newman to look at the role of the elected member in the neighbourhood agenda.⁷ In the resulting report, they describe how these key tasks may be applied in a wide range of councillors:

- acting as a conduit for information from the council to communities;
- explaining the context and rules of what is possible, and accessing the information;
- alerting local people to proposals, issues and policies that will affect them and signposting services and processes in the council and other partner organisations; and
- acting as a conduit from communities to the council.

Our interviews also picked up the important role front-line councillors play in providing both formal and informal channels of communications.

I spent two years volunteering for an African Caribbean group when I was made redundant after 20 years down the pits. I am still a member of two African Caribbean associations. I represented their views when it was proposed that a homeless centre be built in my ward next to their community centre. They thought it would have an adverse impact, so I made a number of presentations to council committees putting forward their concerns and the

⁷ Foot, J and Newman, I *The Neighbourhood Agenda and the Role of the Elected Member* (Improvement & Development Agency, 2006). At: <http://www.idea.gov.uk/idk/aio/4031717>

application was turned down. It just shows that even as an independent backbencher you can have real impact.

Randolph Conteh, Stoke on Trent City Council

With many more voices and interests to be heard, the need for mediation between conflicting views and brokering a consensus becomes key. Ward councillors should aim to have the credibility and impartiality for this role. They will also be drawn into mediating and brokering between local people and failing providers, particularly when trigger enforcement processes are invoked.

Ward councillors have a key role in actively promoting cohesion and advising on the impact of council activities on community relations. They must influence the council or other partners on behalf of the neighbourhood. This means mobilising data, evidence and stakeholders to influence the council and monitoring the impact of policies or new delivery models. It involves advocacy and representation in formal council settings (such as party meetings, full council, area committees, scrutiny sessions) and engaging with decision-making mechanisms (budget allocations, service plans, best value or service reviews and other local initiatives). In some circumstances, ward councillors will have also have power over community funds, and the management of community assets such as village halls, community centres, libraries and recreation facilities.

As Polly Toynbee says in the foreword to our collection of interviews, "where dedicated, high-calibre councillors work together well, areas can be transformed". So how can we improve the day-to-day support that is available to councillors? Results from the national census of councillors show that the most important resources or learning, requested by nearly a quarter of councillors, are administrative and casework support.⁸

But councillors also need support to be more strategic; to understand people, relationships, organisational behaviour and cultures; to develop listening and story-telling skills; to manage complexity and to work in partnership. And training and development are needed to help councillors have impact beyond their own council.

So councils have a responsibility to make the role and expectations work for those individuals who put themselves forward and get elected. These should be met through the democratic infrastructure of councils themselves. The Improvement & Development

⁸ Provisional findings from: *National Census of Local Authority Councillors 2006* (Local Government Analysis & Research Improvement & Development Agency/Local Government Association, 2007)

Agency and the nine regional employers' organisations have worked together to develop good-practice guidelines. All regions now have a members' development charter, which responds to local needs. An example is the South West Charter, which recommends adopting a councillor-led strategic approach to development, having a councillors' learning and development plan in place, and addressing the wider development needs to promote work-life balance and citizenship.

The government describes councillors as "champions of local communities" in its recent local government white paper,⁹ and implies an enhanced role for front-line councillors in the description of councils' "duty to inform, consult, engage and devolve". The Local Government Association's *Closer to People & Places*¹⁰ emphasises the importance of engaging local people:

We should support and develop local councillors to be the pivotal link between the council and local people ... Local councillors should know and be known by all key local public services, community organisations and institutions. They should bring people together, broker solutions and be the advocate for their residents.

Scrutiny

Holding the executive to account is the classic function of the legislature in a representative democracy. In a way that is analogous to parliamentary committees of backbenchers, front-line councillors scrutinise the policies of the council executive to ensure they are effective. Scrutiny is increasingly recognised as a way to improve public services.

Clear evidence is also emerging that scrutiny stimulates improvement. Recent research from the Centre for Public Scrutiny shows a correlation between a strong scrutiny function and high scores in councils' comprehensive performance assessment – with high-performing councils showing strong leadership by scrutiny members and a scrutiny function that is well supported, mainstreamed with other council activities and able to contribute to performance management.¹¹

Scrutiny councillors are community advocates, and as non-executive members, free from the politics of decision making, they can act on behalf of their community by bringing their community's needs firmly and explicitly to the foreground of their work as councillors.

9 *Strong & Prosperous Communities* (Department for Communities & Local Government, October 2006)

10 *Closer to People & Places* (Local Government Association, May 2006)

11 *Scrutiny, Performance & Improvement: The Road to Excellence* (Centre for Public Scrutiny, March 2006)

As part of his review of local government powers and financing, Sir Michael Lyons has indicated the importance of an enhanced role for councillors using their scrutiny role to get closer to the communities they represent.

In his interim report published in May 2006, Sir Michael said:

The role of backbenchers now needs attention in order to build stronger local accountability for authorities and to ensure that local government is as effective as it should be in engaging with local communities. There may be scope for further development of the scrutiny role and its extension to other local public services.¹²

The Local Government & Public Involvement in Health Act (2007) gives scrutiny committees enhanced powers to hold local services to account. This confirms scrutiny councillors as the shapers of local accountability for people and places, by ensuring that those who shape local well-being through mechanisms such as the local strategic partnership and local area agreement must answer to scrutiny committees. We know that such "external scrutiny" can be very successful by examining the experiences of health scrutiny committees in social services authorities. Since 2002 they have had powers to hold health providers to account, which have been used very effectively to bring local voices to decision-making processes.

Health scrutiny has shown how front-line councillors can facilitate greater user involvement in the design and delivery of public services, leading to service improvements. Health scrutiny councillors have used innovative techniques to ensure hard-to-reach voices are heard.

Scrutiny powers help cut across organisational boundaries. As well as health, scrutiny committees can investigate cross-cutting issues such as antisocial behaviour or the quality of the local environment, which resonate with residents' actual experiences, bringing local governance closer to people. Scrutiny breaks down organisational and service provision boundaries by offering a user's eye view of public services

Conclusion

Councils have a responsibility to meet the expectations of those individuals who put themselves forward and get elected, by making the role work for them. This should be

¹² Lyons *Inquiry into Local Government: Interim Report & Consultation Paper* (Department for Communities & Local Government/HM Treasury, May 2006)

done through the democratic structure of councils themselves, but it will work effectively only if supported by devolution of powers and greater freedoms to enable councillors to give real expression to local ambitions.

The importance of choice and voice are recognised as important pressures in public service improvement. Front-line councillors in their scrutiny role can help provide a voice for the whole community, not just the vocal minority. There is therefore a business case as well as a democratic case for investing in the development and support offered to front-line councillors.

As a sector, local government is already working hard to increase the capacity of the nearly 20,000 front-line councillors. The Improvement & Development Agency is working with the regions to encourage all councils to adopt the Member Development Charter. The charter is based on the Investors in People framework and commits councils to having an effective development programme and support systems for all councillors. All regions now have a charter, which is an indication of the sector taking ownership of this issue.

But as even central government has now acknowledged, devolving real powers to councils and to neighbourhoods is the surest way to attract people who are committed to making a difference in their communities.

Chapter 6

Selling it

Dermot Finch, Director of the Centre for Cities

Selling it

We appear to be on the threshold of a new wave of devolution in Britain. In his first few months in office, the Prime Minister has set out his vision of a modern democracy, with power exercised at the lowest level and those with power held more clearly to account. He has also put forward a number of different vehicles that together should help to realise his vision.

Gordon Brown has promised a constitutional reform bill, and a new concordat between central and local government. The review of sub national economic development and regeneration looks set to redefine regional governance, and deliver more powerful city regions alongside enhanced local authorities. And his renewed interest in participatory budgeting and democracy indicates that Brown is serious about re-engaging with voters and devolving beyond the town hall.

So, ministers now accept the case for devolution in principle. But it is not clear how much or how far they will devolve in practice. Councils and their leaders should be wary about the gap between ministerial rhetoric and reality. Talk of Whitehall "letting go" is just not realistic. The centrist tendencies of government and civil service are likely to persist. Whitehall will always play a central role in the governance of Britain. But there is real scope for central government to step back and allow more autonomy and flexibility at the local level.

Three questions stand out: Is Whitehall capable of devolving on a significant scale? Is local government ready for this new wave of devolution? And where do voters fit into this devolution agenda?

This chapter calls on city leaders to press ministers for action, to seize the opportunities for new powers, and to sell the benefits of devolution to their electorate.

Is Whitehall capable of devolving?

Whitehall has produced a series of reviews over the last year, each with a strong devolutionary flavour – from Lyons and Eddington to the local government white paper and the sub national review.¹ We now need to move from reviews to action.

1 Lyons, M *Placeshaping: A Shared Ambition for the Future of Local Government* (Department for Communities & Local Government/HM Treasury, March 2007); *The Eddington Transport Study: The Case for Action – Sir Rod Eddington's Advice to Government* (HM Treasury, 2006); Strong & Prosperous Communities, local government white paper (Department for Communities & Local Government, October 2006); *Review of Sub-national Economic Development & Regeneration* (HM Treasury/Department for Business, Enterprise & Regulatory Reform/Department for Communities & Local Government, July 2007)

But can ministers and civil servants in the Department for Business, Enterprise & Regulatory Reform, the Department for Communities & Local Government and the Treasury now rise to the challenge of those reviews, and allow different places to do things differently? My own 10-year experience as a Treasury civil servant tells me that this could be difficult. Whitehall is not comfortable with differential arrangements across the country. Substantive devolution will require culture change within Whitehall. If it is to happen, city leaders will need to continue to press ministers to deliver on their promises.

Is local government ready?

Local government, meanwhile, faces a different challenge. The Brown government seems intent on shifting power away from Whitehall and re-empowering local government. This is a real window of opportunity for local authorities to reclaim their role as place shapers, especially through an increased role in economic development.

But local government has its own challenges to overcome. It is still the poor relation of central government. Sidelined and spoon-fed for many years by Whitehall, councils have fallen into a culture of dependency, waiting for the next white paper or centrally driven pilot to come along. Local government is not seen as a premier career for young graduates. Voters do not understand what local government does. Business leaders too often do not have full confidence in their local elected leaders. And local turnout is pitifully low in many areas.

The legitimacy and future viability of local government is therefore in question, just as ministers are proposing to beef up its role. Local government should seize on this window of opportunity to restore its position and reputation. After the recent series of government reviews, the time is right for local councils to move beyond debating devolution, and start making use of the freedoms and powers that are now on offer.

Where do voters fit in?

City leaders need to re-engage with voters and sell them the benefits of empowered councils. Right now, voters understand that Whitehall cannot do everything – but they are not convinced that the town hall needs more powers. And because the electorate is not pushing for devolution, ministers do not feel under any public pressure to act.

Council leaders need to make the case for devolution more directly to their electorate. For example:

- Britain is far too centralised, with too many decisions affecting cities and towns taken by Whitehall. This centralisation has become more pronounced over the past decade. It has helped to deliver real public service improvements, but at a price – too many central targets, and not enough local innovation.
- Devolution will help to deliver better outcomes. The delivery of many public services should be more place-sensitive, with more devolved budgets. This would allow local councils to respond more effectively to local problems.
- More empowered cities and towns will be better equipped to develop their own economies, address regional disparities and deal with the challenges of globalisation.

Going forward, council leaders should:

- reaffirm the pivotal role of councils;
- focus on economic development; and
- overcome barriers to devolution.

Pivotal role for councils

Further devolution will bring increased flexibility and autonomy to local government. But its pivotal role is not guaranteed. Over the past decade the proliferation of quangos, agencies and partnerships at the sub national level – few of which are directly accountable to local people – has diminished the role of elected local government and contributed to the public's disconnection from local decision making.

Going forward, councils will have to share the limelight with a range of other players – not least the voters themselves. The government's renewed interest in citizens' juries and commitment to participatory budgeting both demonstrate that ministers want to engage more directly with the electorate. They are also very keen to expand the role of the third sector in public service delivery, while the business community is searching for a new leadership role in our towns and cities.

Council leaders need to explain why local government should be at the heart of this next wave of devolution. Key points include:

- Councils are accountable to local people – an obvious but vital point. Their democratic mandate is crucial, and the single most important reason for their pivotal role. But declining voter turnout risks undermining this foundation of local government's legitimacy.

- Local authorities are well placed to address local needs. As well as being accountable, they have strong local knowledge and are effective at joining up all the agencies that serve their area.
- Councils are now performing much better, as shown by the recent comprehensive performance assessment scores. Performance could be improved further, if councils had more freedom to innovate and adapt policies and programmes to their own conditions.

In addition, local government is pressing to be included in the forthcoming constitutional reform bill. If successful, this will underline the importance of local councils and help council leaders make their case for further new powers.

Economic development

Despite the strong and stable macro economy of the past decade, we still have two-track cities in the UK – those that have experienced high growth, and those that have not. Our biggest cities are still home to high concentrations of poverty and worklessness, not far away from vibrant city centres. And regional disparities are still persistent and pronounced, especially between the six poorest-performing regions and the greater South East.

Local councils should play a much bigger role in addressing the key economic challenges facing our cities and towns. To do this, they need greater financial powers and responsibilities over housing, transport, skills and regeneration – to support local growth. Councils, newly empowered and directly accountable, would then be able to make a real difference to their local economies – which would in turn help councils to re-engage with their voters.

Following the sub national review, council leaders look set to gain greater devolved powers over economic development:

Further freedoms and devolved decision making are required for regions and local areas: first, to respond to rapid economic change; second, to deal with persistent local deprivation or poor economic performance; and third, to enable all places to develop to their fullest potential.²

² John Healey MP, announcement of review of subnational economic development and regeneration, 17 July 2007

The government will also consult on creating a focused statutory economic duty for local councils, and put economic development at the heart of the new local government performance framework.

The Centre for Cities has consistently called for councils to have a stronger economic development role, and is encouraging council leaders to make the most of the powers that are now on offer. Three priorities stand out:

- greater flexibility for councils over mainstream funding, through effective local area agreements;
- more options for local revenue raising, to incentivise councils to promote local growth – supplementary business rates, for example; and
- closer cross-boundary collaboration between councils, across real economic areas, through multi-area agreements.

None of these will be easy to achieve. Supplementary business rates highlight some of the risks that lie ahead. They command a good degree of support in principle, but will be difficult to implement in practice.

There is broad agreement on the need for greater financial devolution, and that ring-fenced, time-limited supplementary business rates could generate new resources for much-needed transport investment in our major cities. But many council leaders are nervous about them, because they will increase the tax burden on local businesses. And business leaders are calling for a vote on every supplementary business rate scheme.

Supplementary business rates are a test case of things to come. They are potentially at the cutting edge of a new wave of financial powers and vehicles that together will allow local councils much greater freedom and autonomy, but they will require tough choices to be made at the local level, and different approaches in different places. They will also require a better relationship of mutual confidence between local councils and businesses.

It is important that supplementary business rates are taken forward. If they are not, then ministers will only conclude that there is no appetite for financial devolution. So councils and business need to work together with ministers to reach agreement on this, so that our cities and towns can play a bigger part in promoting their own economic prosperity.

Overcome barriers

Supplementary business rates usefully illustrate a number of barriers that may stand in the way of further financial devolution – concerns about fairness, city regions, local identity and financial capacity. All these barriers need to be overcome if local councils are to play a full part in developing their local economies.

Fairness

Sceptics of devolution argue that it is unfair, and will result in “postcode lotteries”, with some areas getting a much better deal than others. There is a strong tendency, not least within the Labour Party, to insist on uniform treatment for all areas across England – and to resist different arrangements in different places. For example:

The pursuit of equality makes a strong centre necessary. If the history of the Labour Party in the 20th century has a lesson, it is that relying on local government to deliver is both fiscally impossible and involves unacceptable sacrifices of equal opportunity.³

In fact, the present degree of centralisation makes it difficult to deliver equal outcomes and opportunity across the country. We already have postcode lotteries, in the NHS and elsewhere. Fairness in opportunity and outcomes is not necessarily achieved by uniform delivery mechanisms. To maximise growth in our towns and cities, we cannot adopt a uniform approach. We need different approaches in different places.

A more devolved approach, utilising local networks and knowledge, would be more effective at tackling inequalities locally. More powerful local leadership would be better able to drive up standards in local public services. But there will always be a role for the centre. For key services such as health, education and welfare, central government should set core national entitlements but allow local providers to get on with the job of delivering them. And the centre should prioritise funding for local services that do most to enhance life chances, such as early years education and childcare.

City regions

The sub national review opens up the possibility of powerful city regions in places like Greater Manchester. The government now recognises that labour, housing, retail and other markets often do not correspond to council boundaries. It will encourage the development of multi-area agreements, with groups of councils agreeing shared targets

³ Walker, D *In Praise of Centralism: A Critique of the New Localism* (Catalyst, 2002)

for economic development priorities.

But city regions are still a sensitive subject, and show just how sharp spatial concerns can be. At one point last year, the very phrase “city region” became almost toxic in some circles, and threatened to stall progress on devolution. Councils are not used to collaborating across boundaries, and have traditionally tended to be inward-facing.

But following the sub national review, there is now more widespread acceptance of city regions (or sub regions). Local councils – especially those in our biggest city conurbations, such as Greater Manchester – are beginning to understand the need to collaborate more closely across real, functional economic areas.

It is in Greater Manchester that we are likely to see the first formal city region emerge, following the government's promise to develop statutory sub regional arrangements for interested city regions. This will no doubt result in Greater Manchester securing greater devolution of national and regional economic functions, and will encourage other city regions to follow suit.

Local identity

Local identities can be another barrier to devolution. For example, smaller cities and large towns in Yorkshire & Humber have had difficult relationships with their nearest core city, and have responded negatively to the debate over city regions. Others (for example, in Tees Valley) have embraced the sub regional concept more positively.

Identity matters. Most people identify strongly with their home town or city, and they are right to do so. But local identities should not place a veto on collaboration between places. In the past, local councils have too often seen their neighbours as rivals. In fact, collaboration is the best economic development strategy in many cases. Local councils are usually too small to address the major economic challenges that face them. They cannot operate in isolation. Doncaster needs Sheffield, and Sheffield needs Doncaster.

Financial capacity

Local authorities in England do not have enough financial power. The balance of funding is tilted far too much towards the centre. Local government, which is responsible for 25% of all public expenditure, raises only a quarter of the income needed to fund this expenditure – and relies on tax powers that are subject to central capping. And only 16% of local expenditure is raised through the council tax. As Tony Travers explains, it was not

always like this:

For every one pound spent by the public sector in Birmingham and other cities today, less than five pence will be funded by local taxpayers. In the 19th century, the figure would have been 95 pence.⁴

But financial devolution is fraught with difficulty. Despite the devolutionary rhetoric, there is still enormous caution within Whitehall about financial devolution. Ministers and officials do not yet have full confidence in local authorities, and are worried about councils' capacity to take on additional financial powers. They are nervous about sharing fiscal responsibility with towns and cities.

We need to be realistic about the pace and extent of financial devolution. Immediate, radical new revenue-raising powers are unlikely. But ministers must not use the lack of local capacity, or the possibility of failure, as excuses not to devolve. It is no surprise that local councils do not currently have the capacity to take on major new financial powers. Over time, increased capacity will come only with increased powers. But in order to get there, devolution should happen in stages – led by the most willing and capable cities.

Selling devolution

Ministers and council leaders need to overcome these barriers, and sell the devolution agenda much more clearly to the public. Devolution is not just about institutional change. It is about realising the economic potential of people and places, and giving them the ability to respond to their own unique challenges.

The following changes are essential:

- **Culture change in Whitehall.** Ministers and civil servants should place more trust in the ability of local councils to deliver; move away from the mindset of departmental silos; and focus more on place-based approaches. Devolution should also result in a leaner, more strategic Whitehall.
- **More strategic, accountable regional government.** Regional development agencies will need to work more closely with local councils, and subject themselves to closer local scrutiny. This will help to bring regional government closer to voters.

⁴ Marshall A, Finch D *City Leadership: Giving City-regions the Power to Grow* (Institute for Public Policy Research/Centre for Cities, 2006)

- **Empowered local government.** Councils should play a much fuller role in the economic growth of their area – able to raise and spend more of their own budgets locally, and retain and recycle a greater proportion of local growth receipts.

Finally, local government needs to explain its role more clearly to the public. In order to sell devolution more effectively, ministers and council leaders need to shift the debate away from a narrow discussion about institutional architecture. The public cares about how its money is spent on transport, training, housing and other outcomes. It cares much less about the “internal wiring” of local government structures.

For example, local councils should communicate much more clearly the results of their spending programmes. This would help to inform and re-engage the public. And of course, greater financial devolution will give local government a bigger role, and help to reconnect the public to their elected leaders.

Governance is a means to an end, not an end in itself. Ministers and councils need to demonstrate how devolution can help to deliver better outcomes – on economic growth, local transport and employment.

Chapter 7

Making it happen

Paul Coen, Chief Executive of the Local Government Association,
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Making it happen

This chapter argues that localism is a human issue, and – precisely for that reason – the most powerful driver imaginable for securing better public services and improved quality of life for people. Giving greater scope for local decision making is crucial as a way of linking people's needs and expectations of public services with the ambitions of public-sector professionals and elected local representatives to provide excellent services. Central government – and where this is an issue, councils too – need to move away from a managerial, instrumentalist mode of thinking to one based on people and places. This involves devolving power, funding and responsibility, and getting a more mature public service, providing significantly better outcomes, in return.

Local = people

We need to start from a conception of public service that is not a sociological or managerial abstract. What are the lives we are trying to improve really like?

People don't live in the "housing units" targeted by regional plans, but in homes. They don't live along transport corridors or in market hubs, but in streets and towns. They don't feel a viral infection or a low cholesterol level; they feel unwell or well. Their identity is not captured by biometric data or a unique pupil number, but rests in their membership of families and of society; and where they live is a place.

Life is total experience. Well-being is a nexus of diverse happenings, surroundings, and links to other people. So why is modern government, which aims to enhance well-being, still so fragmented? Why can't government be more like real life? Indeed, why can't public services be more like other services people use? The silos of film, television, radio and newspapers are increasingly giving way, in most people's experience, to integrated multimedia offers via digital television or the internet. Shoppers expect and get everything from beans to banking at their supermarkets. The most competitive contemporary businesses do their best to offer personalised, wrap around services.

And yet government is still struggling to stop being a set of disparate bureaucracies that are about individual products and services or problems. Many of the things public agencies deliver are excellent in quality, and the intentions of public service providers are generally of the best. There has been a transformation over the past few decades in the professionalism and organisational efficiency of the public sector. But modernisation is not enough. The challenge we face is to give the public sector the ability to mirror

accurately the daily experience of the people it serves; to be as flexible, as diverse, as holistic as their needs and wants.

And the people who provide public services at the front line, both council employees and councillors in touch with their daily postbag of residents' concerns, feel this frustration as powerfully as those they serve. They know their clients, their needs and wants. They are hungry for the ability to work flexibly and deliver what their professionalism and their local knowledge tell them is needed, when and where it is wanted. They are impatient with narrow service boundaries and processes where these get in the way of focusing on the real people they are dealing with. For most workers at the spearhead of public service, person-centred services are not a managerialist vision but an opportunity, one that confronts them every day but is too seldom made the most of.

The other dimension of this focus on people's "one life" is temporal. Once we start to put people at the centre of our concerns, we start to focus on their future – and on that of their children. As well as trying to identify and fix problems, we see opportunities and threats. Economic growth, sustainability and climate change only have their real colour and meaning when they become the question of how a real child is going to grow up.

So action to achieve successful cities, towns and counties does not fall into any departmental or policy compartment. It cannot simply be about buildings, about jobs or deprived neighbourhoods, or about wealth creation. A successful policy needs to address all these elements and, in addition, improvements in health conditions, in educational attainment, in social integration and cohesion, and in community safety. It also needs to look forward, to deal with the issues that will have an impact on future generations – global issues such as climate change and the health of the natural environment that helps a city, town or county area operate and thrive as a healthy organism.

A stronger and more effective personal link between people demanding public services that match their daily lives and the public servants and elected leaders who can deliver for them is the missing dynamic in the way Britain is governed.

Closer to people and places

The localist insight is that local representative democracy has to be at the heart of reforging that link. Councils are unique in their diversity, in their multifunctionality, in their sensitivity to local communities and in the richness of their dialogue with people – a dialogue that is intensely political, at the spearhead of the democratic bargain between

the elected politician and the voter.

The services councils provide are intensely personal – often intimate – from educating the young to caring in their homes for the very old. Their reach is amazingly wide: there may, somewhere, be childless owner-occupiers in perfect health who never use the public road, borrow a book or feel reassured by the presence of a police officer, but the fact is that most councils expect to have contact with every single one of their citizens at some time in a typical year. Typically, council services receive three or four times as many visitors each year as the NHS in the same area. There is no government department with a comparable opportunity to humanise a full range of public service around its users.

There are two perfectly sensible reasons why central government is structurally ill adapted to build a vision around individual places, and neither of them implies a criticism of central government. Whitehall and its departments are, in their current form, creations of the era of mass industrial organisation, sharpened but not revolutionised by the new public-sector management of the past two decades. They are configured to design and specify individual policies, like products, and sometimes to deliver them. This is a good – often an excellent – mechanism for deciding what to do in answer to specific policy questions. It is not, though, easily able to mirror the way in which individuals and communities are affected by a bundle of policies.

And, for all the strides that have been made in the past decade towards joined-up central government, the departmental system necessarily remains a mechanism for arbitrating between sectoral interests where they conflict at the national level. That is a different business from the place- and person-centred arbitration required to deliver a set of services in a community. Locally elected public service – which predates Whitehall, as it does the Westminster parliament – is an organic expression of local communities which has proved its value at a task that is simply different from the task central government is principally concerned with.

Councillors and council workers are of their communities. They literally serve their neighbours. Their commitment to what they do is reinforced by local pride and ambition for their locality. Like their clients, they are able to see local life in the round, making linkages between decisions and issues that no central planning could ever hope to make. Customers are people; the council's area is a place. Where there are trade-offs to be made, local decisions, however fiercely contested, have a unique legitimacy.

No ward councillor sees their local park as an abstract financial or community asset, but as somewhere valuable because it can be enjoyed (or complained about); how many teachers read a performance league table without an emotion of some kind for the individual young people whose achievements (or failures) it records? The potential here is not just to deliver more personalised services; it is also vital if we are to succeed in persuading people to change their behaviour, as the challenge of climate change, for instance, requires us to do. Peer pressure in a local community is more powerful than any national bully-pulpit. Where local democracy works well, it is as much a co-op as an administration.

And as a collection of local people working with and for other local people, councils also have a unique ability to see their places in three dimensions, and even four. Lines on a map have meanings they never could to a central planner. For example, a particular community may live within the nationally prescribed distance of a library or sub-post office, but only someone in very close touch with that community can know that there is a railway line in between that can only be crossed through a dark, graffiti-scarred tunnel that most people are careful to avoid. And people who really belong to a place naturally see its story over time. They have a unique reason to care about its future, and unique reasons to be ambitious for it. Central targets might help drive employment or economic growth in a town, but they cannot build a vision of cultural regeneration or pride in sporting achievement.

This is not, incidentally, to assert that every council, or everyone involved in local government, knows that they are in that valuable place or always behaves in such a way. Top-down managerialism is a powerful learned behaviour. Reinforced by strong incentives to think hierarchically – cascades of central targets, aggressive financial reward mechanisms – Whitehall's centralism is too often flattered by imitation in councils. And that in itself is another way in which a focus on local outcomes urgently challenges the centre's current ways of working. Ministers are right to encourage councils to engage ever better through participative mechanisms. However, they will struggle to get the right response if top-down direction remains their tool of choice, and councils want to see central government becoming equally committed to real participative democracy.

Devolution

All this adds up to the case for a seismic shift in approach from central government. To achieve the personalisation of public service around people and the places they live in, there needs to be a devolution of powers and funding away from the centre. This shift will

also be important in helping to break the perverse incentives for councils to be too centralised and managerial in their approach. For if the end of all public service is really to be the improved well-being of the people it serves, that end demands that we turn many existing delivery hierarchies and methods of decision making on their head.

The citizen or service user comes first. Targets and objectives need to be set with their experience of life in mind. We need to be done with nationally specified targets for library stock management and number of potholes, and get a renewed sense of what we are actually trying to achieve for people.

And next, those who make decisions about resources need to remain within eyesight and earshot of the way their decisions affect people. This is not a challenge to sensible budgeting, nationally or in a council, but it is essential as a way of targeting scarce resources most effectively once the budget has been set. Nor does it imply abandoning economies of scale: some decisions affect people principally as taxpayers, and they will be rightly dealt with in an aggregated way. But the days in which managers at the top of a national hierarchy spend hundreds of millions, while bemoaning their limited view of the front line's performance, need to end.

Finally, we need to get away from the toxic culture of permission that has poisoned central/local relations for too long. To demand to be asked for permission is to say you do not have trust: and why enter into a relationship at all without trust in the other party? And to ask for permission is to say you do not have confidence: why take on any responsibility at all if you do not have confidence in your capacity to deliver? It would transform the public service if different organisations could relate to each other as colleagues in a mighty shared enterprise.

The devolutionary shift needed here has two dimensions. There is a need to hand power, decision making and funding down from the centre to the locality. But that is only decentralisation: hierarchy and departmentalism survive. Devolution demands that we parallel the decentralising change with the ability to reshape public service locally across the full range of its functions.

We're getting there, gently

Policy, not to mention the implementation of policy, moves slowly. But it is increasingly clear that the political class now understands and is acting on the need to devolve. Whitehall understands that diminishing returns from investment in public services can

best be corrected by bringing services together in a way that is more responsive to local priorities. The local government white paper of last autumn set a clear aim of achieving greater horizontal integration of public services at local level. The legislation that followed enacted useful integrating tools into law. And this is only a first stage in the devolutionary agenda sketched in political speeches by Gordon Brown, as Chancellor and now Prime Minister, and by Ruth Kelly and now Hazel Blears as Secretary of State for Communities and Local Government, and echoed equally in statements from the opposition parties' leaders.

A central example of where we are making progress is local area agreements. These local pacts allow partnerships across the public sector, led by councils and usually involving business and the third sector, to negotiate priorities for services with central government that cross the whole of the local public sector, and fund that with pooled money from different organisations. In principle, that model has many of the elements of a real devolution: local reshaping, local priorities, an opportunity to make linkages across organisations and institutional divisions and build integrated services. These agreements have now been rolled out across England.

Real success has already been shown. Some £5 billion of public service budgets are now being mobilised through local area agreements, and performance improvements are already being measured on locally chosen priorities, which would not have happened without the integration of budgets and effort the agreements stimulate. Organisations are communicating with each other about local need and delivery in ways they never did before, under the convening hand of democratically accountable local councils.

But this developing concept of formal partnering also demonstrates how hard it is to make a reality of tailoring and integrating services locally. Government departments have struggled to develop a common approach to local area agreements, with some tending to see them principally as contracts for local delivery of centrally specified services. There has been abundant central guidance, and it is clear there will be more. While there may be an emphasis on locally set targets, no central target has – so far – been dropped as a result of a local area agreement being put in place. Councils, as convenors of services locally, have so far had only limited success in achieving significant pooling of funds across organisations; but, again, progress is happening and the government explicitly recognises local area agreements as a way of taking an overview of the totality of public spending in an area.

What is enormously welcome is the action central government has taken following last year's white paper on local government, action that demonstrates that ministers understand and are determined to address some of these continuing barriers. So, the new Local Government Act creates formal obligations, via a so-called "duty to co-operate", which will bind central agencies into local area agreements in a new and committed way. There is impressive commitment by departments and agencies to make that work – indeed, some central agencies themselves lobbied to be included on the list of bodies covered by the new duty.

The signs are that the improved central-local bargain reflected in local area agreements is increasingly well understood by the centre. The government has also taken a decisive and important step to change the framework of central control, by drastically culling the tally of performance indicators. Against today's base of about 1,200 national indicators, ministers have now committed themselves for the future to imposing no more than 35 targets on individual councils, drawn from a potential national library of just 200, and to negotiating them exclusively through the mechanism of local area agreements.

This is just one of a number of initiatives that suggest we are at a tipping point for devolution – but one that could still easily tip the wrong way if ministers ceased to push in a devolutionary direction. Local area agreements have immense potential as a model for enabling locally determined, joined-up solutions that look into their communities rather than away to Whitehall. It will be important that councils can give ministers the reassurance that their policy bias in favour of localism is delivering results. But the situation also illustrates a fundamental problem with the idea of the centre giving up power to more local decision making. How can the centre design a devolutionary model without its still retaining more of the flavour of a central design than of a real localisation?

For the next step to be real, then, it needs to involve genuine renunciation of control by the centre, and create real incentives for local areas to own the agenda and refocus delivery on their communities and service users.

Making it happen for the economy – and the rest

Earlier this year, the Local Government Association set out detailed proposals for how this should happen for the complex of services that affect the economy. That work was done in the context of the on-going review by the government of the need for economic devolution, which has now reported. The principles that drove our proposals, which we were happy to see reflected in the report of the sub national review of economic

development and regeneration, have a wider application. The changes in regional governance that the review has set in train add up to a crucial case study, both in whether a centre that is willing to let go can actually manage to do it, and in how far councils are ready to seize their opportunities.

For some areas of economic policy, there are real national issues: monetary policy, the fairness questions involved in setting tax and benefit rates, policies that affect groups of firms and workers who are nationally and internationally mobile. But below the national level most markets, for labour, goods and services, are sub regional. Four-fifths of all journeys to work take less than 40 minutes; four-fifths of all house moves are within 20 miles. For everything from the labour market to retail to the construction industry, the economic reality is local.

But the policy and funding decisions that affect the real economy are still overwhelmingly centralised, at least in England. If any governance structure fit the sub regional map our research produced, it would be councils or groups of councils at the level of cities and counties. But they have only limited powers to take decisions about transport, infrastructure, housing or skills, and none at all over crucial areas for labour markets such as welfare-to-work policies. Many are ambitious to lead the drive for growth in their local economy; but for now, their powers do not match their commitment to helping local businesses thrive.

The government's sub national review has recognised that reality, not only in its analysis but also in the style of its recommendations. It sets out a hugely strengthened economic role for councils and groups of councils; it puts the sub regional reality of the economy at the centre of the debate; it creates real opportunities for serious devolution of funding and decision making. But, crucially, it holds back from prescribing what the answer will look like and sets out a framework for a new relationship between councils and central government. Councils in individual regions now have it in their power to assert their mandate, and build new ways of relating to regional development agencies and other arms of central government.

Government has created the space for local government to lead the regional debate. It is now up to local government to use that space – and, by capitalising on its unique strengths, to give central government the reassurance it needs that it has made the right choice. We are confident that councils will step up to the chance they have been given to show leadership, and will soon start to pay out the devolutionary dividend to their

communities in the form of sustainable prosperity.

In this chapter, we have at some length made the case in principle for a devolution of powers and funding, as well as illustrating specific areas where central government may be beginning to make historic decisions to take devolution forward. The general arguments are worth rehearsing, as those of us in local government have been doing for a long time now, and we believe it is a sign of their rightness that they have increasingly come to look like a mainstream view.

But central government retains the option of changing its mind. Devolution remains a fragile dynamic, more the child of political purpose than a matter of robust practice. Powerful forces – national-level lobby groups, bureaucratic empires – continue to argue against devolution in Whitehall's interdepartmental debate. But it is increasingly clear that theirs are the voices of self-interest, and that theirs is not the message that political leaders are articulating. The real public service argument, the vision that has improved lives for citizens at its centre, demands that we hold to the localist path.

Chapter 8

The case for root and branch reform

Graham Allen, MP for Nottingham North and Chair of One Nottingham

The case for root and branch reform

Localism that is gifted by central government is a sham. It can be taken away just as quickly as it is offered. Any localism worth the name has to be the right and the property of local government, not the centre. This is one of the bold and surprising ideas that a new Prime Minister could introduce before the end of the year, and which – rather like independence for the Bank of England – would rapidly become an unquestioned and unrepealable part of the political scenery.

Most Western democracies have independent local government, backed up by constitutional guarantee. For this to work in the UK would require not only powers to be devolved to local government but financial autonomy too.

The appalling turnouts for modern UK local elections underline the fact that it is time either to create genuine democratic local government or stop the pretence, wind it up and convert the government regional offices and council chief executives into a prefecture openly appointed by the centre.

In the debate on localism we should have the vision to stake a claim for nothing less than constitutionally independent local government for the UK – this is a concept that would sustain local government and its financing long into the future and end the annual begging bowl round, which humiliates both the central government "giver" and the local government supplicant. Dainty hors d'oeuvres of localism are served up by central government alongside the stodgy main course of the over-targeted, over-inspected and over-presented local councils.

Given the reduction of local government over recent decades to little more than an agent of central government, this proposal would amount to the largest denationalisation ever undertaken and the restoration to the public of their ownership of their own local government.

Centralism has failed communities

The centralisers in British politics have now had their day. Over the past 40 years, whatever success they have had nationally, they have delivered neither economic nor social progress at the local level. We see short-term finance, interference, distortion of local priorities, people spending much of their time bidding or working to protect the future of their jobs, and a plethora of schemes and bodies to circumvent local democratic decision making, barely understood by anyone but a new cadre of local professionals.

The clash and reconciliation of free political institutions has been reduced to a formalised dance between national and local bureaucrats. Insensitive 'middle England' targeting is mirrored by local box ticking, often wholly irrelevant to the needs of local people. Local initiative is replaced by 'keeping your head down'; and chanting the mantras of partnership masks deepening silo working.

Virtually every democratic nation and every business has concluded that modern economic complexities are way beyond the capacities of a command economy. They speak, and deliver on, the language of decentralisation, devolution, local budget holding, participation and team working. Yet the way the UK governs itself seems to be stuck, Brezhnev-like, in command politics. This is seen at its starkest and most wasteful in central control of local government – a concept both alien and hilarious to most Western democracies.

Free local democracy will provide more diversity and independence in our political system, which in turn will lead to more creativity, sensitivity and innovation throughout our society and economy. Merely to remove some of the worst excesses of centralism, such as ending the capping of local spending, democratising quangos, releasing capital receipts and adding a drizzle of "localist" jargon, has not been enough. We need to put local independence beyond the reach of central government and to admit that the man in Whitehall does not know best, even if he is a Labour man and even if he talks the "localism" talk. Petty interference from the centre must be denied any legal or financial basis and local government given unchallengeable legitimacy. This needs to be done in two ways.

First, in order to guarantee their independence, local authorities must be created in law as independent and sovereign entities. They would then be able to undertake as of right all those duties for which they are elected locally and which subsidiarity (a concept that requires legal force in the European constitution) recognises as being local. This would include whatever is not prohibited by law – turning on its head the present injunction that they are not allowed to do things that are not expressly allowed by law. Local government, like any other public body, would have to perform its duties within a legitimate inspection regime and within the context of the European Court of Human Rights – and, potentially, a more comprehensive and up-to-date British bill of rights – and could be held to account by any citizen were it arbitrarily to breach those rights.

In addition, the pull of centralism is so great that even a government that had created

independent local government might succumb to the temptation to meddle – unless we ensure that such local rights are put constitutionally out of bounds. This could be done initially by a Local Government Independence Act, protected from easy repeal by including an amendment to the 1911 Parliament Act, which would allow the second chamber to veto legislation that threatened the rights of local government. In the longer term, such a fundamental bedrock of our democracy must be guaranteed by clauses in a written constitution for the UK.

Second, while we may return the ownership of their local government to local people, we must also restore to them control. Political independence for councils would mean nothing without financial independence. Of all local authority spending, the bulk (more than half) is now provided by central government and only a fraction (an eighth) is raised locally by the council tax. This dependency must end. Central government must be removed from the financial equation and localism given monetary teeth. To do so a radical new settlement needs to be implemented on taxation.

It could work as follows. At present, income tax is first collected from local taxpayers by the Inland Revenue and then distributed back to the localities via central government. This essentially technical function of distribution has become politicised and arbitrary because of ministerial manipulation and the desire to impose central priorities. In future, the same level of income tax revenue should still be collected by the Inland Revenue, leaving the taxpayer completely unaffected financially. However, precisely that amount that now goes to local government would be ring-fenced and go directly to them, and not via the centre.

A cross-party commission

Central government spending on local services in England and Wales is £54.6 billion; the income tax take for England and Wales is £109 billion. In effect about 50% of the income tax take would become local, 50% going to the Chancellor. This could be done via an independent commission, legally separate and dislocated from Whitehall. It would receive local government's slice of income tax directly from the Inland Revenue, and be charged with distributing it to councils on the same basis as the government department responsible for local government does at present.

There is no reason why most of the commission's members should not be elected councillors from all parties. Local government's national bodies have shown themselves to be mature and confident in cross-party working and co-operating among themselves,

and there is no reason why they could not perform this task. The amount of income tax going to national and local expenditure would be clearly identified on payslips as "national income tax" and "local tax" to aid accountability.

While legally excluded from tampering with the overwhelming bulk of local authorities' income, central government could continue to be free to assist councils with time-limited funding on particular problems, just as the federal government of the USA and many European states already do.

Local councils, assured that the funding of most of their expenditure was secure, could then be free to raise the remaining part of their income from a menu of revenue-raising powers, ranging from property rates to sales taxes. Decisions on local taxes and rates could be taken by local representatives – perhaps even endorsed in local referendums. My guess is that local authorities would mostly rely on their (local) income tax (£54.6 billion), a returned business rate (£16.3 billion), and a property tax (£17.7 billion) to meet current expenditure (£88.5 billion). This, however, would be a matter entirely for them.

In a mature democracy, local authorities would be confident and competent enough to raise and spend what they decide is appropriate, always needing to balance service delivery with revenue raising and the electoral consequences of "no taxation without explanation". Citizens knowing what they pay and why they pay it and holding their own local representatives to account would constitute a firmer discipline and stronger bulwark against central interference than any statute.

Local authorities already have a record of financial expertise and economic management that bears comparison with the central government that so often wishes to lecture them. However, as a constitutional safeguard, local authorities would be obliged to operate a "balanced budget provision" – a self-discipline operated by most US state governments. Annual income would have to match annual spending. Local borrowing, providing its costs were met from annual income, need not be controlled by Whitehall or appear in the old public-sector borrowing requirement, now called the public-sector net cash requirement.

No one else to blame

Throwing away the crutch of central government will be a frightening as well as an exciting challenge. There will be no one else to blame any more. However, devoted public service has always characterised local councillors of all parties, and they will respond to

their liberty. Let local people decide on their spending, their services, on their electoral system or the use of direct democracy.

A thousand flowers are waiting to bloom locally, not all of them to the liking of whichever political party is in control at the centre. We must, however, be mature enough to accept that alongside one council's initiative, say, to create vocational training in schools, another may wish to reinstate grammar schools. Such diversity should not be centrally repressed but be fought out nationally and locally, in the melting pot of the campaigns, the contest of ideas and the votes around local choices.

I have faith that my party's ideas would pass such tests, not least because this would also deliver a tremendous revitalisation to our all-too-often moribund local politics. Returning real decision-making power to local areas would give a much-needed stimulus to local political parties. Many individuals who had opted out of local politics as rubber-stamping the decisions of local and regional bureaucrats would be drawn back into local public service. Once again, it would really matter who got elected locally and how well they were politically prepared and technically trained to handle the onerous duties of independent local government. We would recreate that invaluable network of citizen politicians of all parties, in touch with their communities, close to their constituents, empowered and empowering their local areas.

As the era of those who have no experience of, or trust in, local government draws to an end, we all know that the present agency relationship between the centre and the localities cannot be sustained. Now is the time for some bold leadership to let go, to release and return power to our local communities. The passing fads and flavours of the month of new localism must give way to a robust democratic settlement including constitutional independence for local government.

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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